

# Crown cork and seal in 1989



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Crown Cork & Seal in 1989 Case summary This case is typical of the changing face of an industry and the challenges such changes bring about for

businesses. Crown Cork & Seal (Crown), an erstwhile manufacturer of steel metal caps and corks, had been a witness to and part of the dramatic

changes in the form of product specifications including design and materials, product application, competition from suppliers/customers/rivals/new

entrants and consolidation. When Avery assumed control of Crown in 1989 after over three decades of stewardship by Connelly, he was confronted with

reviewing/changing the company strategy in view of the on-going industry challenges as mentioned above, the sluggish sales growth and declining

operating margins (Bradley, 2005, HBS Case # 9-793-035). Five force

analysis Porter's Five Force Analysis tool best fits the analysis of this case.

According to this tool, an industry (and by inference a unit within that industry) is under the influence of five forces that determine its

competitiveness and hence, its profitability: customers, suppliers, existing competitors, substitute products and potential new entrants (Porter, 2004, p.

5). Customers and suppliers can bargain over prices, spreading their options over rivals; rivals can leverage strategies to cut into market share; substitute

products can compete on prices; demand-supply mismatch and/or good profitability can attract new entrants. Thus, profitability is a function of the

competition caused by the industry structure, and strategy is to be devised by analyzing the structure and trends. Key issues Key issues facing Crown in

1989 are as follows: How to regain momentum for sales growth, without sacrificing profitability? Whether to venture into new product lines like plastic

cans? How best to face the challenge of competition from both suppliers and

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customers? Will acquisition of Continental (in part or full) make a strategic fit into Crown's operations, objectives and goals? Comparable situations and bench mark companies One finds similar situation in other industries such as textiles, leather goods, travel luggage, footwear etc., to name a few.

Substitute raw materials, intense competition among well-known brands, advantages of local manufacture of global products and consolidation characterize these industries. Bata/Adidas/Nike for footwear, and American Tourister/Delsey/VIP for travel luggage, are benchmark companies with comparable industry structure situations as in the can making industry.

Strategy for Crown Crown's strategy should evolve around its recognized strengths/weaknesses and capitalizing on the opportunities. Its core competence is in metallic cans with 18% market share. Acquisition of Continental wholly with a 7% market share in metal cans will make Crown a formidable global competitor for American Can who also have a 25% market share. Continental is already a lean organization with comparable profit margins and will bring significant volume growth and geographic spread, especially in Asia and Middle East – the growth markets. Acquisition will propel Crown to the top of the table as a market player and will enhance its bargaining power vis-a-vis suppliers, buyers and competitors. Crown already had bad experience venturing into plastics in the past. Apart from this, plastic bottles are preferred mostly by soft drink bottlers, who are large in number with smaller individual demands, widely spread geographically, and are prone to make bottles in-house. Hence, venturing into plastics is not a good strategy for Crown. In fact, plastics are Crown's weakness viewed from any angle. Conclusion Industry structure analysis using Porter's ' five force model' enables clear understanding of competitive forces that determine the

industry dynamics and profitability of a business and helps in formulating appropriate strategy. References Bradley, S. P., (2005). “ Crown Cork & Seal in 1989”, Harvard Business School, Case study # 9-793-035. Porter, M. E., (2004). Competitive Advantage, Free Press, New York, p. 5