

Husky injection molding system essay sample



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By the late 1950s, Husky had established a reputation as a high-quality maker of plastic molds, especially “thinwall” molds used to make vending cups and other containers. As demand for the injection-molding machinery rose around the globe, Husky expanded to Europe in the mid-1960s and established a joint venture in Japan in 1971. A new line of molding systems, tailored for the production of PET bottle preforms, pulled Husky out of its crisis by the end of the 1970s. Profits from this area allowed the company to expand into other product lines and additional countries during the 1980s and early 1990s. Competitive Advantage: Firm Characteristics

At the firm level, performance is determined by value and cost position relative to competitors. Value Position

Husky, as the leading firm in the preform niche, has a strong value position in comparison to its competitors as it differentiates itself from competitors by offering series of product innovations such as molds, hot runners, robotics, and value-added services. This strategy implies that Husky focuses on increasing the perceived value created for customers, which allows it to charge a premium price. Similarly, since Husky has 60% (estimated) of the world’s preform manufactured on Husky system, their significant market share allows them increase the barrier of entry and continue to set a high price and earn supernormal profits as an oligopoly firm. Cost Position

On the other hand, its relative cost position is weaker as they offers specialized machines, molds, hot runners, and robots and not purely standardized machines like Cincinnati Milacron. Hence, it reduces Husky’s ability to compete solely on price. Business Strategy: Focused Differentiation Strategy

Husky follows a differentiation strategy. The goal of a generic differentiation strategy is to add unique features that will increase the perceived value of goods and services in the minds of the consumers so they are willing to pay a higher price while keeping cost at the same or similar levels. Moreover, Husky has a focused differentiation strategy since it focuses on a narrow and niche products, which include medium-tonnage machines, PET, preform molds and hot runners (as shown in Exhibit 2). In this case, Husky seeks to create higher value for customers than the value that competitors create, through the three value drivers. Product Features: Husky's employs the latest tools and technology and their systems are known for their speed, ruggedness, resin utilization, and durability. For instance, Husky preform system might make a set of PET preforms for soda bottles with a cycle time 10-15% shorter than a competitor's system. Thus, Husky's customers have a higher willingness to pay a premium price for this higher quality product. Sales and service: Husky sold exclusively via its internal sales force and gave general managers in each region responsibility for both the local sales force and the local service technicians. Furthermore, Husky invested heavily in building Technical Centers in key location to provide local technical support and training. In addition, Husky had deployed a system designed to ship spare parts to any location quickly.

Since a machine breakdown could halt a processor's operations, customers cared a great deal for speedy services. Husky's global approach to sales and services, strong record on after-sales service and maintenance and decentralized decision-making will therefore increase the perceived value of Husky's product or service offerings by focusing on customer service and

value added services. Thus, Husky's customers will have a higher willingness to pay a premium price with the higher valued service. Customization: Husky's sales were in the medium-tonnage machines, most dedicated to the PET preform and thinwall. They provided a comprehensive and integrated product line for the end uses it served and made specialized machines, molds, hot runners, and robots. As such, customization adds value to Husky's product, allowing them to set a premium price.

While focusing their attention on adding value to the product through unique features that respond to customer preference, customer services during and after the sale, will increase costs, customers will be willing to pay a premium price for the product or service that satisfies their needs and preferences.

The above three value drivers also contributed in building up customer loyalty since Husky specifically cater to each end user needs. Due to complex purchasing process for the machines and mold, there is high switching cost incurred and thus leading to low bargaining power of the consumers. A detailed calculation showing the indifferent price of \$2, 056, 024 between a Husky system and a competitor's system, whereby the incremental value (\$1, 056, 024) exceeding the incremental cost (\$200, 000) can be found at the end of the report. Current Market Situation

In recent years, demand for Husky systems was weak in the PET portion of the market and this will have a great impact on the growth of the firm since 60% of the world's preform was manufactured on Husky systems. The makers of PET resin appeared to have underestimated resin demand by a wide margin. They had added too little capacity, and PET prices had soared due to shortage of supply (causing a shift of the supply curve to the left and

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driving up prices of PET). Furthermore, the shortage of resin led to a halted in processors expansion plans for products made with PET and put orders for new equipment on hold. The result is a fall in the demand and supply in Husky's products, thus driving prices even higher. The increased in price will attract more competitors to enter the market and within 2-3 years, market forces will push the demand and supply to market equilibrium, solving the current issue. Analysis of Competitors

Despite being part of an oligopoly, Husky has to be constantly aware of its competitors in the machine and mold market. A series of rivals launched new products in Husky's core market segments. Though these competitors do not have the specialized expertise that Husky has developed, they focus on cost leadership strategy by offering products at a lower cost which helps them gain an advantage over customers who willing to purchase less expensive technology. For instance, Cincinnati Milacron offered a broad line of standardized machines, allowing it to tap economics of scale and made them the lowest-cost U. S. producer of these machines. Nevertheless, consumers who are in search of customized machines for more specific requirements would still prefer Husky. In recent years, the number of close competitors who also embarked on differentiation strategy increases and they are namely Netstal, Engel, Electra Form and R&D Tool & Engineering. These competitors set prices roughly 10-20% below Husky, threatening the competitive advantage of Husky throughout these years. If Husky continues with their current strategy, the intense entry of close substitutes will led to a reduced in Husky's market share and lower consumer's willingness to purchase their product and services. Recommendations

In response to both changing external and internal factors, Husky has to review on their strategy to fine-tune to fit the changing environment. Although increased value creation is a defining feature of a differentiation strategy, Husky should not be complacent. To keep up with the growth of demand for PET preform and close substitutes in the market, an integration strategy is recommended. Firstly, Husky can consider lowering the firms cost per unit (production cost). Secondly, they can continue to add special features to increase perceived value. The result is an increase in the difference between value creation and cost, and thus on the magnitude of economic value created. With Husky highly automated, capital-intensive facilities, they are able to take advantage of economies of scale as the cost per unit reduces with per increase in output.

This allows Husky to produce their products at a lower cost and the ability to set lower prices compared to its competitor and yet gains significant economic value. The branding, together with a lower price will win consumers over and result in an increase in the demand for Husky product and services. Furthermore, Husky can increase their perceived value with innovation by improving their product and process, or modification of existing ones. For instance, they can spend more on Research and Development to improve on the performance of a Husky preform system by producing the bottles with a shorter cycle time. This can boost the perceived value of the product and retain consumers who are contemplating to switch to a close substitute of Husky. Detailed Calculation of Indifferent Price

Since the approximate machine price is \$1.2million and \$1million respectively for Husky and their major competitor, the incremental cost for <https://assignbuster.com/husky-injection-molding-system-essay-sample/>

consumer on 1 machine is \$0. 2million. From exhibit 6, the marginal value for consumer on 1 machine is the addition of electrical cost savings, saving in reduced floor space and the additional profit generated by Husky PET preform versus Major competitor. From calculation based on Exhibit 6, the total products produced per year is 135, 240, 923 and 101, 022, 102 for Husky and other Major competitor respectively.