

# Black and decker power tools division

[Business](#), [Company](#)



| Module | Session | Course/<br>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 Marketing<br>Norman Archibald, CEO | January 1991 | Towson, Maryland<br>United 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

| Company Business Model   | Competitors   |
|--|---|
| <ul style="list-style-type: none"> <li>• B&amp;D was the world's largest producer of power tools, power tool accessories, electric lawn and garden tools, and</li> </ul> | <ul style="list-style-type: none"> <li>• Makita electric, Milwaukee, Ryobi, Skil, Craftsman, Porter-</li> </ul> |

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|---|--------------|
| <p>residential security hardware. The power tools market was categorized into three segments i. e.</p> <ul style="list-style-type: none"><li>• Professional-Industrial Tools – commercial contractors working on large projects where corporation generally buy tools for their employees</li><li>• Professional-Tradesmen Tools – individual contractors such as carpenters, electricians, plumbers, roofers, framers, etc. bought from Home Depot, Ace Hardware ... etc.</li><li>• Consumer Tools (35% market share) – consumers purchased tools for “ at home” use from mass merchants e. g. Wal-mart, Kmart, and hardware stores</li><li>• 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</li><li>• 1981 – 1985 company lost money with a \$158. 4 million loss in 1985 B&amp;D \$4. 8 billion sales in 1990 (50% revenues from</li></ul> | Cable, Bosch |
|---|--------------|

|   |   |
|---|---|
| <p>the US and 50% from the outside world)</p> <ul style="list-style-type: none"> <li>• Substantial brand equity i. e. 7 in the US and #19 in Europe out of 6000 brands</li> <li>• Acquired Emhart corporation in 1989 which doubled the revenue and also increased debt to \$4. 2 billion i. e. 80% of the total capital</li> </ul>   |   |
| SWOT  |   |
| <p>S</p> <ul style="list-style-type: none"> <li>• Brand awareness (98%)</li> <li>• Efficient distribution channels</li> <li>• Ranked #1 in two of the three segments</li> <li>• Market penetration in all three segments with separate product lines specifically targeted for each segment</li> <li>• Faster (9%) growth rate in weakest segment Some retailers regarded Makita as “ arrogant and dictatorial”</li> <li>• Very strong product quality for the majority of the items</li> </ul> | <p>W</p> <ul style="list-style-type: none"> <li>• Poor reputation in the Prof-Tradesmen segment</li> <li>• Product color scheme (Black &amp; Charcoal)</li> <li>• Only 9% mkt share in the Prof-tradesmen segment</li> <li>• Profitability was near zero</li> </ul> |
| <p>O</p> <ul style="list-style-type: none"> <li>• Improve poor brand quality perception for</li> </ul>  | <p>T</p>  |

|  |  |
|--|--|
| <p>tradesmen segment</p> <ul style="list-style-type: none"> <li>• Product color scheme</li> <li>• Reduce SG+A cost, currently at ~25%</li> </ul>   | <ul style="list-style-type: none"> <li>• Increased competition.</li> </ul> <p>The top three manufacturers i. e. Makita, Milwaukee, and B&amp;D offer product lines at ~175 SKUs each</p> |
| PEST (political, economic, social, technological)  |  |
| P  | E  |
| Peer pressure, tradesmen laughed at if they use B&D gray things  | Financials   |
| S  | T  |
| Options & Evaluation   | *  |
| <ul style="list-style-type: none"> <li>• Option - Harvest Professional-Tradesmen Channels</li> <li>• Option - Get Behind Black &amp; Decker Name with Sub-Branding</li> <li>• Option - Drop the Black &amp; Decker Name from the Professional-Tradesmen Segment</li> <li>• Option - Launch a new product line under the DeWalt brand in addition to the</li> </ul> |  |

|  |                             |
|--|-----------------------------|
| 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. |                             |
| 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.