

Curled metal inc.- engineered products division essay



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Overview

Curled Metal Inc. (CMI) used to manufacture custom-fabricated components for chemical process filtration and other highly technical applications. After CMI developed Slip-Seal, the company had grown rapidly over the past decade. However, company management wanted to diversify away from its heavy reliance on Slip-Seal. Thus, management began to examine their new product, a cushion pad, which is a key part of the process for driving piles. Especially, they focused on how they decided its price.

Analysis

People relating to the new product can be separated into six groups including Pile hammer manufactures, Architectural/Consulting engineers, Soil consultants, Pile hammer distributing/renting companies, Engineering/Construction contractors and Independent pile-driving contractors. Although every group has their own characteristics, especially, Engineering/Construction contractors are prospective customers who need strong and high performance pads. In terms of the company skills, CMI possess great processing technology and ability to create new competitive products.

Next, competitors in a cushion pad market are companies which manufacture conventional pad which have poor performance and are quickly destroyed. Potential collaborators are Pile hammer manufactures Architectural/Consulting engineers and Soil consultants, which could

influence recommendation. In addition to that, magazines like Oklahoma Contractor and Professor Stephen McCormack have potential influence. In the business context, little attention to pads gives advantage to the CMI cushion pad.

However, on the other hand, for Pile hammer distributing/renting companies, this new product is unfavorable and may hesitate to provide the pads because the pads enable a constructor to return equipment faster. CMI segments its potential customers as described above and tries to position the new product as a technology-oriented product to target Engineering/Construction contractors. Product is a new cushion pad which has high performance and is unbreakable. Regarding to Price, I will discuss later. Place is anywhere customers exist. Promotion is mainly by people who have influence.

Value proposition

In case of Kendrick, CMI pads can save working time as follows; 1. The difference of feet driven per hour Conventional pads; $300 \text{ piles} * 50 \text{ feet} / 150 \text{ feet/hour} = 100 \text{ hrs}$. CMI pads; $300 \text{ piles} * 50 \text{ feet} / 200 \text{ feet/hour} = 75 \text{ hrs}$. The difference of hours is 25 hrs. 2. Changing time Conventional pads; $20 \text{ min.} * 20 \text{ times} / 60 \text{ min.} = 6.67 \text{ hrs}$. CMI pads; $1 \text{ min.} * 1 \text{ time} / 60 \text{ min.} = 0.02 \text{ hrs}$ The difference of hour is 6.65 hours The total of saving time is 31.65 hrs. Operation cost of contractors is \$714 according to table A. Customer saved \$22,598 ($\$714 * 31.65 \text{ hrs.}$) in this project. Added value of a CMI pad; $\$22,598 / 6 \text{ pads} = \$3,766 / \text{pad}$

In the same way, Corey Construction can save 35.4 hrs. which equals to \$25,273. In this case, additional value of a CMI pad is \$5,055 / pad ($\$25,273 / 5$ pads) In conclusion, the value proposition of a CMI pad is at least \$3,766 My proposed pricing strategy I assume TEV of the project can be calculated by adding \$6, which is the cost of the next-best alternative, to 3,766, which is value of performance differentiated. And thus it is \$3,772/pad. Price should be this price, but the company still has a problem of perceived value. Therefore, pricing strategy is to try to make perceived value as close as possible to TEV.