# Husky

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Executive Summary: Husky Injection Molding is a company that makes machines which make plastic products.

Their industry has grown at a 6% rate per year since 1982. With the rapid growth in the industry there are many competitors arising. After quadrupling revenues one year they knew they were going to suffer the next year because there were not enough raw materials for the capacity needed to satisfy the growing industry.

Husky??™s other problem was that they also had some of the highest cost and prices within the industry. With companies competing to purchase raw materials, I decided the best way to continue making a profit was to raise money by taking the company public. In doing this they will have additional money to pay for the ever increasing raw materials and they would also be able to put more money into research and development to figure out how to produce their products cheaper. IntroductionHusky is a Canadian company which produces equipment to make plastic products ranging from soda bottles to automotive components. Established in 1953, by the early 1990s they enjoyed astronomical growth where their net income quadrupled.

With the industry expanding, competitors decided to enter their most profitable markets. At the same time a shortage of the raw materials needed to produce plastic products lowered their products demand. As the new year approached, competitors fiercely competed for market share knowing they most likely will not reach their goals. In this memo I will analyze the internal and external environment and recommend a strategy for Husky to survive during this period of decreased demand.

Analysis and ResearchHusky was specifically in the market of making plastic injection molding equipment and related services. They introduced their first injection molding machine in 1961 and were on the brink of bankruptcy in 1974 until forming an alliance with Owens-Illinois, a major container maker. During this time many soft drink makers were shifting to plastic bottles and this alliance produced a new line of molding systems tailored for the production of polyethylene terephthalate (PET) bottles which were used to make these new bottles. This is their main source of revenue and Husky machines were responsible for 60% of these types of bottles and these profits helped them expand to other product lines and countries during the 1980s and 1990s. They now produce the machines, molds, hot runners, robotics, and give value added services, such as on site maintenance, with a purchase.

Husky offers a variety of products in relation to the production of plastic and they sell their products at a premium. It is suggested that Husky products sell for 10% to 20% more than their competitors. They are able to do this because of their reputation for high quality products. Husky??™s products perform better by producing products at a faster pace than the competition. Their products are also known for being more efficient. Husky machines use fewer raw materials which can be expensive depending on the product being made. Another benefit of purchasing from Husky is your option to customize your system for exactly what you need.

With this option Husky still only manages to sell about 300 machines a year which is extremely low by industry standards. Even with the lack of sales they still have over 300 employees in 24 different offices across the globe

and two manufacturing, and support facilities on two campuses. The sales force is extremely knowledgeable about each product and works for Husky directly, while most sales from competing companies are outsourced. They also spent $25 million to open the Advanced Manufacturing Center which test new molding systems in a closed 24 hour production environment. Many observers disagreed with this venture. Founder Robert Schad and his family still own 65% of the company with 10% owned by Komatsu, a Japanese equipment maker, and the remaining 25% being able to be purchased by ??? key??? employees for as nonvoting shares.

Schad also engrained his values in the company. He believes in concern for the environment, devotion to personal health, hard work, egalitarianism, and perfectionism. The work environment is relaxed where everyone calls him by his first name and there are no assigned parking spots. Husky has competition in each aspect of their business.

In the machine business their rivals are Mannesmann Group, Cincinnati Milacron and Engel. For Mannesmann, injection molding only accounts for 5% of Mannesmann??™s revenues. They own multiple companies which compete within the same industry. Each business is run independently. One in particular, Nestal, is the only one that can compete in terms of quality with Husky. They also have a similar price point where in generally Husky is the most expensive. Cincinnati Milacron dubs themselves ??? the largest U. S.

producer of injection molding models???, and also ??? the lowest costing U. S. producer of these machines.??? They recently established a joint venture

with an Indian company to bring low cost entry level machines to third world countries.

Engel is an Australian based company that specializes in high end technology applications. They are family owned and very secretive. For molds, Husky is competing with two smaller companies, Electra Form and R&D Tool & Engineering. The former made its name off refurbishing old molds. Possible Options and RecommendationsHusky has a few options on what they can do to solve their problems. The first is to wait and see.

This option involves taking no action. In doing this they are hoping the industry recovers faster than expected and through the hard times they can maintain their market share. I do not think they will be able to do that because of the increasing raw material price and the competitions lower cost. The company would probably lose money, existing customers and not gain new ones and eventually fold. I would not recommend taking this action. Another option is lowering your price to meet the competitions. I believe this option would work to generate sales, but not profit.

Customers are getting a comparable product or better product in some cases at the same price as the inferior. Sales people love the idea but the management hates it. Each sales person will have more commission and sales, but overall the company??™s profit may not increase. The company may start losing money if sales stay stagnant.

To be successful with this strategy you must be sure your sales increase to maintain your current revenue stream. I believe this option is too iffy and dependant on the customers. A third option is to try to increase sales to

foreign regions. Over 70% of Husky??™s sales are within North America. With many third world countries starting to develop it is natural that their plastic consumption increases.

We see Cincinnati Milacron is trying to do it, why not try to compete and beat them in rapidly developing markets Well the answer is that Husky??™s products are simply too costly for plastic producers in those countries to purchase. Quality also wouldn??™t be as much as a factor in developing countries compared to Western countries because they are looking for the cheapest prices. Maybe after a market has developed in those countries it will be possible to enter with high end machines. The fourth and option I recommend is taking the company public. Robert Schad may not like this decision because it may change the core values of the company when he has to worry about making profits for investors or having a board of directors looking over his shoulder but it would be a great way to raise funds and continue to dominate the market. With all the extra funds generated, research and development could be conducted to find technology to lower those cost which make Husky products so expensive. How should they go about taking the company public First Schad has to decide how much of the company he is deciding to keep for himself.

Next he must buy back any employee stock already issued to ??? key??? employees and decide if he will offer stock options to employees. He can buy back what Komatsu owns but they may want to cash out once the company goes public. The initial public offering should be pretty high for a company which generated $600 million revenue. Also to cut some cost I would consolidate offices.

6 across North America and Europe each should be sufficient. Offices across the world do not make any sense when most of your revenue is made on 2 continents. As far as the other areas of the world, someone can be sent when needed because other area barely gets any sales. Finally I would close one of the plants and expand the other.

It just doesn??™t make sense to have two plants doing the same thing. There is no clear difference in what they do illustrated and by doing this you can cut down overhead and operating expenses.