

ID#080514

PUBLISHED ON  
SEPTEMBER 1, 2010

# Bugaboo International

BY JONATHAN LEVAV<sup>\*</sup> AND OLIVIER TOUBIA<sup>†</sup>

## ABSTRACT

Bugaboo International has experienced tremendous growth selling strollers to an upscale market. How will it maintain this growth and its unique approach to product design?

## CONTENTS

Introduction.....	1
The Origins of Bugaboo .....	1
Bugaboo: Setting Itself Apart .....	3
Bugaboo in the U.S. Marketplace .....	4
The U.S. Stroller Market .....	5
Development of the Bugaboo Bee.....	7
A Bugaboo Car Seat.....	9
Addressing Bugaboo's Growing	
Pains.....	10
What's Next?.....	13
Exhibits .....	15

<sup>\*</sup>*Class of 1967 Associate Professor  
of Business, Columbia Business  
School*

<sup>†</sup>*David W. Zalaznick Associate  
Professor of Business, Columbia  
Business School*

### Acknowledgements

*We thank the management team at  
Bugaboo for their support and assistance  
in developing this case.*

*Elizabeth Unger, MBA '99, provided  
research and writing for the case.*

### Copyright information

© 2008-2010 by The Trustees of Columbia  
University in the City of New York. This case  
includes minor editorial changes made to the  
version originally published on September 22,  
2008.

*This case cannot be used or reproduced without  
explicit permission from Columbia CaseWorks. To  
obtain permission, please visit  
[www.gsb.columbia.edu/caseworks](http://www.gsb.columbia.edu/caseworks) or e-mail  
[ColumbiaCaseWorks@gsb.columbia.edu](mailto:ColumbiaCaseWorks@gsb.columbia.edu).*

## Introduction

In 1999 the Bugaboo Classic baby stroller was launched in Europe and became a design icon; it was even pictured on a Dutch postage stamp. Three years later, sporting a new name—Bugaboo Frog—Bugaboo strollers began rolling into the United States. Their popularity became a phenomenon that single-handedly ushered in the market for luxury strollers in the United States. Within less than ten years, Bugaboo established itself as a design leader in the stroller category and became an iconic luxury brand with global recognition.

Max Barenbrug and Eduard Zanen founded Bugaboo in 1995. By 2008 the company had grown from a hand-picked group of seven into a global corporation of over 800 people, including its employees in production facilities in Asia. Such rapid growth and gain of brand equity presented Bugaboo with both opportunities and challenges. Barenbrug's vision was to have Bugaboo become "the leading mobility brand in the world."<sup>1</sup> To achieve this, the company would have to introduce new products in new categories. How could Bugaboo capture and replicate the essence of what had driven its initial success? Finding themselves at a crossroads, the management team needed to prioritize its efforts to optimize its growth strategy for the company.

## The Origins of Bugaboo

In 1994 industrial designer Max Barenbrug graduated with double honors from the Design Academy in Eindhoven, The Netherlands. While still a student, he had observed young parents struggling with unwieldy, stodgy-looking strollers and had been inspired to solve a problem that, according to Barenbrug, the parents didn't even know they had. In order to achieve this objective, he intentionally ignored existing stroller designs and took an *insulated* approach to crafting his product. Barenbrug felt that this method was essential to tapping into the benefits that his new stroller would deliver. As he explained, "The concept was based on interesting market trends: father care, dissatisfaction with baby products, more free time, more sports activities. These trends are inspiring for a designer--information that comes from *outside in*. By identifying latent needs, with our creative product concept process we can make a difference *inside out*." Barenbrug's resulting design was entirely unique. The technology that allowed the flexible, new functionality was a "central joint," which Bugaboo later called the *Epicentre* (see Exhibit 1). Max's design innovation allowed some of the functionalities that came to define the Bugaboo difference: a reversible handlebar, a reversible seat, a two-wheel position so that the stroller could be taken to the beach or through the snow, and a compact folding system. The stroller's colors were bold, and its look was modern.

---

<sup>1</sup> All statements by members of the Bugaboo management team are cited from interviews on January 15-16, 2008 in Amsterdam, the Netherlands, unless otherwise noted.

After graduation, Barenbrug teamed up with his brother-in-law, Eduard Zanen, a physician and entrepreneur. They set out together to sell Barenbrug's design. They initially had no success. Retailers were not interested in a product that was radically different from traditional strollers. Barenbrug went back to the drawing board and spent two years refining his design.

In 1996 Barenbrug and Zanen founded a company, Bugaboo, to produce and sell their new stroller. Initially, they had difficulty controlling quality and cost inputs because the company's low production volume meant that manufacturers gave it little attention. Dissatisfied with that situation, the two men decided to purchase their own factory in Taiwan. Zanen financed the development of the stroller prototype while Raoul Meerten was hired to develop factory drawings for production. Madeleen Klaasen, formerly a marketing brand manager at Nike Europe, soon came on board to oversee the company's marketing efforts.

To determine the price of their product, Zanen presented it to retailers and asked how much they would charge for it. The answer gave Bugaboo little margin above cost, so Zanen made a decision that changed the stroller category forever: *he set the price at twice what the retailers had suggested*. He recalled, "I decided to ask for double, and thought that we could always bring it down later if we needed to."

In 1999, nearly four years after Barenbrug and Zanen had founded their company, the first Bugaboo stroller glided along the streets of Holland. The Bugaboo Classic immediately stood out in the market due to its innovative functionality and fresh look. Bugaboo received a lot of attention in the press, garnering positive professional reviews and quickly gaining popularity, despite its high price.

By 2008 Bugaboo had become a global company. It employed 150 people at its headquarters in Amsterdam, with 18 designers/engineers on its development team. It employed another 100 people in 13 other offices around the world, as well as 550 people at its factories in Taiwan and China. Its products were sold in 2,200 stores in 48 countries. Unlike most stroller manufacturers, Bugaboo employed its own dedicated sales force to call on retailers and teach store personnel how to demonstrate its products to customers. Bugaboo management felt that an effective demonstration of their products was the best way to convey their value proposition. Retailers were enthusiastic about supporting Bugaboo's products; although Bugaboo offered one of the lowest margins in the stroller category, each sale represented more absolute profit because of Bugaboo's high price.

Bugaboo's sales had more than doubled every year since 1999, culminating in sales of EUR 70 million in 2007. The Bugaboo Group aimed to increase total sales to more than EUR 200 million in 2015, both by expanding its stroller sales and by offering new products in the mobility segment. (See Exhibit 2 for Bugaboo's sales history.) The region with the highest sales of Bugaboos was North America, which accounted for 32% of the company's total sales. On a nominal basis, however, Bugaboo estimated its market share in the United States to be less than 1% of the total stroller market there. The region with the second-highest sales of Bugaboos was Europe; the company was particularly strong in the United Kingdom, Spain, The Netherlands, and Belgium. To assess its

market share, Bugaboo utilized a proxy for the premium stroller segment that it called the “comfort segment.” Based on this estimation, the company projected that it had captured a market share of approximately 8% in Europe, with strong showings in Spain and Portugal (18%) and the United Kingdom (13%). If the company further segmented the comfort market into an “addressable” market for its products, the market share throughout Europe was around 18%.

## **Bugaboo: Setting Itself Apart**

Barenbrug distinguished Bugaboo from its competition, explaining, “I am not interested in competitors at all. We are not competing with anybody. We do our own thing: we have our own priorities.” By 2008 Bugaboo’s portfolio consisted of the Bugaboo Classic (1999), Bugaboo Frog (2001), Bugaboo Cameleon (2005), and Bugaboo Bee (2007) strollers, as well as the car seat developed by Takata (2008). The Cameleon, the company’s most expensive stroller, was by far its most successful product. In 2007 the Cameleon accounted for 68% of total revenues and 73% of all Bugaboo stroller units sold worldwide. (See Exhibit 3 for photos of the Frog, Cameleon, and Bee, along with prices of various accessories.) Though Barenbrug was not particularly concerned with competitors, Bugaboo’s management team recognized that there were several key players within their competitive set—including Dorel, Quinny, Maxi-Cosi, Stokke, Orbit, Peg Perego, and Phil&Teds—to keep track of.

### **CUSTOMERS**

Bugaboo did not place much emphasis on traditional consumer segmentation or targeting techniques. Klaasen explained, “We don’t really look at customers that way because our value proposition is relevant to such a broad range of customers.” According to CEO Arjan Muis, “Max’s philosophy is not to ask customers what they want because he feels they don’t know. They have latent desires that they don’t know exist.”

### **PRICING**

The company’s pricing strategy was to keep product prices high. By establishing a strong brand sensibility early on, Barenbrug explained, “Bugaboo is (equated with) performance luxury. Performance is at Bugaboo’s core. We believe that performance makes lust acceptable. Bugaboo is confident, unapologetic about products, about prices. The brand dares people to accept what they didn’t previously believe. \$4 coffee, \$250 pair of jeans ...” Klaasen elaborated:

The company represents exclusivity without exclusion. Everyone who drives a Bugaboo feels special but we do not want to exclude anyone. The Bugaboo is designed with great functionality that appeals to everyone.

Barenbrug made it clear that he was not interested in developing low margin products simply to extend the brand; he considered it to be “too much work for too little reward.”

## COMMUNICATION

Bugaboo was a media darling from the moment its distinctive wheels rolled along New York City's streets in "Sex and the City" in 2002. Much of Bugaboo's advertising came in the form of free public relations through coverage in publications such as *Cookie*, *Vogue*, *Entrepreneur Magazine*, and *BusinessWeek*. "Bugaboo Daytrips," a program on the company's Web site, was a unique marketing vehicle. To reinforce "the balance between the emotional and functional sides of the unique Bugaboo experience," the program allowed a parent to download beautifully designed maps of various cities, including Copenhagen, Paris, Toronto, Los Angeles, New York, and Miami. The maps included places that would be enjoyable for parents and children to visit and showcased scenarios of the strollers in use at those locations. Bugaboo also used outdoor campaigns, marketing brochures, and distinctive in-store merchandising to promote its strollers.

## Bugaboo in the U.S. Marketplace

Kari Boiler, Bugaboo's marketing director in the United States, had previously worked in Holland for several years and had purchased a Bugaboo Classic stroller there. Whenever she traveled to the United States, she consistently received inquiries and positive feedback about the stroller. After she and her husband decided to relocate to Los Angeles, Boiler approached Bugaboo about distributing the product in the United States. Bugaboo had planned to enter the U.S. market, but its management believed that the company needed to focus on establishing itself in Europe first. The company also needed to retool its stroller to comply with U.S. standards, and to gain an understanding of liability insurance and retail distribution in the United States. Nevertheless, Klaasen, who knew Boiler from her days at Nike, saw this as an opportunity for the company. She asked Boiler to begin calling on U.S. retailers and doing market research; Boiler then set up shop in her house in Los Angeles.

The first Bugaboo stroller to be introduced in the United States was the Bugaboo Frog. Initially, retail acceptance was a significant hurdle, just as it had been in Europe; stores considered the product too revolutionary and its price a deterrent. The Bugaboo Frog was similar to the Bugaboo Classic and also integrated improvements, including "frog-like suspension" for handling varied terrain, a brake on the handlebar, and new swivel wheels that increased maneuverability. The Frog was priced at a ground-breaking \$759 (the price equivalent of the Bugaboo Frog in Europe), more than twice the price of other premium strollers on the market. Complicating the pricing issue was the fact that the Bugaboo Frog did not fit neatly into any of the stroller categories on the market. While its weight placed it in the traditional stroller category, its flexible features made it more of a "combo" stroller. Combo strollers generally command higher prices because the same stroller can be used for an infant, an older baby, and a toddler. Its flexible features are key to the value proposition of the Bugaboo product.

Then a huge opportunity presented itself to Bugaboo. Boiler had a contact who arranged product placements on television and who connected Bugaboo with HBO. Boiler was aware that Miranda, a

character on the hit HBO series “Sex and the City,” would be having a baby on the show. Boiler therefore saw an opportunity to position Bugaboo by aligning its stroller with the culturally iconic program—one whose fashion and accessories defined “cool” for its viewers. HBO and Bugaboo seized the opportunity, and the Bugaboo Frog leaped into the American public’s consciousness when millions of viewers watched Miranda pushing her son in a blue Frog.

The HBO placement allowed Boiler to demonstrate the product and explain its value proposition to what she felt were the right retailers. The Albee Baby store in New York City was one of the first retailers to carry Bugaboo’s products. A local businesswoman with a successful fashion and baby products brand believed that Albee would be the right store to carry the Bugaboo line; she introduced Annie Rosenberg, manager of Albee Baby, to the Bugaboo stroller. Rosenberg said, “We know our customers and believed the Frog would sell well, particularly among our more affluent clients. We were pleasantly surprised when it appealed to a wide variety of customers.”<sup>2</sup>

The product placement combined with the product’s price quickly established Bugaboo strollers as a coveted luxury item. Bugaboo has since cemented its position as a status symbol, following heavy coverage of celebrity moms and dads pushing the strollers along the sidewalks of New York City and Los Angeles. Within a week of the Frog’s launch in the United States, the company received calls about where to purchase cup holders and snack trays, and within a year customers were requesting umbrella strollers and double strollers.

## **The U.S. Stroller Market**

According to the Juvenile Product Manufacturers Association (JPMA), the stroller market totaled \$670 million in 2006, up from \$500 million in 2005. Unit sales of strollers in 1998 were 5.6 million, and 3.94 million babies were born that year—which translated into sales of 1.4 strollers per child.<sup>3</sup> While birth rates have remained fairly constant, reaching 4.116 million in 2004, the number of strollers purchased per child as well as the prices paid for high-end strollers has continued to grow.

Competition in the stroller market is fragmented, as there are dozens of major brand names and many types of strollers available (see Exhibit 4). Stroller makers differentiate their products based on design, image, and price. Safety does not typically arise as a significant concern or selling point since the makers of 95% of the strollers distributed in North America participate in voluntary safety testing by the JPMA.

Distribution is an important aspect of the stroller industry that directly affects product positioning. Strollers can be purchased through several channels, including large retail chains such as Wal-Mart

---

<sup>2</sup> Telephone interview with Annie Rosenberg, February 1, 2008.

<sup>3</sup> Email correspondence with Juvenile Products Manufacturers Association Communications Manager Yarrisa Reyes, April 3, 2008.

and Target; specialty baby stores such as Babies R Us and Buy Buy Baby; high-end retail stores such as Nordstrom and Neiman Marcus; boutique baby stores; and online stroller stores.

### CUSTOMER PROFILE

Research shows that mothers generally make the purchase decision for strollers, although fathers are increasingly involved as well. Often parents buy more than one stroller per child; they may purchase a pram-like stroller for an infant, a lightweight umbrella stroller for easy travel, a jogging stroller for exercise, and a more durable stroller for urban terrain or bad weather. The increasing average age of mothers is an important trend in this industry because older parents have more disposable income.

According to data from the National Vital Statistics System, the average age of mothers in the United States has increased steadily over the past 30 years to 25.0 years in 2006<sup>4</sup>

Perhaps more than any other baby product, a stroller reflects a parent's tastes and style. A parent might decide to buy a luxury stroller not solely for its performance, but also to make a statement. In a 2005 *USA Today* article, Pilar Guzman, then the editor of *Cookie* magazine, argued that "...strollers are a place people feel justified to spend. It's very utilitarian. It's something you use every day. It's your ride."<sup>5</sup> Many luxury strollers are aspirational objects for mothers, perhaps because of their high price tags.

Who is the luxury stroller segment's target customer? In 1995 *Packaged Facts* coined the phrase "Yoga Mommies" to describe the engine of growth for the \$8 billion-dollar-a-year infant products market in the United States. These 20- and 30-something moms are affluent, highly educated, fashionable, health-conscious urbanites and suburbanites. They are brand conscious and willing to spend substantial amounts, rivaling their own clothing and accessories budgets, on their children. The Yoga Mommies are drawn to brand extensions of adult fashion brands and are influenced by positioning that promotes luxury, hipness, and high fashion for their babies. "These women aren't buying baby products so much as extending their lifestyle to their babies," commented Linda Murray, editor of [www.babycenter.com](http://www.babycenter.com), in a *BusinessWeek* article.<sup>6</sup>

In 1999 market researchers began to document the emergence of "Alpha Moms" as another desirable target segment for makers of luxury baby goods. This group of mothers, like the Yoga Mommies, is also highly educated and affluent. The Alpha Mom is said to be highly tech-savvy and wired, and to be online more than a typical Internet user.<sup>7</sup> She also tends to be an early adopter of products.

According to *US News and World Report*, these moms rely on "hands-on husbands, flexible work schedules, and new technology to successfully combine motherhood and work. [In 1999], they made

---

<sup>4</sup> T.J. Mathews and Brady E. Hamilton, "Delayed Childbearing: More Women Are Having Their First Child Later in Life," *NCHS Data Brief*, August, 2009 (accessed Sept. 2, 2010 <http://www.cdc.gov/nchs/data/databriefs/db21.pdf>).

<sup>5</sup> Theresa Howard, "Parents wheel babies around in \$\$\$! Status symbols," *USA Today*, May 5, 2005.

<sup>6</sup> "In Hot Pursuit of Yoga Mama," *Business Week*, November 7, 2005.

<sup>7</sup> Bruce Horovitz, "Alpha Moms Leap to Top of Trendsetters," *USA Today*, May 26, 2007.

up about one quarter of mothers; the [Leo Burnett advertising] agency says the percentage is probably significantly higher today.”<sup>8</sup>

### **HIGH-END STROLLER MARKET**

Prior to 2002, the premium stroller market was represented by brands such as Peg Perego, Maclaren, and Inglesina, whose traditional strollers were priced at around \$200 to \$300. When Bugaboo entered the United States in 2002 with the Frog, it was priced hundreds of dollars above the most expensive stroller on the market, at \$759. Even at this price point, the Frog created an instant splash. Immediate customer demand drove retail acceptance of this luxury item and paved the way for other stroller makers to penetrate an untapped market for highly functional, aesthetically updated, high-priced strollers. While premium brands are still manufacturing high-end strollers priced at around \$250 to \$450, many luxury models are now priced above \$700, with custom versions costing more than \$1000. Luxury producers include Bugaboo, Bumbleride, Musty, Silver Cross, Stroll Air, Stokke, Quinny, Uppa Baby, and Zooper. As would be expected, success bred copycats, and several brands have begun to introduce Bugaboo look-a-like strollers, priced at around \$400.

Many makers of luxury strollers position themselves as innovative, versatile, and modern. They regularly publicize their products’ ease of transport, comfort, maneuverability, flexibility, and suitability for all terrains. The high cost and chic designs of these models have established them as status symbols, but their prices put them out of reach for many parents. Additionally, while parents often rave about these strollers and professional reviewers rate them highly, the same reviewers also note that the strollers aren’t necessarily much more functional or practical than strollers that cost much less:

The Bugaboo Cameleon receives the most positive reviews (by our professionals), but it’s left out of the top picks due to the extremely high price tag.<sup>9</sup>

## **Development of the Bugaboo Bee**

Throughout 2003 requests poured in for a Bugaboo “umbrella stroller.” An umbrella stroller (named for its resemblance to a large umbrella) is very lightweight and compact. In response to this growing demand, the design team at Bugaboo began to consider development of what later became the Bugaboo Bee.

While the Bugaboo design team was mulling over ideas for an umbrella stroller, an independent French designer approached the company with a stroller that had an original, innovative folding mechanism. Bugaboo saw the potential in this feature, and it became the basis of the Bee’s design. Once the parameters of the folding mechanism were defined, the Bugaboo team took a step back to

---

<sup>8</sup> Kimberly Palmer, “The Age of the Alpha Mom,” *U.S. News & World Report*, August 26, 2007.

<sup>9</sup> *Consumer Reports*, April 2007.



consider what they believed their customers were really asking for when they said they wanted an umbrella stroller. Barenbrug interpreted their request as the desire for a “compact and comfortable” stroller. While customers and retailers were asking specifically for a lightweight stroller, Barenbrug was convinced (based on his own experience and observations) that weight was not as important as customers thought, and that what they really wanted was a stroller that was easy to carry. Thus, while the final design for the Bee was heavier than its umbrella competitors, according to Barenbrug it was nonetheless much more maneuverable and easier to carry.

In developing the Bee, the design team was guided by the same insulated approach that had served Barenbrug so well when he designed the original Bugaboo. However, the Bee’s development was not absolutely insular. At several points in the design process, the Bugaboo team invited cutting-edge architects, designers, photographers, and other experts to participate in “co-creation sessions.” Being a target customer was not a key criterion for being invited to these sessions. During the meetings the design team observed how people interacted with the product and solicited feedback and suggestions for improvement.

Some of the feedback led to changes in the design. For example, the color of the plastic joints was changed from white to black. Other feedback, however, was ignored. Some customers had negative associations with the white wheels of the Bee, comparing them to the wheels on a hospital bed; the Bugaboo team ignored this reaction. According to Klaasen, “Max said that these wheels are going to become the distinctive design feature of the Bee. It’s how people will recognize it in the street. We had a strong feeling about this.”

While the final design for the Bee was reminiscent of an umbrella stroller, the Bee’s unique features—including foam-filled wheels, reversible seat, telescopic adjustable handlebar, internal spring suspension, and relatively heavy weight—put it in a category of its own. According to Boiler, “Just as there was no real category for the Frog, there is no category for the Bee. In fact, we don’t call it ‘an umbrella stroller.’ We call it ‘Bugaboo’s most compact stroller.’”

Pricing the Bee was a challenge. Bugaboo considered matching the price range of its competitors’ umbrella strollers, but felt such a price point undervalued the product. On the other hand, if the team priced the Bee too high, they worried that it would cannibalize sales of the Chameleon. As a result, Bugaboo conducted some conventional pricing research and subsequently set the Bee’s price at \$529.

With the launch of the Bee, Bugaboo initiated a new approach to its communication strategy. Ahead of the product launch, the Bee generated plenty of PR buzz from baby magazines. Then, to kick off the product launch in the United States, the company produced a two-and-a-half-minute video clip, in the style of a Broadway musical, to be the centerpiece of its advertising campaign for the new product. The video premiered on the giant electronic signs on the Reuters headquarters building in Times Square, and can be seen on the Bugaboo Web site. “This movie is something that for us is very

new,” said Klassen. “We want to get more and more of an understanding of how non-paid media, how buzz online, can help the product and the brand,” she added.<sup>10</sup> In an effort to serve the needs of customers who were turning increasingly to the Internet for information on baby products, Bugaboo allocated about a third of its advertising budget for the Bee to online media, a third to print media, and a third to media seen outside the home (including at bus stops and in subway stations).

## A Bugaboo Car Seat

Bugaboo also had many requests from retailers and customers for a Bugaboo car seat that would fit the company’s strollers. Using available car seats with Bugaboo strollers required a special adapter that was not always easy to operate. Bugaboo management now had many internal debates, similar to the discussions that they had had during the development process of the Bee, about whether a car seat fit the Bugaboo vision for product line extensions. Barenbrug wanted to design an innovative Bugaboo car seat from scratch, but Zanen felt that that would be too time consuming and too risky from a product liability standpoint. Additionally, an existing business opportunity for introducing a car seat presented itself to Bugaboo. Klaasen explained:

One of Eduard’s skills is to have good contacts all over the world. He had a good relationship with Takata, a Japanese B2B car accessories manufacturer. They developed their own car seat and they [approached us because they] wanted to use Bugaboo as a travel system companion.

As a result, Bugaboo’s management team began to seriously consider the case for a Bugaboo car seat.

The team debated over the positioning of the product as well. Klaasen explained, “We had a lot of internal discussions about whether this is a core mobility product as we see it or whether we should position this as an accessory. Does this keep us a baby products company when we are trying to be a mobility company?” In the end, management felt that it was worth it to proceed with the project. Klaasen stated, “For us, positioning wise, it’s a good step because it completes our travel system. If a customer goes out, wherever they go, now their whole day experience is with Bugaboo products.”

In the end, the company negotiated a licensing agreement with Takata, Inc., to produce a car seat tailored to Bugaboo stroller specifications. (See Exhibit 5.) And while Bugaboo was aware that the Takata car seat was not a revolutionary new product (for example, a customer still needed to use an adaptor to attach the car seat to the stroller), the team believed that it was a worthwhile business opportunity to pursue. Klaasen explained, “Maybe in the end we want to have our own innovative car seat, but maybe in the meantime, it would be wise to have a partnership with an existing car seat company... If in five years we develop our own, then we already have the shelf space for it and we can just put it in the market.”

---

<sup>10</sup> Stuart Elliot, “A Bee for Effort,” *New York Times*, October 29, 2007.

## Addressing Bugaboo's Growing Pains

Bugaboo's rapid growth had shaped many of the company's decisions during the previous 10 years. Speaking about Bugaboo's initial efforts to grow the company, Zanen said, "In the beginning, we were hanging on behind the steering wheel, like, 'where is this going?' IT, HR, Logistics... these [couldn't] keep up." By 2008 one of Bugaboo's core challenges was how to continue to fill the pipeline for strollers and nurture their product cycles while developing new products that fit in with the company's overall product portfolio strategy. Now, to secure the brand's future success, the company needed to address the challenges such intense growth had left in its wake.

### DEFINE AND REINFORCE CORPORATE CULTURE

Bugaboo's fast growth created a strong need to conserve the very culture and philosophy that were responsible for its successes. Klaasen understood that: "As we grow, we need to document our culture and formalize our New Product Development processes. Right now they are very implicit; we need to make them more explicit." In response to this challenge, Bugaboo worked to nurture its culture while keeping strategy at the forefront of its corporate thinking. In 2001 Bugaboo began working with TEN 2001 to define the company's corporate strategy. In 2004 they hired Joop & Brook to define the company's mission and vision. They continued these efforts in 2006 by defining Bugaboo's "working principles," which were intended to inform employees' understanding of the company's mission and vision. They were:

- **Philosophy:** to have unfailing dedication to breakthrough mobility products
- **Mission:** to excite every person on the move
- **Vision:** to be the leading mobility brand.
- **Living Mission:** to be smart, exciting, no-nonsense

Bugaboo's living mission exemplified the values the company wanted its products to have and was meant to be a litmus test that employees could use to assess whether a product captured the essence of Bugaboo. The company further articulated the qualities associated with each of the living mission values:

- **Smart:** thought-through, innovative, solution-driven
- **Exciting:** passionate, wow-factor, guts
- **No-nonsense:** essence, core, transparent, practical, pure, timeless

Then in 2007 Bugaboo hired consultants who established a "Bugaboo DNA group" to define the essence of Bugaboo's identity and culture. The DNA group stated that a Bugaboo product "has the expected and the unexpected without any compromises in functionality and overall comfort." For the

Bugaboo stroller, the “expected” is that the product can be identified as a stroller. The “unexpected” is that it has new functionalities that surprise and please its user.

To effectively communicate Bugaboo’s culture, methods, and vision to new employees who had been trained in more traditional consumer goods companies, Bugaboo also developed an “identity game” as a training tool. To further emphasize cohesion, Bugaboo hired a company to redesign its headquarters to reflect its DNA, creating a blueprint for the uniform design of all Bugaboo offices across the globe.

### **FORMALIZING THE COMPANY STRUCTURE**

When Bugaboo was founded, Barenbrug and Zanen were the heart and soul of the company: Barenbrug was the designer, Zanen the entrepreneur. To help them produce and sell Barneburg’s stroller design, Zanen hired people with “a certain enthusiasm” whom he “clicked with”; he did not select a team based on their resumés. The team did not do any traditional competitive pricing or consumer research, and they bucked the trend in manufacturing by buying their own factory. When the company was first established, the team members operated as jacks-of-all-trades, doing everything from engineering to product marketing, though none of them were specialists in any of those areas. Meerten, the company’s design manager, commented, “The growth was hard to cope with ... we had long development times because we were also dealing with existing engineering and factory problems at the same time.”

In order to oversee design and production, Trevor Withell was hired in 2007 as innovation director, bringing with him over 20 years of consumer products experience, most recently at Sara Lee. In his words, his job was to “... balance designer-led teams with business legitimacy to be justifiable from a shareholder standpoint.” The company established a structure under which Withell oversaw the R&D, project, management, and design departments, as well as a department to manage the factory in Taiwan.

By 2008 the senior management team was comprised of Arjan Muis, CEO, Madeleen Klaasen, marketing director, Trevor Withell, innovation director, Ted Punt, finance director, Maarten Sluyter, operations director, and Richard Jongsma, sales director. Zanen had relinquished day-to-day responsibilities within the company, stating, “Bugaboo has retained its culture, but has lost its entrepreneurial edge.” Barenbrug was no longer on the management team, but was still closely involved with the company. He also had concerns that the company had gone from being entrepreneurial and nimble to having become laden with approvals requirements and matrices and processes—in other words, bureaucratic. Withell, however, was excited about the company’s growth prospects. He said, “The size of the brand is bigger than the products that exist—we can do more with this brand,” adding, “The company needs everyone to understand product lifecycle. At some point, you need incremental refreshes to the original value brought by a product introduction—these refreshes do not need to be breakthroughs of innovation.”

### **BALANCING CONFLICTING DEMANDS**

Since its inception, Bugaboo had struggled to balance the goals of its designers with the company's business goals. Conflicts emerged because designers and managers did not always work within the same time frames or share the same values and objectives. The average development time for a product was four to six years, which was a significant concern to everyone on the management team, except for Barenbrug. Barenbrug was focused on "developing revolutionary products," even if the time to market for the products was five, six, or seven years. He commented, "... deadlines kill product innovation—products need to incubate until they are right ... the product life cycle is a myth." He believed that because the authenticity of his designs stood the test of time, product cycles did not apply to them. It was his goal to revolutionize each category he entered by creating an iconic design with each of Bugaboo's products. He added, "New company managers become risk averse—more people, more money, more at stake—they are less willing to act on intuition, and it goes wrong."

### **NEW PRODUCT DEVELOPMENT (NPD) PROCESS**

What was the magic that had resulted in the Frog? The management team tried to analyze the essential elements of the Frog's development so that Bugaboo could recreate that spark to design other "breakthrough, outstanding and exciting mobility products." Withell believed that the intangibles that went into the Frog could be replicated, that the company could map Bugaboo's essence using the DNA, and that the consumer's emotional experience with the Bugaboo brand and product usage could be translated into "trade-off curves" and other engineering parameters. Harnessing this "code" would be a competitive advantage for the company when it designed a new product for a new category. And so while Barenbrug believed the knowledge of whether something was Bugaboo at its core was intuition, Withell felt that, "it is not emotion, it's hard scientific measurement of parameters that you can take control of." For his part, Meerten believed that to develop a great new product, "you need both emotion and scientific measurement."

Meerten had worked to formalize the new concept development (NCD) and new product development (NPD) processes, which were later finalized in collaboration with Bugaboo's management team under the guidance of the consultancy firm PARK. Barenbrug and Meerten worked to outline the methods to be used in the exploratory phases of the processes. Later, when Withell arrived at Bugaboo, he worked to formalize the NCD/NPD roadmap. The process was meant to ensure that new products aligned with Bugaboo's DNA, and it provided a mechanism for the management team to "look before it leaps." According to Withell, this NCD/NPD process was unique among most consumer products companies in that "it makes design the lead, not product marketing." In 2008 Bugaboo had five products in development following this process.

The NCD process entailed several phases:

- **Phase 0 (Exploration):** Designers have total freedom, thinking inside out and letting go of all conventions. Product marketing and R&D groups are involved in this phase only to provide assistance when requested by designers.
- **Phase 1 (Concept creation):** A core team from the design, R&D, and marketing groups assesses exploratory concepts, gives input, and develops different product concept streams.
- **Phase 2 (Concept Building):** The core team builds further on the product streams to make them more concrete and begins shaping a business case for them.
- **Phase 3 (Validation):** The core team is extended to a project team (still led by the design group) to validate the product concept and make a robust business plan.

Following phase 3 of the NCD process, the NPD process begins, led by a NPD project manager and his team. This project team develops the product further through several phases (engineering, tooling, testing, mass production, and launch).

For products that represented entry into a new category for Bugaboo, the management team envisioned establishing a small, separate, entrepreneurial team to tackle new product development.

Reflecting on Bugaboo's new NCD/NPD process, Withell used the following analogy:

If you're a good chef and you have your own restaurant and you've got a good clientele, the next thing is restaurant number two. But you can't cook in two restaurants at the same time, so they become this brand ... how do they then secure their brand value as a chef because the original brand came from them—it's what they can do—it's exactly the same for a designer. Max is Bugaboo—it's him, it's his process that created the original Bugaboo, so how does Max coach other designers to design like him so that when a customer comes up to the Bugaboo store and sees a product, they go, 'Hey, Max could have designed that'—that's what it's about, that's why we are working on the Bugaboo DNA.

## What's Next?

Bugaboo had established itself as a luxury brand and a design leader in the stroller category. The company was now poised to actualize Barenbrug's vision of becoming a breakthrough mobility company with products in categories new to Bugaboo. Barenbrug viewed the growth opportunities for the Bugaboo brand as endless but was aware of the challenges to the Bugaboo organization. "For me," he suggested, "... the sky is the limit. But apparently the company has its limitations." In planning the company's next steps, Barenbrug was nonetheless reluctant to sacrifice intuition for research since he believed "research will tell you how it is, but not where to go." The entire management team was confident in Bugaboo's cultural identity and was committed to becoming a

mobility company. With the Bee and the Bugaboo car seat now on the market, the team needed to prioritize the many paths it could take. The company was at a crossroads that would require a significant allocation of resources to attain new goals while its mobility products were in development.

## Exhibits

### Exhibit 1

#### Epicentre or Central Joint



The reversible handlebar, the reversible seat, the two-wheel position for taking the stroller on the beach and through snow, and the compact folding system all pivot around a central point on the stroller. Even this sophisticated mechanism has been stripped down to a simple design.

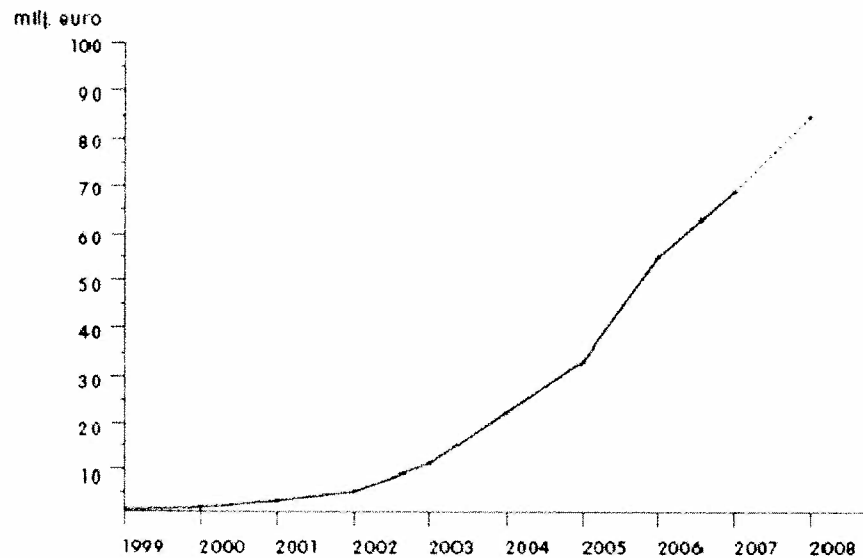
*Source:* Bugaboo International



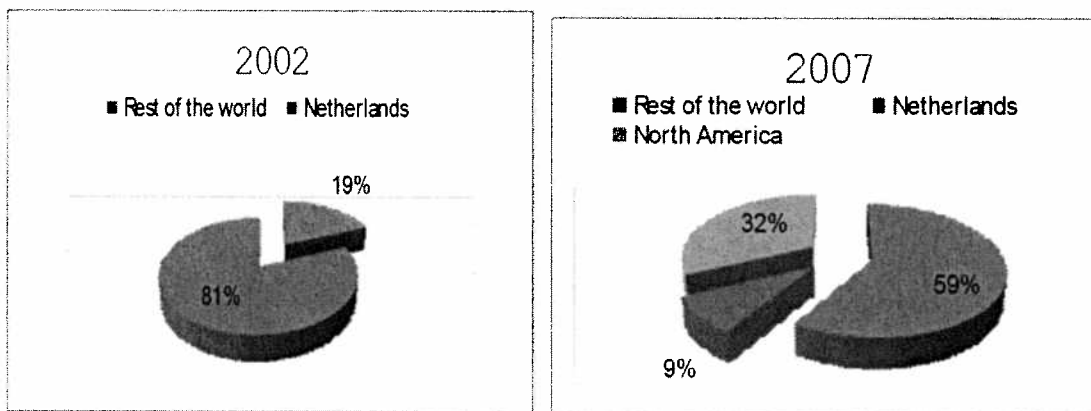
## Exhibit 2

### Bugaboo Sales History

#### TOTAL REVENUE



#### SALES DISTRIBUTION BY REGION, 2002 VERSUS 2007



Source: Bugaboo International

## Exhibit 3

### Bugaboo Products and Accessories

#### THE FROG

Price: \$700 to \$800

Introduced in 2002



#### THE CAMELEON

Price: \$800 to \$900

Introduced in 2002.



#### THE BEE

Price: \$500 to \$600

Introduced in 2007



#### Bugaboo Accessories

<i>Item</i>	<i>Price</i>
Foot muff	\$129.95
Diaper bags	\$100.00
Sun canopy	\$39.95
Sunshade	\$24.95
Parasol	\$39.95
Cup holder	\$24.95
Car seat adapter	\$44.95
Wheeled transport bag	\$159.95

*Source:* Bugaboo International

## Exhibit 4

### Stroller Types

There are more than 30 brands that can be consistently found on the stroller market. They include: Baby Jogger, Baby Trend, Bertini, Bob, Britax, Bugaboo, Bumble Ride, Chicco, Combi, Dorel (maker of Cosco, Eddie Bauer, Jeep, Kolcraft, and Safety 1st brands), Evenflo, Fisher-Price, GoGo Babyz, Graco, Inglesina, InStep, Maclaren, Mountain Buggy, Orbit, Peg-Perego, Phil&Teds, Quinny, Rock Star Baby, Silver Cross, Stokke, Stroll-Air, Tike Tech, Uppa Baby, and Zooper.

There are more than ten types of strollers routinely sold. The most common are:

#### For infants who cannot sit up yet (generally under six months):

*Seat Carrier Frames.* These lightweight frames have no seat of their own; an infant car seat “clicks in” for strolling.

*Combo Strollers.* These models are a combination carriage and stroller. They come with a seat attachment to be used for a stroller once the baby can sit up. Before that, you can use the stroller's bassinet, snap an infant car seat into the stroller, or recline the seat.

*Travel Systems.* These combine a stroller and an infant car seat. Until the baby can sit up, she rides in the car seat snapped into the stroller. Later, she can sit in the stroller without the car seat.



*Carriages.* Also known as prams, these models provide sleeping space for infants. Some have bassinets that can be removed and used separately.

Carriage (Source: stroller.com)

#### For children who are sitting up (generally older than 6 months)



*Umbrella Stroller.* Originally named for their curved, umbrella-like handles, these scaled-down strollers typically weigh less than 12 pounds. They are meant to be easy-to-carry, on-the-go strollers. Many have a one-handed release for folding.

Umbrella Stroller (Source: stroller.com)

## Exhibit 4 (continued)



*Traditional Strollers.* These are the most widely used strollers. They are heavy-duty, weigh 17 to 35 pounds, and can be somewhat bulky, but they are also stable, deep, and roomy. They often include conveniences such as snack trays, cup holders, and storage baskets. Higher-end models may have shock absorbers on all wheels as well. Many have a two-step, one-handed release for folding.

Traditional Stroller (Source: stroller.com)

*All-Terrain Strollers.* These strollers have larger air-filled tires or a three-tire configuration and are suitable for use on all surfaces, from sidewalks to rugged roads to dirt trails. They usually have an outdoorsy look.

*Jogging Stroller.* These strollers are designed so that you can push your child in them while you run or jog. They have three large, air-filled wheels and come with a front hand brake and nonswivel or lockable front wheels.

### Multiseat Strollers

*Tandem Models.* These strollers have one seat directly behind the other. They are the same width as single-passenger strollers and fit easily through doorways and along sidewalks; they are the double stroller most commonly used in cities

*Side by Side Models.* These strollers have two seats adjacent to one another, attached to a single frame.



Side by Side model (Source: stroller.com)

## Exhibit 5

### Bugaboo Car Seat



*Source:* Bugaboo International