

Black and decker



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The black and decker corporation: power tools division| The Case of Black and Decker| The Marketing Plan for The Professional Tradesmen Segment Year 1991/1992| | Executive Summary Gary DiCamillo, Black and Decker's president of power tools for United States, is reviewing the most recent sales records and figures indicating the professional tradesmen segment's market share in his office. The research findings are not looking good and surprisingly, he didn't expect otherwise. It has been almost a decade that this segment is in the bottom half of brand perception.

There has not been any more vital time to understand the cause of this setback. This urgency lead him to ask Joseph Galli, the vice president of sales and marketing at Black and Decker, to conduct a thorough research to develop a marketing plan for the year 1991/1992. The new plan is developed to target the major problem in the Professional Tradesmen segment: Low market share among comparatives and no profitability. After a detailed situation and consumer analysis and evaluating the alternatives, John Galli concluded that professional tradesmen segment needs to be repositioned.

After a careful product assessment, Galli realized the professional quality of items produced by B&D is above their major comparatives such as Makita and Milwaukee. However, the brand is poorly differentiated from the lower grade products in the consumer segment; the segment which B&D holds the most solid market share among comparatives. The permeation of B&D in consumer segment has tarnished brand perception in professional tradesmen segment; both product lines are offered in the same color: Charcoal Grey!

Additionally, due to the already established and extensive negative recognition of professional tradesmen segment among professional buyers of power tool products tagging any product to this brand won't generate the drastic results that B&D is pursuing. Furthermore, it was Black and Decker's weak presence in Home Depot, the rapidly growing professional tradesmen product outlet, which was contributing to the problem. They needed to strategically enter this market while emphasizing their position in Home Center and Two-Step distribution channel.

Following these realities, Galli knew with almost no profitability in this segment asking for advertising allowances and rebate money is not an option. As a result, he introduced a marketing plan revolving around repositioning the professional tradesmen segment and establishing a new brand entry, backed by B&D service and warranty handling and differentiating products from consumer segment by colorization. 1

Introduction Black and Decker is one of the world's largest power tool manufactures and the leader of power tool market in United States.

In 1991, Black and Decker's sales record was over \$5 billion and the company ranked 7th in brand recognition throughout U. S and 19th in Europe market. The nation's power tool company leader divides in three segments: consumer, professional industrial and professional tradesmen. The consumer tool segment is offering products for "at home" use and is the most popular division with proximately \$250 million in revenue in 1990. The professional industrial targets the corporates that purchase tools in large quantities for the use of professional employees.

The revenue for this segment is estimated \$110 Million as well. The professional tradesmen segment is the \$420 million size division which represents products that professional individuals such as carpenters and contractors purchase to use on the job sites where they are required to take their own tools. However, this segment generated only \$35 million revenue in 1990 with almost no profit. Both consumer and professional industrial segments owned a solid position in the market with 45% and 20% segment shares in power tool market. However, this success did not transfer to the professional tradesmen segment.

In 1990, B&D roughly held 9% market share in power tool market in United States. This highlighted the presence of the competitors such as Makita and Milwaukee with 50% and 10% market shares to the senior management of B&D more than ever. Professional tradesmen segment was clearly suffering and falling behind in the dynamic and competitive power tool market. Joseph Galli, the vice president of sales and marketing in Black & Decker decided to conduct an extensive research to find the root of this problem and conclude an alternative.

In this research, the problem highlights itself as the professional tradesmen segment's low market share, no profitability and desperate need to reposition for this segment. Following is the situation analysis of Black and Decker supporting the idea of repositioning the professional tradesman unit.

2 Situational Analysis Internal factors By virtually creating the power tools industry, Black & Decker holds primary strength in the consumer and industrial segments, proved by being ranked #1 in those respected market share positions.

By holding large amount of equity in the US and Europe, DeWalt can aggressively be put into the professional tradesmen segment to take the market lead from Makita. Although Black & Decker only holds a 9% share in the current professional tradesman segment, Black & Decker holds the title of being one of the best producers of high quality goods. By repositioning the DeWalt name in the rapidly growing professional tradesmen segment, that 9% market share will quickly increase with the support of our brand recognition and image.

With the strong internal factors, the Black & Decker Company has strong potential in building an admirable image in the \$420 million professional tradesmen segment. External Factors The professional tradesmen segment, although relatively new, has rapidly been growing compared to the consumer, 7%, and industrial, no growth, segments. Having high market shares in the consumer and industrial parts, Black & Decker holds a strong 30% of the total market share. Also growing in importance, are the home centers, The Home Depot being the largest of the quickly growing chain stores of home improvement.

Buyers of the professional tradesmen tools also heavily patronize emerging retail distribution outlets, such as The Home Depot and Lowe's. Competitive analysis Despite the fact that Makita does share 50% of the current market, the current position they hold in brand image is not nearly as positive as Black & Decker. Consumers have regarded Makita as, 3 "arrogant" and "dictatorial." On the other side, Black & Decker has been put in the top ten in the U. S in the aspect of brand strength.

One of the main reasons why Makita has grown much success in the past decade was with the help of the new rapid development of home center outlets. A common characteristic shared within the top three manufacturers of the professional tradesmen segment was that all three offered broad product lines, offering approximately 175 SKU's each. Consumer Analysis Black & Decker Corporation as a Power Tools Division has been ranked low in the professional tradesmen market. In efforts to increase awareness and market the power tools division in a more competitive way, a consumer study was established and processed.

Consumers of different ages, sexes, and races that work in the professional tradesmen field and the general public were asked a series of non-bias questions in order to gain a competitive advantage in the future sales opportunity. In order to do so we needed to study the current trend of consumer awareness and behavior as well as the pre conceived opinion of the Black & Decker product reputation both past and current trends. The following segments were used: Young Adults (ages 15-25), Adult Women (ages 26-60), and Adult Men ages (26-60).

Young Adults (ages 15-25): The young adults being mostly single, college age living at home with parents or with roommates who typically don't use power tools were vaguely familiar with the Black & Decker name and not associating as a Power tool brand. Adult Women (ages 26-60) usually homemakers, single moms, have advanced education, professional, and work both outside the home as well as in the home. Of the Adult females surveyed 75% were familiar with the Black & Decker name and had purchased a B&D power tool over any other brand.

Of those women, 75% also choose durability over cost when compared to similar items. While most women appear to be more in tune to actual cost of household products such as a Dust Buster when compared to professional grade tools, they still have a more realistic estimate of actual cost when compared side by side. Most women rate 4 Black & Decker as a good-excellent power tool product and would recommend to a friend and purchase additional B&D products. Adult Men (ages 26-60) Most with a higher level of education and with more experience using power tools.

In some instances adult men and women shared the same opinion but when asked, men choose warranty over compatibility. 56% of adult men rated Black & Decker as a poor choice for a power tool. While women were found to be more willing to purchase additional power tools with the Black & Decker name only 10% of males said they would and most would not recommend B&D as a power tool option. With the above data collected it is determined that dropping the Black & Decker name instead of just Sub branding would better benefit the goals of the company and gain a larger advantage in the market.

Having such a negative appeal from the current state is not only discouraging but also provides a more complete analysis of how the consumers view the Black & Decker name, regardless of the quality of an actual item. Alternatives, Pros and Cons The first alternative would focus on B&D consumer and Professional-Industrial market segment which it already maintains the #1 market share. The professional-Tradesman segment would become an afterthought for B&D, instead focusing primarily on profitability at the expense of market share.

B&D research had shown that their tools were highly regarded in the professional industrial segment, for high quality. B&D field test of their products with all identifying marks removed against competitors products which also had all identifying marks removed, showed that product quality was strongly competitive with other brands. This would greatly diminish the Black and Decker brand by deemphasizing the quality in the professional-Tradesman segment. The result would be a negative effect on consumer and industrial segments as well.

Brand loyalty and image would suffer greatly while gaining market share for the Professional-Tradesman segment. The second alternative would be to sub-brand B&D product. The brand would have a new name for its professional tradesman products, but would also state “ by Black and Decker”.⁵ This alternative would not entirely clear all negative brand perception in the B&D Professional Tradesman segment. Professional Tradesman segment viewed the B&D brand as a product for home instead of job use.

This alternative would still carry the negative perception of the B&D brand in the Professional Tradesman segment of the market. B&D quality perception of suppliers quality would remain first to last based on company research. Color was generally regarded as a product differentiator and this alternative would not make any changes in this regard, keeping the B&D tools their respective traditional colors. This alternative would do little to increase market share and revenue.

The third alternative, which has been chosen for the best possible outcome, would be to use an entirely different brand name for the B&D Professional-

Tradesman segment of the market. The brand name chosen is DeWalt, the brand has storied history in the stationary wood working business since the company was founded in 1918. DeWalt products were permanently installed on many lumberyards, garnering awareness of the brand, verified by research at 70% and also positively viewed as one of the best by 63% of the professional-tradesman segment of the market.

The company was purchased by B&D in 1960, so the brand name could be easily assigned to a B&D product. The color option eventually chosen was yellow, a familiar sign of caution used on many construction sites. The yellow coloring would also differentiate the DeWalt product from many other brands including B&D and many other successful brands in the professional-tradesman segment. This option would theoretically double the market share within three years; operating income would also increase by 2%.

Recommendations

The product chosen to replace the B&D nameplate in the professional tradesman segment is the DeWalt. DeWalt brand would position the B&D professional tradesman products a step higher in product quality and reliability, relieving the negative brand association in the respective segment. The color yellow chosen for the product would create instant awareness of the brand amongst its immediate competitors Makita and Milwaukee. The price of the DeWalt Professional-Tradesman product would be positioned comparably to the Makita and Milwaukee brands.

Milwaukee and Makita are priced 5% and 10% respectively over current similar B&D products. 6 The distribution channels that will be used include home centers, which include The Home Depot and Home Club. Home centers

are increasingly becoming a popular source for professional-tradesman tools. Home centers have a combined yearly sale of 8.5 million dollars in the professional-tradesman market. DeWalt's rise in the marketplace will greatly depend on these types of distribution outlets. Two-steps will be used for distribution as well, including Ace and Servistar.

DeWalt will not be offered in discount oriented membership club stores, as they are perceived to be positioning themselves as a "fathers day gift." The DeWalt brand has an existing 70% awareness rating among Professional-Tradesman, and a 63% positive view by tradesman. The company was founded in 1918 and has been a permanent fixture in lumberyards since, the presence over the years has created most of the existing promotion of the brand. The yellow color of DeWalt tools will help it differentiate itself from other products and also promote itself as being the only yellow tool for Professional-Tradesman on the market.

Conclusion The purpose to conduct this marketing plan was to find an alternative to Black and Decker's decade long failure to own large enough market shares in professional tradesmen segment. Black & Decker has succeeded to position the consumer and professional industrial segments in the top ranked market share among comparatives however, professional tradesmen segment has failed to reach anywhere beyond 9%. The internal factor for B&D is that, this company is one of the world's largest power tool producers and in the comparison product analysis Black and Decker's products win over the competitors.

This means B&D has the potential to earn the top brand perception that is missing. On the other hand, consumers are the external factor who prefers

using B&D products for home use rather than on job sites this is while Makita and Milwaukee are the two preferred brands in professional tradesmen segment. Galli is coming up with three alternatives. The first option is to harvest professional tradesmen channels. This option is vetoed because professional tradesmen segment is growing more rapidly than consumer and industrial segments.

Dropping this segment will lead to a huge loss in a long run. The second alternative is to sub-brand. This alternative is ruled out as well since releasing any products under any brand while still tagged to B&D will not lead to increase sales due to extensive negative brand perception in professional tradesmen products. The third alternative is to drop the tainted Black and Decker name and produce a line of products under DeWalt brand, the brand owned by B&D with already established market share and good brand perception.

Even though, building a new brand from the ground up takes time (proximately three years) this alternative is highly recommended. DeWalt brand saws have a very high brand recognition and durability. Additionally, this product line will be offered in a new color: Yellow. The color that indicates safety and can easily be recognized and differentiated by customers. Timeline Spring -begin advertisements with print by using our sub-branding method -sub branding would emphasis on the new name DeWalt -prepare for manufacturing and distribution of product for upcoming summer

Summer -hold a press conference inviting various professional tradesmen, small and large corporations such as construction companies and small

business owners to introduce the new product line and hold demonstrations - offer sample test tools to professional tradesmen - set up workshops using the new sub-branded power tools to generate a buzz and interest in the new products which would be available for purchase soon -begin distribution among large retailers as well as club stores -increase advertisement both in print, radio and television

September -evaluate sales -take market surveys of those using the new sub branded product line December -continue to offer demonstrations on the use of the new line -decrease advertisement efforts -offer holiday packages to encourage families to purchase the new product lines for their husbands, fathers, brothers etc. for the upcoming holidays -have successfully created a positive outlook and increased market share and sales of the new sub branded product line by the end of the year