

University of Toronto
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JRE410

Final Marketing Plan

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1.0 Executive Summary

In this document, we formulate a final marketing plan for Robbox.Inc's xDrill, an innovative handheld, wireless "smart" drill equipped with an advanced all-in-one sensor suite. xDrill aims to provide users with an easy-to-learn, beginner-friendly user experience, through a technologically superior product with industry leading performance. Robbox is an existing company specializing in precision measurement devices, which are also used in the xDrill. To guide the development of a marketing plan for xDrill, both external and internal analyses were conducted for Robbox. This analysis led us to target the high-performance, high-price niche, which Robbox was well-poised to enter, given our resources and capabilities.

Experience level of the user was chosen as the segment criteria as it matched xDrill's value proposition. The three segments formed under experience level are identified as beginner level, intermediate level, and expert level power tool users. From these segments, we chose to market to beginner level users: their values, income level, and characteristics overlap with xDrill's value proposition. Beginner level users were then identified as our target segment after comparing it to the different criteria of market size, accessibility, compatibility, competitive position, and expected growth. For positioning, a differentiation approach will be used to set xDrill apart from its competitors. To best serve our target segment, we used the "4Ps" marketing mix to determine an effective marketing strategy. This was done by defining the product using the total value concept. We analysed demand and concluded skimming and prestige pricing were best suited to ensure profitability. Coupled with indirect marketing and an effective promotion mix consisting of sales digital and public relations, the marketing strategy was determined. Within the next six months, we plan to implement digital marketing through social media-based channels to increase brand reputation. Since we plan to sell the product via a middle man (i.e. indirect channel), we will establish relations with retail stores such as Canadian Tire and Home Depot. We also plan to launch a new product based on the user feedback. After a year, the xDrill price would be re-evaluated (ending skimming pricing) as the market matured and users could not find the value of smart cordless drill anymore. Robbox will gradually gain market share as time goes.

2.0 Business Context

Launched on Kickstarter by Robbox Inc., the xDrill is a handheld, ‘smart’ cordless drill equipped with a digital spirit level, laser depth sensor and integrated touchscreen. The primary value proposition of xDrill is to provide users with a simplified, streamlined drilling experience.

Currently, there is a lack of beginner-friendly, high-tech on the cordless power drill market; Robbox aims to fill this market niche by providing a digitalized all-in-one product. Reception toward the xDrill has been very positive, with hundreds of backers pledging over \$187,000 on Kickstarter [1]. Robbox Inc. is an existing company specializing in precision laser measurement devices, which are also used in the xDrill [2]. As a new entrant into the smart drill market with an innovative new product, we believe that the xDrill could be a very profitable business venture.

3.0 Situational Analysis

In our Marketing Proposal, we conducted a SWOT analysis to examine the external and internal factors relevant to Robbox. Additionally, we analysed the strategies, competencies, and relative positioning of our competitors, in order to formulate the best competitive strategy for Robbox.

Due to the slow pace of technological and market change, gaining an advantage as an early mover with a disruptive technology was likely. Additionally, Porter’s five forces model was used to analyse the external industry conditions. It was found that the rivalry between firms was relatively low; existing firms don’t advertise their products aggressively or use offensive strategies to capture market share from competitors. The threat of new entrants into the industry was low due to a number of strong natural and artificial entry barriers, including the strong brand loyalty held by established competitors and difficulty in securing distribution channels. The bargaining power of both buyers (distributors and mass-retailers) and suppliers (raw material/component sellers) were high, as there are few replacements for both. The threat of substitutes was low, as no other product group is as portable and convenient as cordless power drills. The overall industry outlook for Robbox was favourable; many of the unfavourable factors can be sidestepped by marketing xDrill to serve a specific market niche, where adverse threats, such as the high barriers to entry, will be much less impactful. In addition, the cordless power drill market was expected to increase over 30% in the next decade [3].

A strategic and perception group map was created to visualize the relative positioning of competitors [Appendix B & C], and it was found that there was an untapped niche in the high-price, high-performance area that Robbox, with its technologically superior product, is well-equipped to enter.

Some core competencies that Robbox has includes the number of rare and in-imitable resources in capabilities possessed by the company, existing experience in developing precision measurement tools, and existing demand from a niche consumer base. Robbox can also better serve the unique needs and demands of its customer base by catering to a small market segment. Robbox's weaknesses include: being a small start-up company, lack of brand recognition, and a small initial consumer base. It is also under constant threat from larger established competitors with resources and capabilities to develop their own smart drills.

Based on the external and internal analysis conducted, a decision was made to employ a focused differentiation strategy, where our primary goal is to emphasize the unique capabilities and superior performance of the product, targeting the high performance and price market niche.

4.0 Marketing Segmentation, Targeting and Positioning (STP)

Cordless power drills are used by a variety of different consumers. A factor that differentiates xDrill from the existing power drills on the market, is its high-tech design and smart features that make the drill consumer-friendly. Since consumer-friendliness depends on how easy the product is to use for users with different skill levels, we chose to segment the market based on the experience level of the user. In order to find the best market segment to target, we initially identified three different segments based on the user's experience level with cordless power drills. The three segments are beginner level, intermediate level, and expert level. The typical type of user, the typical age, the estimated market size, the value drivers, and the income level for each segment are described in the table below.

Table 1. Segmentation of the cordless power drill market, based on the user experience level

Experience Level	Beginner	Intermediate	Expert
Typical User	Novice/Casual users; people who only occasionally use drills	Experienced hobbyists and DIYers	Professional users and tradespeople
Typical Age Bracket	Younger users, 20-40	Mid-age users, 41-60	Older users, 60+
Estimated Market Size	Large	Medium-Large	Very small
Value Drivers	Aesthetics, ease of use/easy learning curve	Durability, performance specifications, price	Brand loyalty, safety, price, performance specifications
Average Income Level [Appendix A]	Medium-High	High	Low

From our analysis of the three segments, we selected the Beginner user segment to explore further. This segment was chosen, as the primary value proposition of xDrill, (providing users with a simplified, streamlined drilling experience) overlapped well with the value drivers of the Beginner segment, who prioritize ease of use, and an all-in-one solution to their drilling needs. xDrill's expensive price, easy to use functionality and sleek design, are a good match for the beginner level users who have a medium-high income, value aesthetics, and prefer a product that is straightforward to use. To assess the economic feasibility of marketing to this segment, we evaluated the target segment based on the following criteria shown in Table 2 below.

Table 2. Evaluation of the selected beginner user segment

Market Size	The cordless power drill segment has the highest market share in the power tool market[4]. Along with the steadily rising demand for cordless power drills, it was found that since 2010, the youngest demographic aged approximately 20 to 40 were more likely to purchase power drills than any other power tool in the market[5].
Expected Growth	The power tool market reached 1051.6 million USD in 2021, and 1091.4 million USD in 2022 [6]. Additionally, based on the trend of market growth, it is expected to reach 1694.9 million USD by 2032.
Competitive Position	Currently, there are a lot of cordless power tool companies in the market [Appendix C] However, there are no companies that sell cordless drills specifically targeting inexperienced users. As a first mover possessing a product with laser measuring and gyroscopic tracking functionality, Robbox is well-poised to target this segment, while facing little competition in the short-term. Therefore, our segment is quite attractive by this criterion.
Accessibility	Composed primarily of younger users between the ages of 20-40, the beginner segment will be easy to reach through digital channels [7], due to near-universal presence on internet-based media [8]. Digital marketing is far cheaper than traditional marketing methods [9], and has been shown to be especially effective on Millennials and Zoomers [10]. These factors, in conjunction with the fact that digital ads are able to be targeted to specific user demographics, mean that our target segment can be reached very cost-effectively.
Compatibility	Given Robbox's experience in designing and marketing high-precision measuring tools, Robbox possesses the resources and capabilities to successfully market xDrill. Robbox has already successfully commercialized all-in-one, easy-to-use multi sensor devices [11]. The beginner segment is compatible with Robbox's resources and capabilities as Robbox has already successfully marketed an all in one measuring tool to a similar segment making us well poised to do the same for xDrill.

By performing the market analysis, we can conclude that the finalized target segment of beginner level users serves as a growing market for cordless power drills backed up with growing demand trends.

For positioning, a differentiation approach will be used to set xDrill apart from its competitors. Our primary goal is to emphasize the unique capabilities and superior performance of the product. With this approach, we will aim to target the high-performance, and medium-high price market niche which other competitors do not currently target. xDrill will be catering to customers

who value user experience while not compromising on the performance offered by conventional drills. Apart from using the first mover's advantage of being the first smart cordless drill on the market, other key differentiation themes that will be used are: high build quality, modern-looking and ergonomic design, the user-friendly experience and the xDrill's high precision.

5.0 Marketing Strategy (3 page max)

In this section, we outline our process to develop a comprehensive marketing program based on the '4P's' marketing mix, in order to best reach our target segment. This was done by assessing the Product, Price, Place and Promotion aspects of the marketing mix.

Product

To better understand our product, we analysed xDrill using the total value concept, shown in the table below. xDrill's value proposition to the consumer is made up of the core benefits, and is augmented by several ancillary benefits.

Table 3. Product Development Analysis for xDrill

Core benefits	<ul style="list-style-type: none">● Convenient and easy to use for all experience levels, especially beginners and amateur drill users● One-stop solution for all drill-related measuring tools
Actual product	<ul style="list-style-type: none">● Equipped with high-tech sensors to enhance ease-of-use● The interactive screen provides assistance● Drilling capabilities on par with industry-leading competitors● Modern design● Superior build quality and durability● The company's existing reputation in building precision tools ensures reliability
Augmented product	<ul style="list-style-type: none">● Convenient online purchase options● The interactive screen displays useful guides for beginners, with online documentation● Additional accessories are provided such as a carrying case or extra batteries● xDrill can be self-serviced or brought into service centers● 1 Year Warranty

Robbox Inc. envisions itself as an innovator in the tool industry. Alongside its other measuring tools, xDrill will be a new product in its product line of smart power tools. This product is classified as a consumer product targeted towards novice and amateur users with high incomes.

The product entails a moderate learning curve, hence it is aimed primarily towards tech-savvy users. xDrill also provides a “xDrill case” [Appendix D] to store the drill [12] for user convenience, and to enhance the premium perception of xDrill.

In terms of branding, Robbox Inc. has a weak reputation. Despite its efforts to portray itself as a leading innovator in the tools industry, its branding fails to convey the qualities of the company and its product features. Robbox’s product xDrill suffers from the same issues. This problem can be overcome using a co-branding strategy by partnering with reputed brands such as “Amazon Basics” or large retailers such as “Best Buy.”

Price

As the market for smart cordless power drills is very new, and is still in the introductory phase, Robbox’s primary goal is to gain market share before competitors are able to enter the market niche, while still maintaining a reasonable profit level, as Robbox cannot afford to operate at a loss due to low capital reserves. As Robbox’s sales volume will be relatively low in the introductory phase, the marginal production cost is likely to be high, due to the manufacturing learning curve and lack of economies of scale. Consequently, xDrill will have to be priced high to generate significant profit.

Due to lack of awareness in the public, the initial demand for xDrill is currently quite low, but is expected to increase as Robbox employs the promotional strategies outlined in the next section. There are no few, if any substitutes in the market for a smart and “premium” drill with integrated sensors. Due to the premium nature of the product, the target segment can be assumed to have high disposable income. This shifts bargaining power towards Robbox away from consumers enabling xDrill to be priced higher than the competition. To the current buyers, xDrill is going to be relatively price inelastic, as they are willing to pay a premium price for an innovative product. Since its launch on Kickstarter in mid-2020, Robbox has sold 370 units at an average price of about \$475, resulting in \$175,000 dollars in revenue.

As a result, we believe that the ideal pricing strategy for the xDrill is price skimming, setting the retail price at about \$350-450 CAD. Current high-end competitor products, such as the Milwaukee M18 Drill/Driver tool, are priced at approximately \$300 CAD[13]. Employing a

price skimming strategy takes advantage of the initial product hype (and the associated pent up demand), while also leveraging the lack of competitors/substitute products in the market niche. By pricing xDrill at a similar or slightly higher value than competitors, we take advantage of the prestige pricing effect, in which the perceived quality of xDrill is improved. In the future, as the market matures and Robbox's market share rises, the price can be lowered, as the niche becomes increasingly saturated due to competitors entering the market.

Place

Robbox Inc. will not primarily rely on its own retail stores and website. Since xDrill has a low market presence compared to other competitor brands, Robbox will aim to sell xDrill via other middlemen. Through retail shops that have pre-existing customer relationships and experience in selling similar products (premium tools), many potential buyers can check and experience xDrill and may get interested in. Additionally, Robbox can cut shipping and customer service costs by selling xDrill via other retail stores. Robbox may also aim to choose middlemen with greater exposure to their specific product niche and can utilize existing customer relations with middlemen to push their product into the market. This includes various tech hardware retail stores and modern home decor stores. Robbox must also continuously evaluate the market and swiftly respond to changes in customer demand as it may be challenging to track sensitive demand of a small niche of people through intermediaries (middlemen).

Promotion(s)

Robbox Inc. should begin its promotion campaign by getting the word out. Robbox should promote the uniqueness of the product and its "first-of-its-kind" nature using an extensive *advertising* campaign that makes customers aware of xDrill and its features. Since Robbox is bringing a new product to the market, *sales promoting* xDrill will be effective in the short run to formulate a customer base quickly. Robbox can do this by providing 20% discount coupons for the first 1000 buyers, and having them provide crucial and credible feedback on the product. Given our target segment consists of young individuals Robbox should take advantage of *digital marketing* and *public relations* due to the targeted demographic being active internet users. By sending product samples to popular tech reviewers, power tool reviewers, and actively participating and advertising the product in forums related to drills and home decor. Robbox should use social media to promote the product to a relatively younger audience through quick, compact demonstrations of xDrill, highlighting product features such as ease of use and its

“cool” and modern look. Therefore, the promotion mix will incorporate various promotion strategies to push the product into the market effectively and efficiently.

6.0 Timeline and Predictions

Table 4. Timeline with marketing strategies

Time (from Dec 2022)	Marketing Strategy Milestone/Task
0-6 months	<ul style="list-style-type: none"> ● Implementation of a comprehensive advertising campaign, involving digital marketing initiatives targeting the beginner user segment through a number of social-media based channels.
2-4 months	<ul style="list-style-type: none"> ● Establish relations with distributors across Canada, primarily mass retailers such as Canadian Tire and Home Depot to sell xDrill.
8 months	<ul style="list-style-type: none"> ● Hiring of full-time marketing staff to manage public relations/public perception of xDrill ● Distribution of discount coupons/codes for xDrill to facilitate
1 year	<ul style="list-style-type: none"> ● Launch user survey to gather feedback on xDrill; use information to iterate upon design and maintain Robbox's technological edge
1-2 years	<ul style="list-style-type: none"> ● Re-evaluate xDrill's pricing; end skimming pricing strategy and transition to a competitive pricing strategy as the market matures
2 years	<ul style="list-style-type: none"> ● Capture 10 percent market share among the target segment (beginner users)
4-5 years	<ul style="list-style-type: none"> ● Introduce new smart products in the product line
5 years	<ul style="list-style-type: none"> ● End indirect channel strategy, and start to sell the products through direct marketing channels
10 years	<ul style="list-style-type: none"> ● Capture 50 percent market share among the target segment (beginner users)

Marketing Plan Risks

If xDrill's reputation is not increasing as quickly as we expected, it will be hard to gain market share. Compared to xDrill, competitive firms may choose to employ aggressive competitive strategies, such as predatory pricing, in order to force Robbox out of the market. Plus, as xDrill's price is significantly higher than the other brands' products, incumbents might utilize their cost advantage well by using discounts or providing coupons. Additionally, there is no guarantee that

the promotional campaign through digital channels will be a success, as effectiveness of advertisement campaigns is hard to predict and depends on volatile opinions [14].

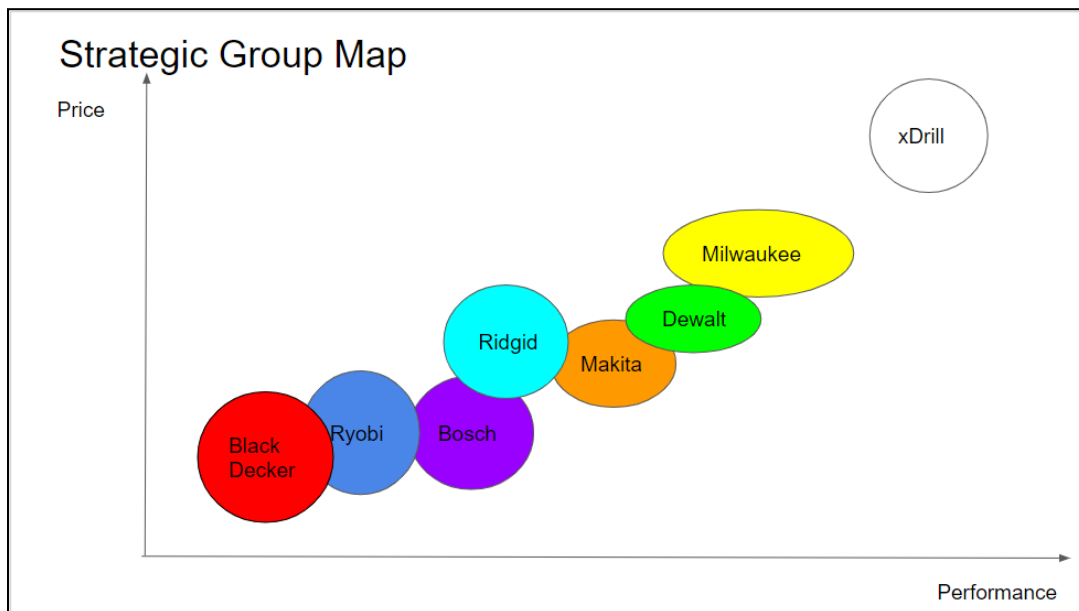
7.0 Appendix

Appendix A: Income Level By age

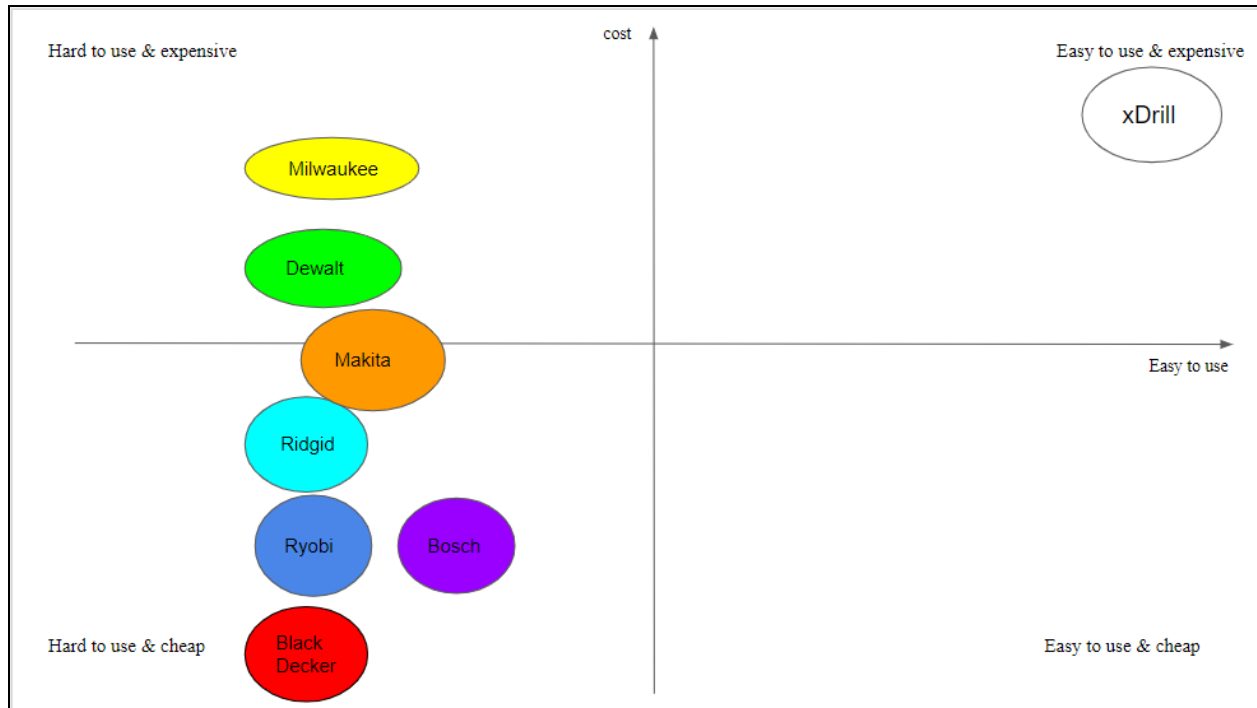
These statistics outlining average income level by age were taken from the Statistics Canada website. [15]

Age	Average Income
25 to 34	\$50,200
35 to 44	\$65,800
45 to 54	\$67,400
55 to 64	\$56,800
65 and older	\$43,200

Appendix B. Strategic group map



Appendix C: Position (perception) map



Appendix D: The xDrill case



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