

Cumberland metal industries essay



The Problem Definition: For Cumberland Metal Industries the curled metal cushion pads represent a great breakthrough. These pads offer the company the opportunity to diversify, and double their sales, given a proper market introduction. Cumberland Industries faces the challenge to Place in the market (promote/advertise) and price their latest innovation, the curled metal cushion pads in a way that it reveals the great advantages that the product provides. In order to do that, the company needs to pay attention to certain factors that can influence the success of the product on the market. These factors are: promotion and advertising, and the pricing of the metal pads on the market. Marketing Strategy: A sensible thing for the company to do is to use the niche strategy in order to place the product on the market.

A Niche strategy will focus on a specific area of a service or a product. The advantage of using niche strategy is that it can focus on a specific niche that provides either a large volume of business or small volume with lucrative profit margins. The whole idea behind the niche strategy is that it targets those people who are interested in the type of product offered. In our case, by placing the CMI metal cushion pads as a niche, Cumberland Metal Industries has the potential of becoming a dominant player on the market.

The next step is promoting and advertising the product as such (niche/innovative etc.). What Cumberland Industries should do, is create a brand. They have a truly innovative product that has the potential of becoming a huge success. Before the CMI metal pads, the only pads available were the asbestos pads.

Those, however, could be found at diverse retailers, and were not properly marketed. Moreover, it is well known, and proven that the asbestos pads are a hazard to health and also there are some government regulations that prohibit the use of asbestos pads. Since, the Asbestos pads are the only competition to CMI pads, competition should not be difficult to overcome. Cumberland Industries can easily prove the benefits of the CMI pads, in comparison to asbestos and thus remove the asbestos pads from the market given careful pricing, and market placement. Furthermore, since the CMI pads belong to Cumberland Metal Industries, the company should patent the product. Patent protection should keep competitors with the same products to arise for at least 3-4 years.

By using the product life cycle, we can determine that the product is at its market introduction stage- (costs are high, slow sales, little no competition, created demand). By using the Patent protection, Cumberland Industries can claim a big market share, establish itself on the market, dictate prices etc. However when the patent expires, most likely, competition based on imitation of the product will arise. At the time, the product will most likely be at the growth/mature stage.

At that point, Cumberland Industries can start differentiating itself in order to keep up. They can start diversifying, adding new products to the existing line, e. g. introducing bigger sized pads. This of course could have already been done in the beginning; however, since the metal pads are a new product, it can be a sensitive field. The company needs to first test the ground, and see how the market will react to the pads in general.

Moreover, at the moment there is little demand for bigger sized pads, so the company should focus on the proper introduction of the smaller ones.

Another important aspect for maintain the niche strategy is proper Advertising, creating awareness, and WOM. Word of Mouth is very important, it gives credibility. Cumberland Metals should use their ‘ purchase influences’ to spread WOM. According to the case, there are two groups that would be the most appropriate to do that: the pile hammer manufactures, and the architectural/consulting engineers.

Furthermore, CMI should make contracts with the two companies that have tested the product, Colerick Foundation and Fazio Construction for continuing using the product. Initially the company can sell the product to the companies for a lower price, in order to gain market trust. Furthermore, the case talks about another potential influence, Professor Stephen McCormack. The company could use him as a promoter of the pads. By having an expert figure recommending and talking about the metal pads, might again boost sales.

Furthermore, as the product gets market acceptance, Cumberland Metal Industries, should publish articles in specialty magazines (trusted source), such as: ‘ Construction Engineering’ etc. Pricing the product is a sensitive aspect.. The price of the CMI pads should reflect the performance and operational benefits of the product. The Pads are more efficient, last longer, easy to handle, produce less heat, and produce significant cost savings compared to asbestos pads. Furthermore, the price should reflect as close as possible the economic value of the customer.

The company should use the differential pricing strategy, which entails that the product is priced differently according to the market, region or country it is sold. However this can be implemented when the product gains more market share and popularity. Initially, the company can negotiate distribution deals with companies that have already tried the product before (charge lower price per pad). When established on the market- dictate prices.

Price estimation: Cost saving by using CMI pads is enormous. 13 000 pile hammers that are directly owned, furthermore there are 6500-13 000 that are leased. It is estimated that there are 19500-26000 hammers that would operate about 25 weeks at 30 hours per week which means 750 hours per year. Next it is estimated that the driving figure for most jobs was 20 ft.

per hour. If we take into consideration the maximum amount of hammers used we get 390 000 000 feet of piles driven annually. Furthermore, we base our calculation on both Colerick company and Fazio Corporation. We calculate the nr. Of pads used with asbestos for Colerick- 936 000, while with CMI we get 234 000. At Fazio, nr of asbestos pads used is 468 000, and CMI is 195 000.

At Colerick, the total price the company paid for asbestos pads is 1000\$ which equals 166. 67\$ for a CMI pad, while, Fazio spent 2000\$ with 400\$ for a CMI pad. So the range of the bundle of prices is somewhere between 166. 67\$ and 400\$. Furthermore, we base our calculations on the avg. prices and amount of pads.

The avg. price= 283.34 \$ while the avg estimate of sales is 214 500. We thus get sales of 60, 776, 430 \$. Our approach was based on the nr.

Of pads. However another way could be by taking into consideration other aspects such as the benefits and the savings that the product gives compared to the asbestos pads. Furthermore, this price is an estimate and is subject to variations. For example, in the beginning the company can price the CMI pads lower, and make contract and distribution deals with the two companies that tested the product. They can for example charge Fazio 180\$ which would be a good deal for both manufacturers, as Fazio is already familiar with the benefits of the products.

For the future, Cumberland can increase prices. We conclude that that it is possible for the company to meet their sales expectations which can increase by 3.2 times, and have a high profit margin.