

# [Black and decker power tools division](https://assignbuster.com/black-decker-power-tools-division/)

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| Module  | Session  | Course/Theme  | Case  | Who  | When  | Where  | Case Leads/Due Date  |
| T1  | 8  | Winning Through Marketing Management  | Black & Decker – Power Tools Division  | Joseph Galli, VP of Sales and MarketingNoran Archibald, CEO  | January 1991  | Towson, MarylandUnited States  | November 28, 2012  |

What – Situation/Issues/Risks/ Decision

1. B&D lost its market share of professional-tradesmen tools segment against Makita Electric of Japan
2. Makita held an 80% share in cordless drills, the single largest product category, and a 50% professional-tradesmen tools segment share overall compared to a 9% share of B&D
3. B&D maintained #1 market position in the Consumer and Professional-Industrial segments, and only 9% market share in Professional-Tradesmen segment

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| Company Business Model  | Competitors  |
| 1. B&D was the world's largest producer of power tools, power tool accessories, electric lawn and garden tools, and residential security hardware. The power tools market was categorized into three segments i. e.
2. Professional-Industrial Tools – commercial contractors working on large projects where corporation generally buy tools for their employees
3. Professional-Tradesmen Tools – individual contractors such as carpenters, electricians, plumbers, roofers, framers, etc. bought from Home Depot, Ace Hardware … etc.
4. Consumer Tools (35% market share) – consumers purchased tools for “ at home” use from mass merchants e. g. Wal-mart, Kmart, and hardware stores
5. Nolan became CEO in 1986 with 1st profitable year (~$50 million) after 5 consecutive years of losses, growth continued year after year reaching to an operating of income of ~$500 million in 1990
6. 1981 – 1985 company lostmoneywith a $158. 4 million loss in 1985 B&D $4. 8 billion sales in 1990 (50% revenues from the US and 50% from the outside world)
7. Substantial brand equity i. e. 7 in the US and #19 in Europe out of 6000 brands
8. Acquired Emhart corporation in 1989 which doubled the revenue and also increased debt to $4. 2 billion i. e. 80% of the total capital
 | 1. Makita electric, Milwaukee, Ryobi, Skil, Craftsman, Porter-Cable, Bosch
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| SWOT  |  |
| S 1. Brand awareness (98%)
2. Efficient distribution channels
3. Ranked #1 in two of the three segments
4. Market penetration in all three segments with separate product lines specifically targeted for each segment
5. Faster (9%) growth rate in weakest segment Some retailers regarded Makita as “ arrogant and dictatorial”
6. Very strong product quality for the majority of the items
 | W 1. Poor reputation in the Prof-Tradesmen segment
2. Product color scheme (Black & Charcoal)
3. Only 9% mkt share in the Prof-tradesmen segment
4. Profitability was near zero
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| O 1. Improve poor brand quality perception for tradesmen segment
2. Product color scheme
3. Reduce SG+A cost, currently at ~25%
 | T 1. Increased competition. The top three manufacturers i. e. Makita, Milwaukee, and B&D offer product lines at ~175 SKUs each
 |
| PEST (political, economic, social, technological)  |  |
| P  | E  |
| Peer pressure, tradesmen laughed at if they use B&D gray things  | Financials  |
| S  | T  |
| Options & Evaluation  | \*  |
| 1. Option - Harvest Professional-Tradesmen Channels
2. Option - Get Behind Black & Decker Name with Sub-Branding
3. Option - Drop the Black & Decker Name from the Professional-Tradesmen Segment
4. Option - Launch a new product line under the DeWalt brand in addition to the existing B&D product line for the Professional-Tradesmen segment. This option is similar to option 3 except under this option a new brand is launched to compete with other suppliers for the targeted market segment.
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| Recommendation ; Rationale  | Action / Implementation  |
| See the answer of Q2 below.  | See the answer of Q3 below.  |
| Key Learnings & Why is this important  | \*  |

## Assignment Questions

1. Why is Makita outselling Black and Decker 8 to 1 in an account that gives them equal shelf space?

a. Makita provided a good baseline option in all major categories compared to other suppliers who had strengths in a particular product(s) e. g. Skil provided good circular saws.

b. Home Depot strategy of stocking 30K items at prices 30% less compared to traditional hardware stores with superior customer service helped Makita to gain marketplace dominance. Makita offered lower prices i. e. ~5% lower on average compared to BDD products.

This also helped Makita to gain good perception from Tradesmen segment buyers as their product quality was reasonably good.

2. What should Joe Galli do? Why?

c. I suggest going with option 4 and use market products under DeWalt’s brand in addition to existing B&D products. This would not hurt the existing market share by much and there is the great potential of taking away market share from Makita and other suppliers by launching products under a well reputable brand “ DeWalt” in a different color.

3. Step back and take a big-picture view of the sort of " change process" that would accompany your recommendations. What would it take to make this successful? How about Galli's role - how would you evaluate his ability to be an effective change leader?

d. To avoid internal conflict and loosing existing B&D market share, the recommendation is to use DeWalt brand to produce power tools for the tradesmen segment in addition to existing B&D products.

It would require designing and manufacturing power tools in a different color, material, and shape to differentiate from existing B&D products with a strong marketing & sales campaign with mass retailers like Home Depot, Lowes, … etc. Dewalt already has a good brand recognition with top-quality perception for the target market segment. Additionally, Galli has past experience of transitioning B&D saw blades to “ Piranha by B&D” therefore it is safer to assume that he can lead this change to introduce a new product line under the DeWalt brand.