

Newell company: corporate strategy essay sample

[Business](#), [Customers](#)



Newell's corporate strategy was mainly focused on high volume and low cost product to large mass retailer. The goal of the company was to increase its sales and profitability by offering a complete and complementary range of products and reliable service to the mass retail stores. Newell's initial focus was on home and hardware products which later on expanded to other markets. The company strategy was to grow and expand its product line through acquisitions, rather than internal growth. Before 1998 Newell acquired different companies in the basic home and hardware products industry and started diversifying into unrelated field such as children products, widow covering, writing instruments and others. The company was also looking to expand overseas to Europe and Asia. The target companies are mostly underperforming and suffer from high cost and sometimes inefficiency.

Newell strategy was designed put these companies through a process of streamlining, and to focus on operational efficiency and profitability, this process known as "Newellization". It aim to adjust and these companies to Newell's standards in cost structure and processes in less than 18 months and later on, even within 6 months. "Newellization" is one of the company strongest resource by which Newell acquires and integrate a new acquired company acquisition into their existing portfolio within a short period of time. In this process Newell looking to improve the acquired company ability to supply their products in faster time while quality of the products is not being affected and lowered. Newell also makes changes in the management of these companies by removing unnecessary executives and save their costs.

Other acquisitions also include small business to complete product lines which can be essential to provide a one stop solution for customers.

Newell's diversification approach is based on the company's needs for growth and their customers need for diversity and efficient supplier. The company's wide product range and the variety of each product line in its quality from good, better to best creates a strong advantage and makes the process much easier for retailers to buy products from one big supplier. This diversification approach allows them to enjoy economies of scale and also economies of scope, by offering differentiated products of a similar or even in the same category to answer different customer needs. Operational efficiency logistics to reach nearly 100% first-pass line fill and expanding global presence help the company improve and expand with their customers. The acquisition of brand name products, changing in cost structure to improve operation margins to minimum of 15% and achieving critical mass protecting its shelf space at each category. Many of the retail customers will ask Newell competitors if they ship like Newell, this proves the level of customer service and efficiency that Newell reached and all these results in decrease of cost; however increase in WTP.

Newell's distinctive organizational arrangements also contribute to the success of its corporate strategy. Very early on, Newell realized the importance of the IT department in managing inventories and orders. In order to improve its services and direct linkage to the mass retailer it developed a very advance IT system. Newell centralized most of the administrative and financial services. Same was done to most of the IT and

computer functions. They changed the organizational structure to divisional, decentralization the manufacturing, marketing and sales facilities. This centralization of some departments and decentralization of other departments helped to reduce of cost and to increase efficiency in management and customer services. Also, corporate office did a good job of seamless linking of its structure and processes.

A good example for this can be the use of formal training process in order to tie corporate vision to the values and needs of each department at a division level. The company also recruits and made sure that only the best candidates are selected using a careful selection process. In addition, the company provides Newell University to implement the company values and strategies in employees. This HR management results in performance and managing expectations of both employees and top management, while focusing on the main company goal to increase sales and profitability. Also, acquisitions were made only in corporate level, in order to make sure all divisions are stay focus with their goals for productivity, good service and profitability.

The acquisition of both Calphalon and Rubbermaid are unusual for Newell. Calphalon selection does not perfectly alien with the corporate strategy for mass retails sales and Rubbermaid is slightly unusual in the size of the acquired target. However, Calphalon should create some benefit and value for Newell by extending its product into the non-mass market in the housewares division. This acquisition can allows Newell to offer premium products with strong brand equity without cannibalized existing products as cookware

to the mass retailers. While most of Newell's product offerings are "practical", Calphalon's products, for example, the cookware are considered to be more influenced by its strong branding and therefore purchased by the end user for a premium price. Calphalon also developed a direct contact to its end customers using its branched sales force, conducting product demonstrations, and performing product training to distributors. Newell can learn from that and leverage this capability across its divisions to differentiate its product portfolio and protect its market share from other low end competitors.

All the above suggest that this acquisition does not fit perfectly with Ferguson's corporate strategy, however, can certainly add value to the company. The process of "Newellization" is based on the absorption approach, which sometimes results in keeping the brand of the target firm, cut the existing stuff and changes some of its processes. Since this acquisition is different than the others, if Newell want to maximize this, the integration should be done more carefully. Calphalon has built its strong brand equity, in large part, because of their special approach of the sales and marketing talent, focusing on educating retailers and end users on their products. If taken too far, "Newellization" may wear away Calphalon's premium stigma and damage the ability of Newell to enter and compete on high end retailers. Unlike Calphalon, Rubbermaid fits within Ferguson's corporate strategy and criteria for acquisition. It has strong brand and large shelf space at mass retailers; however, suffer from inefficiency within its operations. Success of this acquisition depends on Newell's ability to absorb Rubbermaid into its existing corporate structure. Rubbermaid is almost as

big as Newell is and a longer than the standard “Newellization” process is required. Newell can leverage its operational and financial systems and synergies of the existing brands. In addition, acquiring Rubbermaid will increase Newell value over the \$10 billion market cap, which was one of the company goals.