

Free case study about strong tie ltd. analysis

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



Introduction

For over 50 years, Strong Tie Ltd has essentially focused on making structural products, which help individuals build stronger and safer buildings and homes. This company is among the largest suppliers of the structural building products throughout the world. The connectors that the company produces are typically steel devices, which customers use to support, strengthen, and connect the joints in the commercial and residential construction projects. These connectors enhance the durability and safety of the structures in which the customers install them and help in saving labor costs and time. In addition, the standardized connectors contribute to the structural integrity as well as resistance to wind, seismic, and other forces. What's more, the applications of these connectors range from residential and commercial building to DIY projects, to deck construction. The company produces as well as markets over 12, 000 customs and standard products. In addition, the company emphasizes continuous development of new products and obtains patent protection for its new products on a regular basis. It is worth mentioning that the company markets its products in all the 50 states, in US and Canada, Europe, New Zealand, Australia, Asia, Mexico, and a number of countries in South and Central America, Middle East, and Africa. The company distributes its structural connectors to the home centers, through the wholesale distributors, to dealers, to contractors, and to the original equipment manufacturers. Strong Tie Ltd. has already developed and continues to use the automated manufacturing processes. The company's innovative manufacturing techniques and systems have essentially allowed it to control the manufacturing costs, while at the same

time developing new products, which meet the customized specifications and requirements. The specialized manufacturing processes development by the company has similarly permitted the increased operating flexibility besides enhancing the product design innovation. Through the discussion of business strategy, the industry and market trends, and financial analysis, this paper analyses the company's current performance and provides suggestions for future action.

Business strategy

Strong Tie Limited designs, manufactures, and sells high quality and performance customized and standardized structural connectors that are cost-effective and easy to use for its customers. This company provides quick delivery of these products besides sales support and prompt engineering. Based on the communications with engineers, contractors, customers, architects, and the other industry participants, Strong Tie Limited believes that its goods possess strong-brand name recognition. Therefore, the company seeks to continue developing its brand name value through various customer-driven strategies. This company pursues to expand its structural connectors and distribution coverage over a number of channels including dealers, distributors, and home centers.

Industry and Market Trends

Strong Tie Ltd. believes that its participation in professional and trade associations, as well as communications with quasi-governmental and governmental organizations and with suppliers and customers, has resulted to various trends and events that have led to significant developments in the

construction industry. The company designs its structural connectors to respond to the increasing demand that result from these trends. In the US, the usage of connectors developed quickly in the West than in the other places because of the abundance and low cost of timber. Increasingly, the growing cognizance that improved construction practices and building codes can reduce the devastation caused by wind, seismic, and other tragedies has influenced the market greatly.

The recognized building standards agencies have listed most of the company's products as complying with the model building codes. It is worth mentioning that engineers and architects have specified these products for use in the projects that they supervise or design. The engineered wood products industry/business continues to grow in response to the concerns about wood availability, and Strong Tie Ltd. is the top supplier of the connectors for use with the engineered wood products. In current years, engineers, model code agencies, architects, legislators, building inspectors, and contractors have continued efforts to improve the structural integrity, as well as the safety of homes besides other constructions in the face of calamities of various kinds, including storms and seismic events.

Based on the continuing participation in the professionals and trade associations as well as communications with quasi-governmental and governmental regulatory agencies, the company believes that the concerned authorities are applying the building codes more regularly, and that their implementation is becoming more rigorous. Several of the company's client groups have consolidated in recent times. In fact, there has been an increased complexity in the industry. The increased complexity has been in

terms of home design, and a number of builders are aggressively trying to decrease their costs. Strong Tie Limited has responded to these trends through marketing its structural connectors as systems and individual parts. In certain cases, the company has used the specification software and sophisticated design to facilitate the systems marketing.

The requirements of the National Forest Management Act, the Endangered Species Act, and the Federal Lands Policy Management Act have essentially decreased the amount of timber that is available for harvest from the public lands. This together with a number of factors have resulted to the rise in the use of engineered wood products over the past numerous years. The engineered wood products often require the specialized connectors and fasteners, and help to conserve lumber. It is worth mentioning that the sales of the company's engineered wood connectors, as well as fastener products, have essentially contributed substantial incomes over the previous numerous years. Strong Tie Ltd. continues to advance its distribution through the home centers in US, although its sales to the home centers decreased during 2008, 2009, and 2011 financial years.

In 2008 financial year, the company distributed its standardized products through all the national home improvement chains in the North of America including Eagle, Sears, Home Hardware, Rona, Lowe's, and Home Depot. The company had roughly 60% market share that had, in fact fallen from 70% in recent years. Strong Tie's competitor, Universal connector, had approximately 30% of the market share that was still growing. Five Chinese producers served the remainder of the market, and their market share had grown noticeably in the previous five years. The universal connector had

shut down some of its manufacturing facilities in U. S. and replaced them with new ones in China. This put substantial downward pressure on the industry prices. During that period, the company priced its goods at a premium to its opponents, as it was a front-runner in the industry.

The company faces some competition in all the markets that it participates. The competition ranges from the subsidiaries of the large international or national corporations to the small regional manufacturers. Whereas price is a crucial factor, Strong Tie competes in terms of product line breadth, quality, technical support, service, inventory availability, product innovation, and field support. Due to the differences in the structural design as well as the building code and practices, the company's markets tend to vary by region. In these regions, Strong Tie competes with corporations of different size, numerous of which similarly distribute their products both internationally and nationally.

Strong Tie Ltd.'s main markets are in the construction industry. This building industry is subject to the significant volatility because of interest rates fluctuations, real estate's market cycles, weather, inflation rates, the availability/unavailability of credit to consumers, developers and builders, and other trends and factors. The global recession as well as decline in the residential construction, which started in 2007 have essentially reduced the demand of the company's products.

Financial analysis

The present ratio remained well beyond two over, and the construction industry average in comparison to the company average was very close. Compared to the past two years, year 2008 had a severe drop. During 2006

and 2007, the management of this company was efficiently using the company's assets to produce earnings and during 2008, that was not the case. The return on equity average was similarly substantially low as compared to the industry average. Strong Tie's net sales decreased to 555. 5 million U. S. dollars in 2010 from 676. 7 million U. S. dollars in 2008, and this reflected a slower homebuilding activity. The gross profit margin of the company increased from 40. 03 percent in 2008 to 44 percent in 2010. In current years, the home center sales have decreased, though at a lower rate than the consolidated net sales of the company.

Recommendations for Future Action

It is important for this company to continue providing high quality customized and standardized structural connectors that are cost-effective and easy to use for its customers since this initiative will ensure customer loyalty. The company also needs to provide additional after sales services that are important in ensuring that it is at the forefront in terms of supplying the structural building products throughout the world. In addition, the company should continue supplying the connectors for use with the engineered wood products to maintain its position in the industry. Furthermore, the company should devise competing strategies to compete fairly with its competitors. Lastly, it is imperative for the company's management to use the assets efficiently to produce more earnings and account for every resource.