

# Skil corporation



**ASSIGN  
BUSTER**

INSTITUTE OF BUSINESS MANAGEMENT SKIL CORPORATION CASE ANALYSIS  
STRATEGIC MANAGEMENT SECTION: C ASSIGNMENT #: 3 INSTRUCTOR:  
ABDUL QADIR MOLVI DATE: 12TH MARCH, 2013 Q1. What is your analysis of structure of possible Electric Power Tool Industry? According to the Porter's Five Forces Analysis the industry is moderately attractive. Q2. How the industry structure is changing? Are these changes for better or worse? The power tool industry consisted of portable and stationary tools with wide range of sizes prices and qualities.

The industry was becoming increasingly segmented by price point, with each point representing a certain level of quality. The power tools were broadly divided into two categories; professional/industrial and consumer. The professional tools were superior in quality and therefore were sold at higher prices and greater gross margins than the consumer tools. However, as the consumer tools were becoming more sophisticated and of better quality the distinction between both the categories started to blur.

As technology was improving the trends of usage of power tools changed (corded tools were replaced by cordless ones). The other improvement was the availability of lighter materials (aluminum, magnesium and plastic). This helped in lowering the costs of production. Also, energy efficient tools were developed and safety was emphasized as an area of development. All the occurring changes reflected growth potential in the power tool industry.

Some of the changing factors which indicated the potential for development, betterment and growth of the industry include the increasing emphasis on quality, safety, more energy efficient products, advancements in technology and wide ranges of product with varying prices. Q3. What was Skil's

competitive strategy in 1979? How would you evaluate its relative position? In 1979 Skil Corporation had 76 company owned service centers and 427 authorized service stations throughout United States. It followed a lower-priced tools strategy for its consumers.

Also, it differed in its strategy while catering to each country's (where it exported or manufactured) particular needs. The corporation encouraged its' engineers to aggressively develop new models and strive for the best product performance. Skil hardly advertised its products and relied mostly on product publicity. It catered to both professional and consumer markets. Initially, circular saws were strongest product among the contractor supply channel because of the industry standard for a professional saw which any other competitor did not match.

The circular saws remained Skil's strongest product area. The evaluation of Skil Corporation's relative position indicates that it was focusing on new products in existing markets. In short, it was inclined towards new product development. Q4. What strategic options does Skil Corporation have? According to the analysis of Porter's Five Competitive Forces Model the industry was moderately attractive. On the other hand we can also notice that the competition was extremely fierce in the industry by analyzing the brand shares given in the case:

Company	Percentage
Black & Decker	31.1%
Makita	11.1%
Bosch	10.7%
Hitachi	8.3%
Skil	7.1%
AEG	5.0%
Singer	4.3%
Milwaukee	3.5%
Matabo	2.8%
Rockwell	1.9%

In this situation it's not just merely selection and implementation of a strategy that matters but also the right selection (out of the options) and adequate implementation along with follow-up.

Following were the strategic options for Skil Corporation: \* To go for mergers & acquisitions in order to increase sales and profitability. To use defensive strategies in order to put obstacles in the path of would-be challengers and fortify the company's present position while undertaking actions to dissuade rivals from even trying to attack. \* To use best-cost strategy. This strategy would have enabled Skil to create strong market presence by giving buyers more value for the money. \* To go for divestment. Q5. What strategy will you recommend to Skil Corporation? Skil can gain its strong position back in the market if it follows certain strategies such as: \* Focusing on a particular segment or broadening its distribution horizon to more than just the departmental stores.

In short, Skil's relative position in the market of only around 7% share (1979) is clearly due to the company trying to please more markets than it is capable of and hence, focus and integration could ensure a better position to an extent. \* Considerably more spend on consumer advertising. According to the figures shown in Exhibit 2, it is quite evident that the advertising spend of Black & Decker in 1978 was approximately 300% more than Skil Corp.