Cutco case analysis

Business

Situation Analysis Industry: Cutlery/ Direct Selling Industry Sales force consists of 15 million direct sellers 2007 U. S.

Industry sales were $30. 8 billion; Global sales were $114 billion Average annual growth rate is 3. 2% Company: 61st year in operation (2010) $200 million revenues Headquarters located in Olean, Pennsylvania Over 500 products, ranging in price from $27 to $945 (Increases 5% every other year) Numerous subsidiaries- Trends: Majority of sales force (90%) only employed for one selling season which results in the loss of customers

Competition's products are mostly sold in department stores as well as mass merchandisers at a reduced price Mergers and acquisitions Target college students as their primary sales force New and existing customers desire to make Web-based purchases Problem Statement In order to achieve revenues in excess of $500 million per year in the next five years and ultimately achieve revenues of $1 billion annually, CUTCO Corporation must implement a long-range growth strategy by selecting and focusing on a growth driver as well as a strategic marketing channel for the next ten years.

Alternative Evaluation 1. Acquiring a cutlery manufacturing company Cost = $10-15 million a. Advantage: Gain additional plant capacity required for growth expansion b.

Disadvantage: The acquisition would divert attention away from the company's primary activities. 2. Expansion of Internet recruiting and new Internet technologies Cost = $5-10 million c. Advantage: Improving recruiting procedures and gaining knowledge of new internet technologies d. Disadvantage: Cost of hiring and training additional sales force 3.

Expanding brand recognition and preference through increasing through public relations exposure Cost = $1-2 million e.

Advantage: f. Disadvantage: 4. Reenergizing major international marketing efforts Cost = $10-15 million g. Advantage: h. Disadvantage: Substantial financial and personnel resources utilized 5.

Expanding supplemental sales channels (catalogs and Internet sales) Cost = $3 million i. Advantage: High potential to generate increased profits j. Disadvantage: Cannibalization of revenue produced from college students 6.

Expanding retail sales channel Cost = $100, 000 k. Advantage: High potential of increasing revenues threefold l.

Disadvantage: Potential to devastate sales force, develop new skill set and core competencies Recommendation CUTCO Corporation should invest additional resources in Internet recruiting measures of college students. This method has proven to work in the past and the company could utilize social networking websites such asFacebook, Twitter, andLinkedinin order to gain new prospects.

I do not feel that it is feasible to spend additional resources in overseas markets at the current time. The cost is too great and several past experiences have not been successful in markets abroad. I also feel that an acquisition of an additional company to increase product capacity would also be too great of a cost. The pilot retail store has a huge market potential in its current location and should be expanded into other markets. (Refer to Appendix for analysis)