Cardon carpet case analysis

Business

Cardon Carpet Mills, Inc. Case Discussion I. Situation Analysis a. Industry i.

In the United States carpet and rug industry, wholesale and retail distribution has experienced several changes. The industry has undergone three distinct changes since the mid-1980s. The first change, which occurred during the mid-1980s, occurred in the form of direct distribution. The largest carpet and rug manufacturers began bypassing floorcovering wholesalers and sell directly to retailers in larger numbers. The second changes, which occurred during the mid-1990s, occurred in the form of wholesale and retail consolidation. Department stores, furniture outlets, and independent retail stores were being replaced by large mass-merchandise and discount stores.

This created a new phenomenon among specialty outlets: the buying group. A retail buying group is an organization of similar retailers that combine their purchases to obtain price discounts from manufacturers. The third change, which occurred during the mid-1990s, occurred in the form of forward integration into retailing. Carpet and rug manufacturers announced plans to engage themselves directly in the residential and contact segments of the floorcovering industry. . Company ii.

Cardon Carpet Mills, Inc. is a privately held manufacturer of a full line of medium- to high-priced carpet primarily for the residential segment. Cardon Carpet Mills, Inc. markets its products under the Masterton and Chesterton brand names. The company currently distributes its line through seven floorcovering wholesalers located throughout the United States. These seven wholesalers supply 4, 000 retail accounts that include department stores, furniture stores, and floorcovering specialty stores.

II. Problem c. Mr. Robert Meadows, president of Cardon Carpet Mills, Inc. wants to consider the possibility of Cardon Carpet Mills, Inc.

establishing distribution centers or wholesale operations. III. Alternatives d. Establish Distribution Centers iii. Advantages 1. Bypass floorcovering wholesalers.

2. Be able sell directly to retailers in greater numbers. 3. Capture margins paid to floorcovering wholesalers. 4.

Offset declining manufacturer profit margins. iv. Disadvantages 5. May lack enough capital to invest in distribution centers. 6. Startup may not be profitable considering Cardon Carpet Mills, Inc.

‘ s current net income. 7. Increase Cardon Carpet Mills, Inc. ‘ s costs. e. Continue Operating as a Privately Held Manufacturer v.

Advantages 8. Save costs on establishing distribution centers. 9. Could increase market share by dedicating more on advertising expenses in order to appeal to the 78 percent of the residential segment. vi. Disadvantages 10.

Could miss out on potential share of the residential and institutional market. 11. Costs, sales, expenses, and profit could remain unchanged. IV. Recommendation f. I recommend that Cardon Carpet Mills, Inc.

continue operations as a privately held manufacturer. As of now, Cardon Carpet Mills, Inc. advertises primarily in shelter magazines and newspapers. I believe that if they increase spending on advertising and expand their advertising mediums, they will in turn be more profitable. I also feel that because Cardon Carpet Mills, Inc. is already profitable, establishing distribution centers could potentially decrease their profits because of the additional costs.