Case Brief : Newell Company

I. **Newell's Corporate Strategy**

A. Acquisition, consolidation, and integration are all part of Newell's corporate strategy, called "**Newellization**", that adds value to a business that they thoughtfully acquire.

B. Newell followed **related diversification and horizontal integration** by creating divisions with economies of scale across various price points and product categories to maximise efficiency and minimise costs, which kept bargaining power of suppliers very low.

C. **Cost-based Strategy**: Knew how to make a low-cost, high-volume product and how to connect with and sell to a major mass retailer effectively. Brand-name staples with a #1 or #2 market share were appealing purchase targets.

D. **Acquisition Process:** Most of the companies Newell acquired were failing because of their high expenses, with operating margins as low as 10%. These companies were then "Newellized" in as less as six months after purchase, with an eye on operational efficiency of upto 15% and profitability mentality which is compliant with the fit of the company.

1. Three standard Newell systems added to the acquired companies: an integrated finance system, a sales and order processing system, and a flexible production system.
2. Walmart accounted for 15% of overall sales at Newell. Compared to the S&P 500's 18% annual return, Newell's 10-year average return to investors was 31%.

E. Value Addition:

1. Accessibility, innovation, "no-problem" supplier, and trustworthy services through timely delivery almost 100% of the time with 95% line-fill.
2. Focus on globalisation and expansion to international markets; Rubbermaid's acquisition would increase foreign sales to 25% of overall revenues.
3. High investment on information technology to keep up with their retailer customers with Newell's top 20 customers placing 90% of their orders through Electronic Data Interchange (EDI). Consistency in product and quality with premium pricing.

II. **Distinctive Resources / Parenting Advantage of Newell:**

A. Newell's many acquisitions introduced varied abilities and synergies to complementing goods such as manufacturing knowledge, assets and large distribution channels.

B. Each division of the company followed a well-defined plan and was given freedom to innovate but not to broaden the scope of its primary product concentration. There was an essential choice to be made about whether or not to explore new goods for the product line.

C. Newell focuses on simplifying the firm's acquisition strategy, transferring experienced management to the acquiring company, EDI, accounting, centralized administrative operations, and launching Newell's multi-measures, rigorous, and division operational control systems through Newellization for maximum profits.

D. The parent company (Newell) followed discipline: non negotiable 2% -30- net-45 payment arrangement; saving the company money on accounts receivable, no cash discount without corporate approval and did not encourage retailers' demand for exclusivity.

E. Instead of national advertising, local promotions and store tie-ins drove product sales.

III. **<u>Comparison of the Two Main Acquisitions</u>**

A. **Calphalon**: This high value purchase gave Newell a chance to extend its product line, appeal 25-35 year old demographic and develop a connection with Target, demonstrating the consistency and optimization fit of the firm. Newell wanted to enhance their brand's reputation by selling their items in specialized shops. To lower Calphalon's cost of products sold and raise their net revenue, the management of Newell instituted rigour in financial, organizational, and manufacturing processes. Calphalon, in return, shared with Newell its know-how in developing pull strategies and building strong connections with a retailer.

B. **Rubbermaid**: Newell rushed to complete this $5-billion mega-merger which proved to be a bad fit. Rubbermaid's stock rose 26% while Newell's plunged nearly 50%. Rubbermaid competed on the basis of innovation and brand recognition, whereas Newell focused on cost-effective manufacturing. Their production methods, prices, and value propositions varied widely and their negative customer satisfaction could affect the parent's recognition. Newell expected to adapt its proven method of mass manufacturing, streamlining, and managing smaller businesses to this massive organisation, and that Rubbermaid and its brand names would increase Newell's opportunities for globalization and internal growth.