# Dominion motors case essay

Although it is a very fragmented industry with many small players there were only 3 major players in this industry: 1.

Spartan Motors 2. Universal Motors 3. Dominion Motors People involved in Buying Behavior: Operations people: They are usually influences, users or buyers Engineers and Purchasers: Buyers Geologist: Influences Standard Functionaries: Influences and Gatekeepers Rig Supervisors and foreman: Very important influences PROBLEM: To evolve a strategy for Dominion motors to be able to maintain their competitive advantage and market share in the Oil well pumping market Factors affecting the sales:

ENEMA specifications: All companies try to exceed these specifications to make sure that they remain competitive but the equipments are all safe. Any alterations in the design of the motors is likely to cause Dominion to fall below the necessary specifications as given by ENEMA Low winter temperature: As the temperature in Canada were extremely low in winters, the drillers needed extra torque to get the machine started. This was needed by all the companies.

Electricity charges: A new variable mode of charges was introduced for electricity usage.

As per these changes using a higher HP tutor was to get a lower cost for electricity. Thus the highest cost for electricity will be incurred by the motor with lowest HP rating. Overtiring: The authorities realized that in order to reduce the torque requirement many companies used a higher HP motor even though a lower HP motor could easily get the oil to the surface. This

was now being charged and penalty was to be applied to all those who were found guilty of over motoring.

Alternatives: ALTERNATIVE 1 : Reduce the price of pH motor to match that or the 7. HP motor. Pros: This was a short term fit in order to maintain competitive advantage for the eying season which was about to start It was an extremely quick way to respond to customer needs No extra investment will be required for this option as no changes are being done to the model or the manufacturing Implementing this option is extremely easy, and there would be few hassles Cons: It will be more expensive for the company as they will have to cut into their own margins. Profits reduce by $342 per unit.

Once they reduce the price, they will not be able to increase it back to the original value, thus they might have to reduce other prices as well With the power companies penalizing customers for over-motoring, it is doubtful if the customers would readily accept using a high HP motor if it is not needed Manufacturing Cost Sales Com & Transport (1 0% of SP) Total Profit Current 1580 907. 8 158 1065. 8 514. 2 Future 1200 120 1027. 8 172. 2 ALTERNATIVE 2: Slightly change the design of the 7.

5 HP motor There were two ways in which this could be achieved: 1.

Increase torque with a slight increase in surface temperature. 2. Increase torque by with an increase in the size of the motor.

Pros: It would be a long term solution It would meet the customers’ demands perfectly This alternative would mean that they can respond to the change in demand soon as they could begin the shipping of the re-engineered motors

within 3 months, which was within the selling season Cons: A manufacturing cost of $790 will be incurred for the first type of motor while $867 would be incurred to manufacture the second type of motor.

Selling a new type of motor would mean that they accept that their earlier motors Were not good or somehow faulty. They would need to generate all the necessary leads and go through the entire selling process in order to sell this motor. Confuse the motor buyer in the industry Loss of profit on existing unit per sales It was believed that this could lead to a torque war and result in unbalanced designs. The motors produced through this type of re-engineering will not comply with the ENEMA standards Option Fixed Cost 790 50. 49 960.

49 239. 51 2 867 1037. 9 162. 51 663. 51 834 366 ALTERNATIVE g: Making a pH motor with a torque of 10 HP motor Pros: Meets customers' requirements perfectly, infant the torque would be better than any motor in the same HP bracket It would mean that the demand will be met at lower cost.

It would fulfill and exceed ENEMA standards It would also mean that they have a first mover advantage It would provide a design and price advantage over the competitors It is also mentioned that the market share could rise to as high as 60% Cons: It would mean an extra $75000 investment.

The implementation of this alternative will be difficult as that would mean a new product development right from scratch. The production would take about 4 to 5 months to achieve this target It might also mean that the companies which had purchased from Dominion before would be unhappy as they come up with a new model basically accepting that the earlier models

ere inadequate. Producing special purpose motors for the Canadian market would not be economically feasible as most of the market was not in Canada but in USA. Option Total Cost (Current) Mann.

Cost (Current) Mann. Cost (New) Fixed cost Total Cost (New) price of PH 571 . 511 . 53 665 59. 67 104.

5 829. 97 1045 21 5. 83 Price of 7. PH 844. 67 355. 33 ALTERNATIVE 4: Persuade Bridges and Hamilton to rethink their conclusions and decisions based on those conclusions pros: No extra investment or changes required They could continue with their complete set of motors without making any alterations to any of them There will be no changes in the buying behavior of the industry as the major influencer of the industry would be buying from them Cons: Bridges is one of the most influential persons in the industry and he is extremely happy and attached to the research that he conducted.

Telling him that he was wrong would not be very easy and it would have major repercussions. They did not have proper arguments for dissuading Hamilton or Bridges from using the results they obtained from their tests. It does not satisfy the customer needs. It might also mean loss of customers and market share for DAM.

If the competitors did come up with better design and better products it would mean loss Of revenue and market for DAM.