

Minnesota mining and manufacturing company

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Page 8 Introduction to 3M 3M Company, the Minnesota Mining and
Manufacturing Company, was founded in 1902 by five businessmen. They
wanted to make a profit out of minerals for grinding wheel abrasives, but this
failed to really take off.

Their real success lay in the encouragement towards innovative employees,
which resulted in several exclusive products such as waterproof sandpaper
and masking tape. The search for new products and innovations became
their core business from then on. Despite several failures in the first years
3M continued growing and coming up with new innovative products such as
the now famous Scotch tape. In 1929 3M went international as well as traded
their first stock and in 1949 they became listed on the New York Stock
Exchange [3M Timeline]. By the 1950s it had international sales amounting
to \$20 million.

In 1960 and 1970 it kept growing and released a line of board games which
was very successful. They also produced their only traffic signal around this
time, one that is still being used today. In the late 1970s the company was
involved in some of the first digital audio recordings and in the 1980s it
invented the Post-it notes [Haeg 2002]. The company is still growing today
and now has over 130 factories employing some 67. 000 people. Its
international sales increased tenfold since 1950, now amounting to a
staggering \$22 billion [3M Press Release 2006]. M is currently working on
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focusing on its core businesses and they intend to sell some of their product lines. Their current business model focuses on “ the ability to not only develop unique products, but also to manufacture them efficiently and consistently around the world” [3M Timeline]. Markets and products The market position of 3M depends on which market you look at. Its consumer and office business products are sold in more than 80 countries. Some of the worldwide-known products of 3M in this market are Scotch®, Post-it®, Scotch-Brite®, Scotchgard, Filtrete™, Command™ and Nexcare™. M distinguishes their products from other products by providing high quality and value formoney. In the display and graphics business 3M has three core businesses which all hold the market-leadershipposition and are registering solid growth. The three core businesses of 3M in this market are the commercial graphics market, the transportation safety market and film market. 3M is the market leader in thehealthcare business providing medical, dental and orthodontic products, and drug delivery and health information systems. In this market 3M is registering strong growth with the sale of branded pharmaceuticals.

An example of a product in the medical market is 3M’s Petrifilm plates which are used byfoodprocessors to help provide healthy food. In the industrial and transportation market 3M is not holding a leadership position. They are showing solid growth in this market by building core businesses and by expanding into large adjacent markets. 3M believes that the oil, gas and do-it-yourself car-care are two markets that will contribute to their growth. In 2005 they acquired CUNO Inc. , a global leader in the liquid filtration market, which gave 3M the possibility to grow into a new market segment. M is also a

market leader in the safety, security and protection service business.

Especially due to the large demand for safety nowadays the company is doing very well in this market. They generate more than 60 percent of their sales outside the U. S. by selling occupational health and environmental safety products, security systems and building safety solutions. The company is doing well internationally and their global presence is their main competitive advantage which enables them to capitalize on the rapid growth of manufacturing in emerging economies.

To meet the worldwide demand, 3M is constructing a new plant in Korea, expanding production in the U. S. and through selective acquisition.

Performance over the last 5 years Looking at performance is always a hard thing to do, because it can be measured in many different ways such as stockholders value, value for the community or whether or not the company provides stable profits and growth of profit. We will try to highlight all aspects of performance but the main focus will be on the financial part of the company.

Firstly, when looking at the share prices of 3M compared to the Dow Jones Index, which is the weighted value of the biggest American firms, one can see that over the last five years 3M's share value grew by 20% while the Dow Jones Index showed a 40% growth. In other words, most other companies showed a considerably larger growth. It should be noted, though, that 3M shows to be a stable company over longer period of time, without excessive drops in share prices, which means there is little to no risk involved in investing in 3M. On top of the increased value of the shares, the stockholders received a steady dividend of 1. % on average over the last 5

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years. Because of a growth in profit the payments of dividend tend to increase over time and the expectations for the future are increasing profits if only a few percentages a year. Secondly, we will compare 3M's performance to that of its main competitors; specifically the other large conglomerates: Johnson and Johnson and Avery Dennison. When we compare the growth of revenue 3M is somewhat behind on its competitors, as Johnson and Johnson obtained a growth rate of 16%, Avery one of 13% and 3M only 7.3% over the last 4 quarters.

Remarkably then, 3M showed the greatest increase in share prices over the last five years. This shows the strength and trust in the company, because people are not likely to invest in a company they don't believe in. We will now try to see what this company meant for society. It's clear that 3M is a big employer with 76,239 employees. No big redundancies can be found in the last five years. Furthermore there are no scandals involving things such as child labor or misuse of the environment. In short, 3M is a stable employer, which does little or nothing wrong. International Marketing Activities

Segmentation

The 3M Company operates as a diversified technology company worldwide. By segmenting its business it increased speed and efficiency by sharing technological, manufacturing, marketing and other resources. 3M operates in the following six segments: Industrial and Transportation; Health Care; Display and Graphics; Consumer and Office; Safety, Security, and Protection Services; and Electro and Communications. Each segment has its own targeting group, which the name of each segment already pretty much

reveals. Distribution As 3M originally being an American company, it is now operating throughout the whole world.

In 2006, 61% of the company's sales were international, while 39% of sales were in the U. S. But still 57% of 3M's operations were in the U. S compared with 43% internationally. The company hopes to bring this number of operations internationally up to 55% by 2012 [Ackerman 2007]. New plants will increase capacity geographically and improve some production facilities. Plants are now being built in Korea, China, Russia, Poland, India and Turkey. Streamlining efficiencies in distribution and logistics will lower costs and reduce working capital needs [Rick 2007].

This means that operating in these markets becomes easier due to a decreasing in the channel length. Still, 3M products are sold through numerous distribution channels, which is necessary. Products are sold directly to users and through several wholesalers, distributors, retailers and dealers in wide variety of trades in many countries around the globe. 3M's management believes the confidence of these distribution channels in 3M and its products, developed through long association with skilled marketing and sales representatives, has added considerably to 3M's position in the marketplace and to its growth. M has 189 sales offices worldwide, with 15 in the U. S. and 174 internationally [Campbell 2005]. Product Policy When operating in advanced economies' industries, it is important to adjust marketing strategies accordingly to the situation. 3M is offering such a wide range of products, that it is sometimes necessary to standardize these products. " With well-known products such as Scotch tape and Post-it notes, the company enjoys a broad portfolio of products that address the needs of <https://assignbuster.com/minnesota-mining-and-manufacturing-company/>

just about every economic sector that exists in just about every geography that one can think of [Rick 2007]”.

When looking at just one of the business segments of 3M, the company says they are a global leader in the Industrial and Transportation Business with products such as tapes abrasives, adhesives, filtration systems, etc. It is easy to standardize these products because these products are associated with cultural universals; that is, when consumers from different countries share similar need characteristics and therefore want essentially identical products. An important point of product policy is cost advantage.

To reach this cost advantage, the firm must keep its product cost competitive by eliminating unnecessary options. Then it is desirable to offer a standardized product with a standard package of features or options included. The simplicity of these products offered by 3M is a strength regarding to standardization [Onkvisit and Shaw 2004]. Take for example Scotch Crystal Clear Tape. This product is a great example of a standardized product. Its package contains a small description in eleven different languages while still made in the USA.

Essentially, the main marketing goal is to maximize profit. Pricing and Promotion strategies Many of 3M's products are standardized, but not all. This means that their not asking a premium price for the majority of its products. On March 21, 2003 after only a 4-month development and implementation project the company launched “ 3M Marketing Online” in Europe. 3M was already looking for a new application that would centralize all marketing strategies between the European entity and other 3M European

subsidiaries. M Marketing Online provides a powerful sales and marketing knowledge base, centralizing all information necessary, such as market research, best practices, promotions and not to forget pricelists. This application allowed 3M to significantly simplify the information distribution processes for their sales network. Having such many different brands as 3M implies many different promotion strategies. But one strategy that would cover the whole entity is choosing a name that reflects its character, brand promise and position in the market place.

The 3M name fits well in 21st century global market, even though the company already exists over a hundred years. The original registered name was the Minnesota Mining and Manufacturing Company and the name ' 3M Co' first appeared in a diamond shape in 1906 complete with company's full name and its Duluth, Minnesota headquarters location around it. Today's familiar internationally recognisable red 3M logo was introduced in the 1970s and is a highly prized asset. It is not just a symbol of corporate identity; it is also a trademark and brand [Wnim 2002]. Miscellaneous Topics M states on their website: " Community giving is an important part of 3M's sustainability strategy" [3M Community]. Further research taught us that this is not a lie. 3M's community giving is extensive; examples are philanthropy, employee volunteerism and donations, 3M cash gifts and donated products. 3M says it invests in the communities where it has facilities. Although this does not distinguish 3M from other Multinational Corporations (MNCs), who also fund projects in the regions they have facilities, what does distinguish 3M is that they are among the leaders in workplace volunteerism.

Employees are stimulated to pass their knowledge on to the locals. An example is the 3M Science Encouragement Programs, where 3M scientists and engineers share skills and career inspiration with students and scholars [3M Volunteerism]. As just mentioned 3M also spends a lot on community giving, the giving goes to: K-12 education, health & human services, environment, higher education, arts, culture and volunteerism. Since mathematics, science and economics are fields that 3M depends on for their future it is not just charity to fund projects to increase student achievement in mathematics, science and economics [3M K12].

It is also in the interest of the company as well as their higher education project. With these projects, 3M makes itself known to the students and creates goodwill among students. The one thing that is the same in all the projects is that they are focused on the people or environment in the community where 3M has a factory or facility. This varies from giving lectures to taking care for the local environment. Another program that shows 3M's involvement with the communities is their matched gift program. Every employee and retiree of 3M that makes a cash donation to a good cause will get a matching donation from 3M.

This means that every dollar donated will be matched by one dollar by 3M. Each donation will be doubled by 3M with a maximum of \$40,000. The main goal to all the community giving projects of 3M is that 3M wants their employees to contribute, whether this is by giving workshops and transfer their knowledge or via donation. 3M wants to contribute in the communities where they have a facility, and wants their employees and retirees to do so

as well [3M Community Giving]. Appendix 1 Consumer and Office market:
 Display and Graphics market: *Includes \$39 million of restructuring expenses
 Electro and Communications market: *Includes \$46 million of restructuring
 expenses Health Care market: *Includes \$673 million of net gains primarily
 related to the gain on the sale of a portion of the pharmaceuticals business,
 partially offset by restructuring and other items Industrial and Transportation
 Business *Includes \$15 million of restructuring expenses Safety, Security and
 Protection Services market *Includes \$10 million of restructuring expenses
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