

Mabe case report essay sample

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MABE is Mexican Appliance Company founded in year 1946 by Mabardi and Berrondo. After selling one half of its shares to an MNC the firm evolved drastically. Industrialist gained reputation and associations for their organization helped them to rule the Latin American showcases by the act of joint ventures. Preceding to the recession in 2008, they joint venture with a Spanish organization planning to enter the Russian market has failed. The top management of MABE was concerned about the future situation of the company.

Key Issue:

Spanish partner and MABE should continue spending money on the Russian joint venture believing that situation in Russia would be stable in the future and make profits or invest into emerging markets like China and India by reducing funds to Russian joint venture. Situation Analysis

External Analysis

PESTEL Analysis

Political:

Russian government has an enormous impact on business matters and decision makings, moreover there is unstable political situation in Russia. Therefore keeping in mind the end goal to enter the Russian market, it is important to comprehend the risks connected with government.

Economic:

The Russian economy was affected by recession in 2008 that influenced Russia monetarily. Russia has the highest per capita income, and optional salary contrasted with the BRIC nations the pay level is expanding which

mean the monetary energy. In spite of the fact that, the Russian business appears to have heaps of financially inclined issues notwithstanding, there are numerous open doors for development if MABE can create a method that could be embraced with a specific end goal to handle the issues.

Sociocultural:.

Keeping in mind the end goal to enter into a new country, it is essential to comprehend the nation's population and its market. MABE is encompassed by around 14 separate nations confronting comparative issues of population abatement and a decrease in human capital particularly in Russia. This infers that there would be no clients, prompting in increase in expense compared to revenue. There is likewise a crevice between the more seasoned and the fresher era in Russia making it troublesome for make a social business standard and to dive deeper into remote speculators particularly for privately owned businesses since the diverse population in Russia has distinctive world perspective of the world. Technological:

The Industry has many rivals in which every one of them uses same innovation and have very comparable technology level. The top of the line item could be an included innovative peculiarity while the typical item may be more packed in quality and cost. Russia is no more known for its R&D and advancement like they are before. Over the long haul, the product innovative would be a key achievement in the appliance business. Environmental:

Since an ecologically amicable item is the desire of every client, this industry has a high standing ecological stage following there is a low risk of polluting the nature with the manufacturing products. Legal:

Russian government in 2011 made \$10 billion to pull in foreign investments, which suggests that the Russia could create the ability that would empower them to create complex business strategy framework if Russia keeps on attacking foreign investments. Implications:

PESTEL analysis demonstrates there is open door for development in the Russian business considering the legislature and the government. MABE would actualize different strategies that would help them in MABE long-term success.

Industry analysis

MABE, who focus on the household appliances. They designs, produces and also distributes appliances to more than 70 countries around the world.

MABE has been well known due to the General electric of appliances they produce such

as stoves and refrigerators. Since the implementation of NAFTA which has helped the Mexico economy and also enable MABE to sell appliances locally and export internationally has brought so many opportunities in the North America markets. Key Success Factors:

One of the major key factors that improved MABE is the economy of scale which implies that the reduction of cost per unit resulting from the increased in production realized through operational units. Therefore, if a firm are able to produce more and more of their products, they also have the opportunity to reduce their costs. MABE was the largest appliance manufacturer in Latin America which shows that they were able to produce more and more of the products for the demand of U. S. market. Proving that they possessed the

economies of scale in attaining the main key success factors. Industry life cycle

In the case we seen that MABE are able to produce locally and export internationally which implies that they are in the mature stage of production cycle. The MABE Company were growing faster since the implementation of the NAFTA. Porter's 5 Forces

Rivalry (High): The competition involved in the production of household appliances is high, although MABE has the access to penetrate through the local and international market such as the export of appliances to Caribbean, North America, Central America and Latin America. Innovation and cost-effectiveness are one of the major key aspects to be considered when it comes to household appliances. Therefore, MABE needs a lot of market strategies in the competitive market in order to lead and penetrate the market trends among their competitors. Threat of New Entrants (Medium): The threat of new entrants is not really high, appliances manufacturing industry is easy to enter but requires a lot of funds and also high technical skills needed to operate the technology. Threat of Substitutes (Low): Washing machines, refrigerators, stoves, etc. cannot easily be substituted to other things because they are only useful appliances for everyday households. MABE also needs some innovations to create some ideas in order to be at the edge of other competitors in the same industry. Buyer power (High): The bargaining power of buyers in an industry affects the competitive environment for the seller and influences the seller's ability to achieve profit. MABE has strong buyers which can pressure them to lower the appliance

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products and improve their products quality and offer better services.

Supplier Power (Seldom Low): From this case, information about supplier were not really mentioned but in the industry of appliances the supplier power is high which means that Strong suppliers can pressure buyers by raising prices of their products, lowering products quality, and reducing product availability which indicated that the buyers do not have any other options but rather to buy the product. Conclusion:

From the porter's five forces analysis, MABE need to realize that they are facing a lot of competitors when it comes to implementation of household appliances. Therefore, innovation needed to be considered in order for them to grow in futures operations by using their current situation.

Internal Analysis

The VRINE analysis helped us with some insight depth situation whether a company has competitive advantage over their competitors in the same industry.

Value

MABE is valuable because they produce appliances that are useful for every household and also they are able to sell locally and export their products to Caribbean, North America, Central America and Latin America.

Rarity

Since there is a join business venture involving MABE and Russian GE, this makes them stronger and has competitive advantage over all their competitors because it is only possessed by MABE in terms of rarity.

Non-substitutable and Inimitable

Due to the competitive power over all others competitors in the same line of industry, it is safe to say that MABE is non-substitutable and inimitable because of the alliance of business with the Russian GE.

Exploitability

MABE is exploitable due to their current advancement in terms of joint venture business with the Russian GE and also implementing with a new set of technology providing them to have a greater competitive advantage over all their competitors with the same set of industry.

Financial Analysis

Liquidity Ratios: Since 2006 MABE is experiencing a regular decline in the quick and current ratios by touching a low of 0.68 and 1.00 respectively in 2008 (appendix B). This alarming situation is making extremely difficult for MABE to meet its prevailing monetary obligations.

Leverage Indicators: After going through the debt and equity ratios MABE wants to focus on taking up a continuous improvement method. Most of the money comes from debt (81% in 2008), at the cost of increased long-term interest rate rewards and unfavorable situations for shareholders. Using the working capital in a different way becomes a bad idea when expanding business in to diversified areas happens with the use of debt.

Du-Pont Analysis: MABE experienced a sudden growth in the industry during the time of 2006 and 2007, by a rise in its assets subsequently with common equity and interim liabilities. This changed it into its finest year in 2007, with

increased sales, bigger profit margins, and relatively good use of resources. In 2008 though, sales took an adverse turn and ROA and ROE dropped from 4.21% and 18.99% to 0.40% and 2.12% respectively (Appendix B). It seems MABE wheeling is rolling over its loans, decreasing the pumping of money for long term interests and thus by taking more interim loans. MABE will be in a deep trouble if it is not able to get a continuous long term revenue.

Drop in the crucial margin during 2006 – 2008: The early half of this duration it looks like the strategy of aggressive debt financing growth is working for MABE. By this strategy the outcome is a greater surge in the revenues, gross profit and the net income. The sales are high so as the cost of those sold goods, this is due to the MABE modification to the growing demand and its debt leveraging. This trend seems to have almost finished by 2008, with cost of goods sold re-approaching the same relative ratio as it had been previously in 2006. Nonetheless the huge dip in its net income and revenues that existed during 2007 and 2008 lead MABE in to severe monetary hardships, as they find it more and more difficult to grow their margins and at the same time to finance their debt.