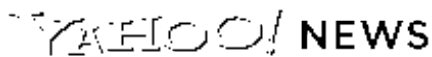


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Parent Input Helps Toy Ideas Ring True

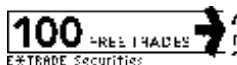
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Two years ago, a member of a parents panel mustered by baby and kid's products seller Chelsea & Scott noticed a design problem with a new item set to go on sale for the Christmas shopping season.

The product was a talking wastebasket that said "thank you" whenever you put something in it. Karen Scott, president of Chelsea & Scott, said the gizmo, which came with a whiskbroom and dustpan, looked like a winner because it taught children that cleaning up was a good thing.

But a parent on the company's monthly parents panel noted that the dustpan was too large for the opening of the wastebasket. The parent said the product would be frustrating for her child because most of what goes into the dustpan would end up back on the floor.

Chelsea & Scott's merchandising group had already screened the product -- but no one noticed the flaw.

"Parents are the folks in the trenches, so to speak, working and living with children every day. And they'll see things from a perspective that our merchandising group might not catch," Scott said.

The incident is one of many that prove the value of the company's parents panel. The Lake Bluff, Ill.-based company sells baby and toddler gear through its One Step Ahead catalog and Web site, and toys and clothes for kids 3 and older through its Leaps and Bounds catalog and Web site. The privately held company expects to top \$80 million in sales this year.

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base and determining their wants and needs.

The parents panel is a focus group that provides another level of information about new products. Chelsea & Scott primarily relies on the experiences and judgments of its merchandising group to choose products for its catalogs and Web sites.

But using parents and customers with young children for feedback provides additional insight into products and reaction to proposed pricing, Scott says.

Chelsea & Scott gets the panel's reaction to products before and after the suggested retail price is disclosed. There have been times when the company has gone back to the manufacturer and said the parents panel loved a product but that it's priced too high, she says. The retailer has convinced makers to cut their price to make the product a success.

Chelsea & Scott formalized its parents panel program about three years ago. The panel meets once a month, usually in the evening, at the company's headquarters in north suburban Chicago. It alternates between products focused at the One Step Ahead and Leaps and Bounds markets.

The panel is shown 10 to 15 products over the course of two hours. Parents are recruited from the surrounding area through word of mouth, notices in day care centers and pediatricians' offices, and also using the company's customer database.

Panels usually consist of 15 to 20 parents. They fill out a short questionnaire and ratings sheet about the products. For their time and effort, they are each given a \$75 gift certificate toward their next purchase from either One Step Ahead or Leaps and Bounds.

They are asked to judge products based on value, performance, quality and usefulness. That means everything from packaging and instructions, to construction and durability, and design and functionality. They might test out a new diaper bag, baby monitor or room organizer. They could play a game, review a book or watch a DVD.

Pass Ideas To Makers

Often Chelsea & Scott is able to go back to a maker with suggestions parents came up with for improving a product, says Cathy Liginiski, parents panel coordinator for Chelsea & Scott.

The company benefits not only from customer input but also from its ability to market products that were reviewed by other parents, Liginiski says.

"Our customers find it reassuring that they can look on the Web site or look in the catalog and say this product was tested by parents. They trust other parents," Liginiski said.

When the parents panel raves about a new product, the company lists it as a "Parents Panel Favorite."

Chelsea & Scott used to have employees take products home and evaluate them. But Scott decided it was better to have an organized group of parents that had no affiliation with the company do the testing. An independent panel is less likely to withhold negative feedback, Scott says.

When the panel nixes products, it's usually because they don't have adequate play

value, she says.

Panels Need Turnover

Chelsea & Scott wants turnover on its parents panel, so participation is capped at three or four visits.

Scott founded the company in 1989 after the birth of her second child. While sorting through all the baby gear she had bought for her first child, she realized that many of the products hadn't met her standards or didn't work as billed and were a waste of money.

She learned that many other parents had similar experiences, so she decided to start her own catalog company. At Chelsea & Scott, experts did the comparison-shopping for parents and found the best the market had to offer.

Scott was an executive at Kraft Foods (NYSE:KFT - News) before she started Chelsea & Scott. She learned about the importance of customer input while at Kraft, which relies heavily on consumer research.

David Van Nuys, president of e-FocusGroups and an expert on customer research, says it's important to have well-trained people running focus groups and customer panels because the work is harder than it looks.

"There is a misconception out there about focus groups that anybody can do them," Van Nuys said. Companies that take a slack approach to focus groups could end up with bad results, he says.

Experienced qualitative research consultants know how to keep conversations balanced and get at what a person is feeling and might not be able to express, he says.

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