

# Duracell turnaround essay sample



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With a careful analysis, I would like to give you few recommendations and implement action plan for you to turnaround Duracell division of your company. I would like to start with some market analysis recommendation. Based on the analysis, the battery market is very saturated and highly competitive. The profit margin decline year by year and it is not likely the market size would expand in any near future. More on that, the main focus for turnaround should be focus on cost control, take a cost leadership and form an industry alliance to further save on cost. The industry itself is very competitive and matured not much room to grow other than emerging market. As you requested, I would like to point out major reason for declining on profitability of Duracell. Now, the batteries are common commodities and it is not necessary for customer to look at much on product differentiation and brand. According to the study, the purchase decision for batteries is done by impulse and there is no significant brand differentiation. Thus, the price is a main factor.

With mature market and price sensitive customers, it is evitable for Duracell and competitors to lower the price to attract the customer. Thus, profit margin continuously decline. There are few segments especially rechargeable and lithium ion battery market has been grow (as a result, overall revenue grow), still big market is alkaline battery and market is already saturated. Moreover, the sales in emerging market has not been substantially improved, adding a burden for each companies focused more on price. Because of the market is highly saturated, advertisement and marketing plays big role. And battery consumption is based on impulse decision, not rational decision. Thus, the composition of advertisement in

marketing cost is extremely high. With high cost on the advertisement, it is obvious that margin has been declined despite of increased in sales. In addition to that, because of high level of competition, product cycle is very short and cost for R&D is high and it is increasing to keep up with the competition.

The main turnaround strategy for Duracell would be shifting to cost leadership from product differentiation. The Duracell used to run a strategy based on product differentiation from other competitors, mainly from Energizer. And it is based on product quality. Duracell followed the Energizer whenever newest, more powerful battery has been launched. However, it would be impossible to compete with the Energizer. It is because the Energizer is always ahead of marketing and advertising campaign. More people recognize the Energizer brand. In fact, the energy bunny campaign was successful to rejuvenate its brand. Thus, it is not great idea to launch premium product when your competitor has already highly recognized on the premium market. Based on the first mover strategy, the Energizer already had fortified their position on premium, high end brand. Thus, in order to successfully compete with the focus should be different. The cost leadership would provide following success.

First of all, this strategy would able to tap into emerging market by providing product more cheaper and giving a leading edge at current price war in the market for batteries. For implementation, Duracell must close down any product deemed to unprofitable and losing money. Moreover, further layoff should be implemented and outsource its manufacturing process to where lower labour cost is lower. Furthermore, Gillette has a corporate culture for <https://assignbuster.com/duracell-turnaround-essay-sample/>

being generous toward its own employee. However, in times of crisis, the financial discipline should be necessary. For instance, cutting employee benefit and pension would be helpful to restructure firm's long-term cost structure and would boost profit margin. In addition to that, Duracell should increase distributing to product through discounted retailers such as Wal-Mart, JC Penny and Target. Such product distribution would give Duracell advantage over OEM manufactures by exercising a power on distribution channels by able to cut down price further. Nonetheless, Duracell should continuously invest marketing and advertisement to build favourable brand image of Duracell as cheap but still reliable.

Also, Duracell should consider changing its advertisement agency, perhaps using Gillette's ad agency to communicate with a coherent message and bring down substantial cost by consolidating ad resources. In addition to that, Duracell should consider focus on developing a product and marketing campaign for institutional customers such as school, hospital, government and etc where Duracell's reliable image would be better positioned than its competitors. For example, supplying Duracell product to hospital at cheap price as a public endorsement or sponsorship would be best matched for product image and cost leadership strategy. In definition, the co-opete means to collaborate with competitors for increased profit margin and reduced cost.

For example, Wal-Mart shares its distribution centre with their competitors and brings down the cost substantially. This strategy enables Wal-Mart to be a cost leader by offering ' everyday low price.' Then, Duracell should follow its strategy to share non-core services with competitors. And moreover,

Duracell and industry participants can create industry-wide organization to develop next generation of possible, alternative source of new battery rather than alkaline or lithium ion battery. Furthermore, it would be good opportunity for Duracell to team up a strategic alliance with OEM manufactures to explore emerging market. The emerging market has not been tested yet so it is risky but it would be good cost saving strategy when Duracell team up with competitor to launch new market initiative at the emerging market.