

Chain saw case

Business



1) Rivalry is a key force in the chain saw industry. There are a large number of firms already in the industry like Stihl, Huquvana, etc and this coupled with low industry growth, every company is vying for a larger share of the pie. High fixed costs also contribute to companies operating at near capacity and with high production, improving market share becomes critical. Also high exit barriers in this industry negate the ease of abandoning the product, thereby increasing rivalry.

Buyer power is another major force to reckon with.

In the chain saw industry, the biggest buyers are concentrated, with the likes of Sears, Home Depot, Lowes etc with significant market share. These buyers purchase a significant portion of the output, distribution of purchases.

Supplier power force can also assume importance in this industry. Since there are many players and the product is fairly standardized, there is not much room for negotiation. Last but not the least, barriers to entry/threat of entry as a force plays a major role as well.

In terms of entry barriers, factors like Patents and proprietary knowledge, Organizational economies of scale come in to play and from exit barriers standpoint, highly specialized assets and high exit costs deter any plans to abandon the industry. Professional Group Stihl Jonsereds Husqvarna Partner Solo 2) Strategic Groups High There are three strategic groups in chain saw industry

Moderately wide line of chain saws were sold primarily to the private market. It has market share of 23% and from 1974 thru 1977, there has been an increase of almost 40% in Sales, 80% in net. From the numbers it's apparent

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that it is definitely a winner since its strategic initiatives have reflected favorably in its sales and net income growth. Losers Roper Corporation had been a major supplier to Sears for more than forty years.

The Roper product line and customer base was limited . Roper had a little or no brand recognition.

They should increase advertising and promotional budgets to improve awareness and thereby increasing their customer base. Desa(Remington) had moderately wide line of saws. It had little penetration of servicing dealers.

Quality problems and poor design had led to serious malfunctions and returns. Remington had a manufacturing facility, most observers regarded as less efficient than those of the industry leaders, with a very low level of automation and use of special purpose machinery. They should increase their R; D budget and manufacture quality products.