

Industry analysis -skil corporation

Business



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Porter's Five Forces Analysis – Portable Electric Power Tool Industry (Year 1979)

1) Supplier Bargaining Power (Low) ? Manufacturer are not much depend on suppliers as critical required components were fabricated in-house (Page 7 Para 4) The Supplier's pricing to Manufactures is solely depend upon volume (Page 8, Para 20) Manufacturer's plant are non-Union (example B), which leads to easy of in-house production. (Page 9 , Para 7) Automation is leading to reducing dependency on traditional suppliers. (Page 7, Para 2) ? ? ?) Buyer Bargaining Power (High) ? Consumer segment buyers tend to be price sensitive & this segment was growing rapidly than the professional buyers. (Page 3 , Para 5) As consumers tool becoming more sophisticated, professional buyers started buying consumer tools (Page 2 , Para 7) Above two points lead to low on brand loyalty & price became critical factor as well as there were not much product differentiators (Page 3, Para 1) ? ? 3) Threat of substitute products or services (High) ? With improvement in battery technology, by late 1970, the cordless tool became by & large substitute for corded one (Ref. Page 3 , Para 1) Consumer tool became sophisticated , which lead to alternative choice to industrial tool. This has lead higher market share for consumer tool & reduction in professional products (Table G for B & D as well as Page 2 & Para 7) Automation became substitute for traditional machining (Page 7 , Para 2) ? ? 1| Page 4) Threat of New Entrant (Low) ? ? Out of 70 manufacturers, top 5 were holding 67% market share (Ref Table F , Page 8), there is stiff entry barrier for new entrant.

Automation trend lead to heavy investment (Ref P 10, Para 2 , B) which was another hurdle for new entrant. 5) Rivalry among existing competitors.

High) ? ? Slow Industry Growth & High number of competitors (Ref Table F , Page 8) As product differentiation is diminishing, competition aggravating on price. (Ref, Makita started price reduction to gain market share – Page 11, Para 8) . This might impact profitability (which is already low) if price war trend continues.

Finally based on the five forces analysis say If industry is attractive or not as of 1979 and why? Summary Competitive Forces Supplier Bargaining Power Buyer Bargaining Power Threat of substitute Threat of New Entrant Rivalry among existing competitors Intensity Low High High Low High Attractiveness: Medium / Low ? For Existing players, the attractiveness is Medium because high rivalry between competitors, slow industry growth & threat of beginning of price war. At same time, buyer power is high . Though positive points for existing players are low threat from new entrant and there is not high influence from suppliers. For New Entrant, attractiveness is Low , because of high entry barriers. Also industry is going through consolidation (Emerson Electric Company acquiring Skil Corporation, Amstar acquiring Milwaukee and Robert Bosch acquiring Stanley) ? 2| Page