

Swisher mower case

Business



Swisher Mower and Machine Company Problem: Wayne Swisher the new president and CEO of Swisher Mower Company (SMC), is unsure of what the future holds for his firm. He was contacted by a major national retail merchandising chain about a private-brand distribution arrangement. Wayne Swisher needs to determine if he should accept the offer that was proposed by the national retail merchandising chain or reject it and continue on normal business.

SWOT: Strengths:

- Facilities have an annual production capacity of 10, 000 riding mower units on a single 40-hour-per-week shift.
- Developed great loyalty with dealers and distributors. Produced the first zero turning radius riding mower.
- Produce high-quality mowers that are reliable and have great longevity.
- Remained profitable since its founding.

Weaknesses:

- Limited distribution channels to only nonmetropolitan areas.
- Produce mid-engine riding mowers while front engine mowers are more powerful and can handle the bigger jobs.
- Relies heavily on their Ride King and their T-44 trail mower only accounted for 8.2 % of SMC's total sales.

Opportunities:

- Plans to develop a walk behind trimmer and edger.
- Have distributor arrangements in parts of Europe and the South Pacific which made up 5% of total sales. SMC could develop a riding snowthrower with their zero turn radius for the winter months.
- Private brand distribution.
- Sales projections for 1995 and 1996 are increasing from previous years.

Threats:

- Sales trends seem to be up and down. The sales are currently on the rise but history shows they could drop.
- Ten manufacturers make up the major competition in the riding lawn mower market.
- Private label riding lawn mowers have captured a growing percentage of unit sales.
- Developing a new product, the trim-max, shows that the riding lawn mower is in the mature or decline phase of the product life cycle.

Critical Issues: •Industry statistics show that the riding mower sales are up and down. Currently, the market is on the rise but history shows it could drop. •SMC is a customer oriented company and Max Swisher's wants to maintain a small company image. •The Ride King mower is in its mature or decline stage. •SMC produces high quality products that have a simple design for easy customer use and maintenance. •Private-label riding lawn mowers sales account for 40% of SMC sales. Private-label mowers account for 65 to 75% of the total industry sales. •75% of SMC's sales are made in nonmetropolitan areas.

Alternatives: AlternativeProsConsCost •Accept the offer from the major national retail merchandise chain for distribution of a private-brand. •The chain will cover all freight costs •The chain will do all advertising •The chain wants a sample order of 700 units and will place an order of approximately 8, 200 units per year. •Distribution will broaden to metropolitan areas. •Chain wants to purchase the mowers at a price 5% lower than SMC's manufactures. •No seasonal or promotional discounts. •SMC is liable for all personal injury claims. •Sales of SMC mowers by the chain could cannibalize existing sales.

See Exhibit 1 •Reject the offer from the major national retail merchandise chain for distribution of a private-brand. •This would remain at the status quo. •Net Income is \$430, 200. •SMC could concentrate on developing the Trim-Max. •Will not get the exposure to the metropolitan areas. •If SMC rejects the offer, the chain may present the offer to some one else and this would increase their competition. •Private label mowers currently account for 65 to 75% of the total industry sales. SMC will maintain status quo and <https://assignbuster.com/swisher-mower-case/>

profit around \$400,000 • More aggressively advertise the Ride King to try to gain market share in the metropolitan areas.

Not necessary • This would gain a bigger percentage of the market share.

• 75% of SMC's sales are made in non-metropolitan areas. SMC has this area covered pretty well. Could be the right time to move to metropolitan areas.

• Advertising costs will go up. • Will need to produce more mowers therefore labor costs will go up. • Will need a bigger sales force. • Produce the new trimmer and edger product. Not necessary. The major decision is accept or reject the offer. • Ride King is in the mature or decline stage of product life cycle it may be time to introduce a new product. Walk behind trimmer is not on the market yet. • Labor costs will go up. • Storage costs may go up. • R&D will go up. • New products are sometimes tough to get on the market.

Recommendations: I would recommend that SMC reject the offer put on the table by the major national retail merchandising chain that was asking about private label distribution for SMC's line of riding lawn mowers. As shown in exhibit 1 net income decreases by a great deal. SMC's current gross profit margin is 15% and this would decrease to 2%. There are also a few other negatives to accepting the offer that will cost SMC money.

Sales of SMC mowers by the national chain merchandiser could cannibalize some of their existing sales and this is projected to be about 300 units per year. Also, the liabilities will go up on the SMC balance sheet because the chain wants SMC to assume all liabilities if any worker is hurt while using the mower producing the mowers. There are a few good reasons to accept the offer by the chain but I think the cons outweigh the pros in this case. I think that SMC should try and advertise their Ride King more aggressively to the
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metropolitan areas while they are developing their new trimmer and edger product.

Firms want to develop new products to stay profitable. Each product has a life cycle and when one product reaches its mature stage and starts to decline it is the best time to introduce a new product. This is the situation that SMC is looking at right now. I think the Ride King is mature and will start to decline. If SMC introduced the Trim-Max they will still be gaining profits because it will be going through its growing stage. They would be the first to the market with a walk behind trimmer. SMC is known for making high quality products and they should not have a problem introducing a trimmer to the market.

Based on the information in the case SMC produces many different mowers that are mid-engine riding mowers. These are less powerful mowers and are great for use in metropolitan areas. This would be a great way to market their mowers and get them into the metropolitan areas easier. The national merchandising chain thought that there was a demand in the metropolitan areas for riding lawn mowers but the terms of their contract were not benefiting SMC. If SMC can get their mowers into these areas through their distributors without the national chain putting a private label on them they will become much more profitable.