

Turner Precision Engineering (Aus) Pty Ltd

Market Research Report

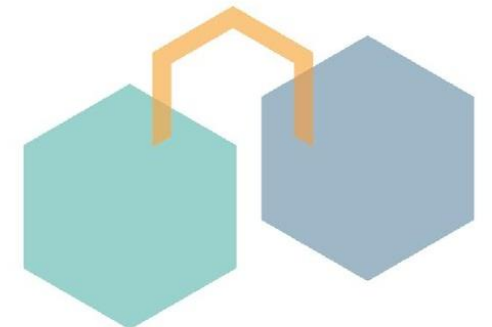
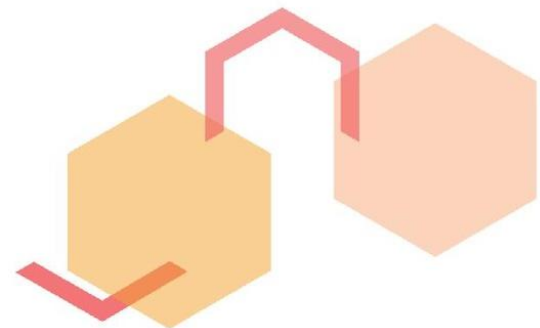
USA

This report was prepared by:

Team 34

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Report Due 17th July 2020



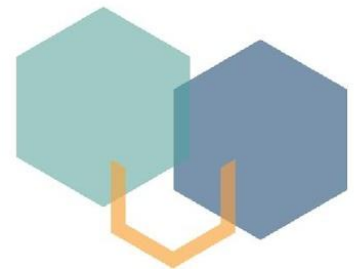
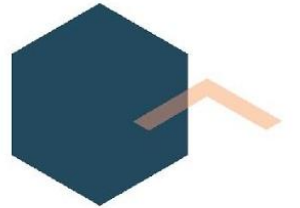
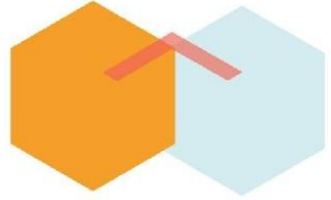
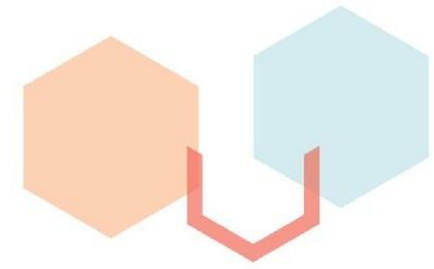
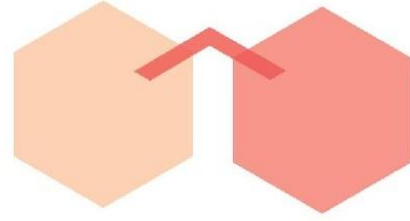
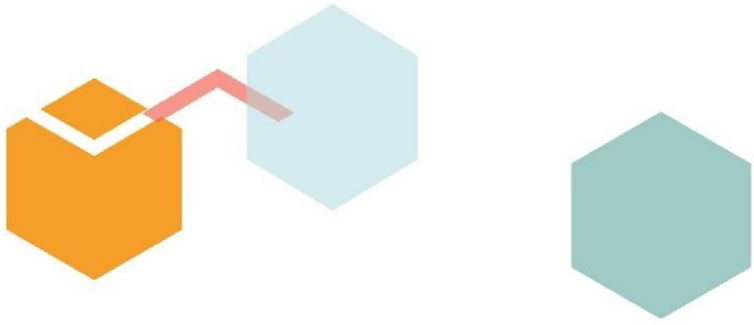
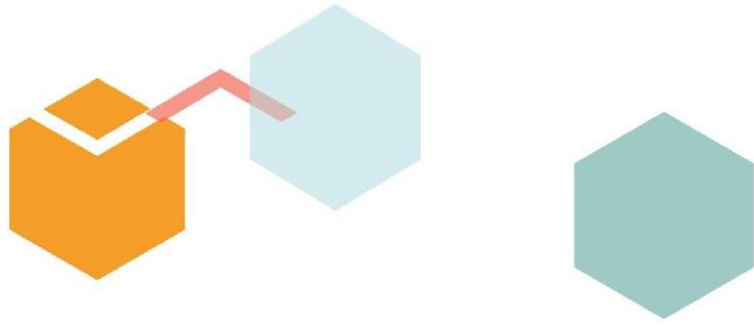


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Overview

Company

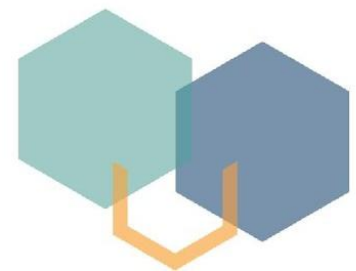
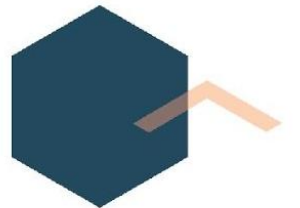
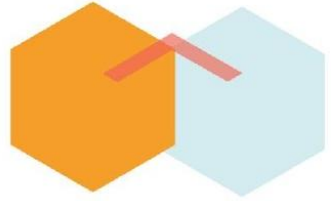
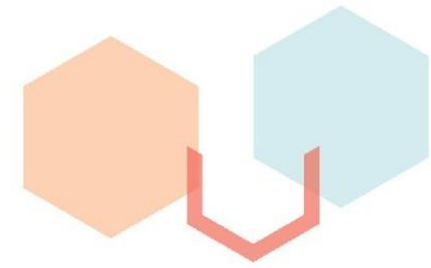
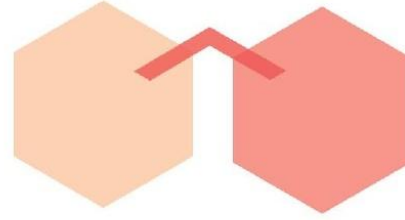
Turner Precision Engineering (Aust) Pty Ltd is a family owned and operated business located on the Sunshine Coast. With over 40+ years experience in the industry, TPE has a reputation for working closely with customers, helping to streamline processes and refine component engineering procedures. With a lifetime of experience across a wide range of industries including medical, mining, defence, aviation and agriculture TPE has the knowledge and technical skill to tackle projects from virtually any field. TPE currently sell direct to the USA via their website and Amazon, however, looking to continue expansion in the USA.

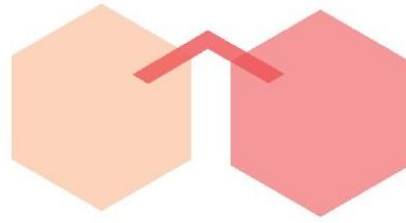
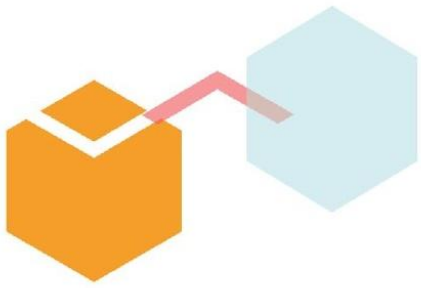
Product or Service

Turner Precision Engineering creates customised precision machined components, manufactured using a range of materials from plastic through to titanium.

TPE has curated a metal nibbler, called *CaNibble*. The *CaNibble* is easy to use, manoeuvrable and safe. It is the only nibbler on the U.S. market with a patented cutting action. Backed by over 40 years of research and development, the *CaNibble* is the most advanced drill attachment nibbler on the market.

TPE is the only choice for your engineering requirements when precision, quality and service count.





Executive Summary

Situation:

The United States of America attribute to 14.2% of Australia's export market for Machine Tool and Parts Manufacturing, which sounds promising for Turner Precision Engineering. USA also has 13,9% of blue-collar workers who may be interested in the customised parts the most.

The industry itself will undergo a steady growth of 1% annually, though due to Covid-19 the annual revenue of businesses in the industry is expected to decline.

Moreover, according to the research, non-skilled workers prefer to buy tools from retails without the need to customise them. Professionals, on the contrary, use quality parts but refer to distributor recommendations while choosing a manufacturer.

Key Question:

The report will cover the analysis of the external environment in which the company operates as well as the company itself. Moreover, the list of key competitors will be provided. The key question of the report is whether the current strategy for promoting the nibblers is the right one taking into account the target customer analysis outlined in the current report.

Key Points:

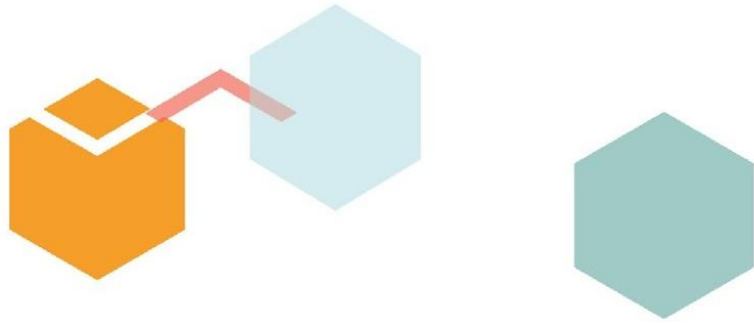
Overall guiding thought

- Exports from Australia in the industry are anticipated to increase at an annualised 1.5% over the five years through 2023-24
- Opportunity to sell through Amazon
- Key competitors: P&N nibbler, Craflight Double Handed Nibbler, Falcon Nibbler, Laser Nibbler, Lang / Turner Nibbler, Fit Power Nibbler, Rexberi Nibbler
- There are two target personas: beginners and professionals

Section 1

Market Analysis

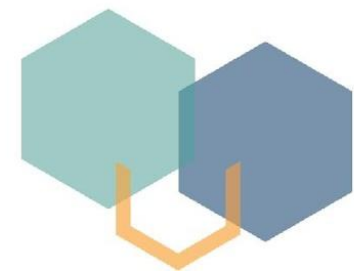
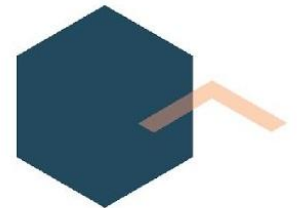
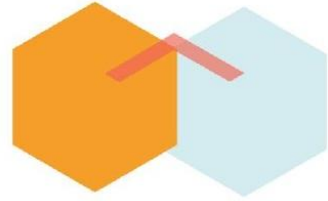
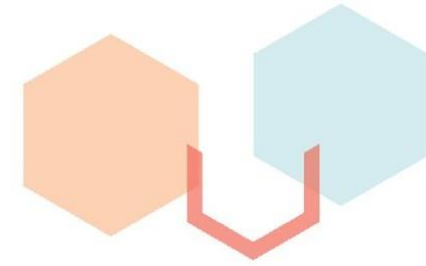
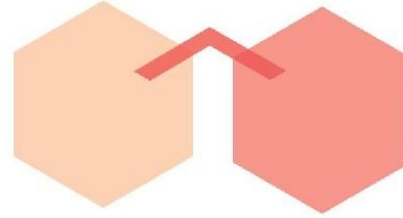




Market Analysis

Key Findings

- USA's Metalworking Machinery Manufacturing industry is forecasted to grow at an annualised 0.3% over five years through 2025, to \$34.7 billion.
- Current difficult conditions are projected to persist through to 2019-20, before the industry returns to moderate growth from 2020-21 as demand from the construction sector recovers.
- The United States of America import \$16.9 Billion in Metalworking Machinery Manufacturing. This is very promising for Turner Precision Engineering as they continue to target the USA market.



PESTL Analysis



COVID-19 impact

- Slow Government Response - this was due to the unknown of the virus and whether to close Australian borders.
- Changing trade system - it is predicted that countries would prefer manufacturing their products instead of relying on others in the future.
- Declining Market : The US, UK, Australian, and all other major financial stock markets; saw an all-time low. Investors, on the other hand, are pulling out their resources and investments.
- Fewer Workforces : Due to the virus there'll be a lesser workforce to contribute to the country's economy due to quarantine restrictions and patrons not wanting to go to work in fear they may catch COVID-19.
- Fear and Panic
- Less travelling
- Discrimination and Racism
- Freelancing and Working from home
- Antiviral Medicine
- Australia has closed their borders and declared a state of emergency. the purpose being to keep the country safe and manage the crisis without taking any risks of letting foreigners in the country.

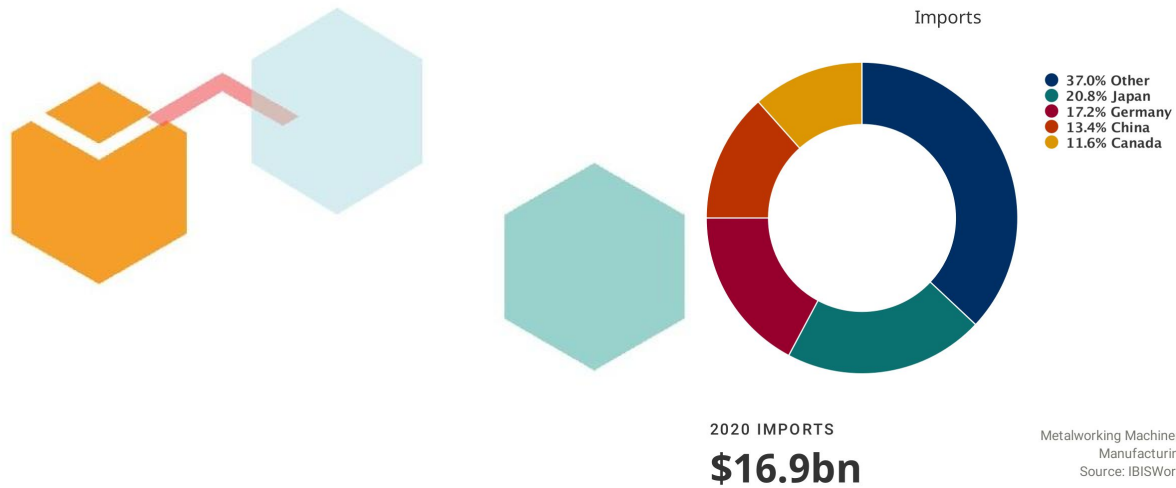


Figure A

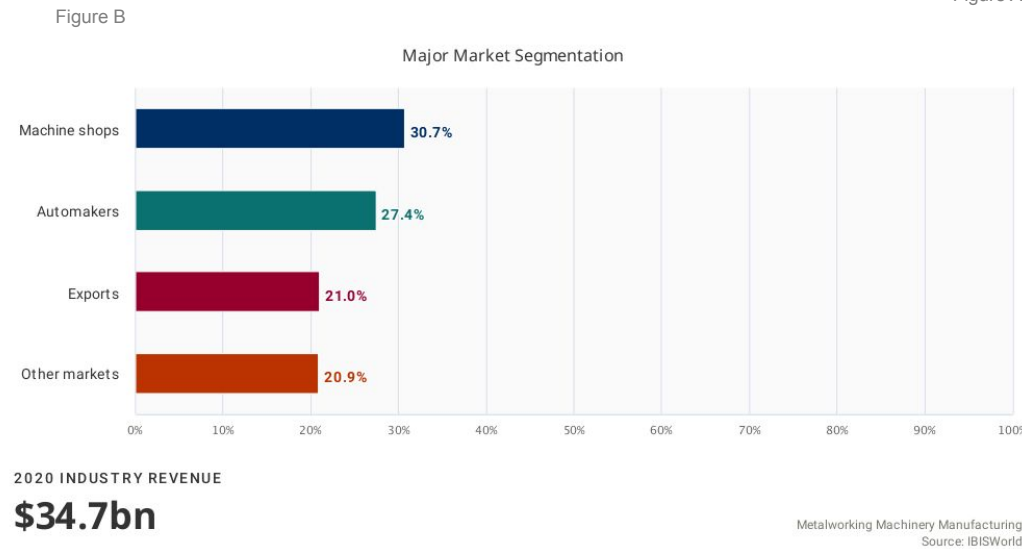


Figure A: International Trade Imports for Metalworking Machinery Manufacturing in the USA
Figure B: Major Market Segmentation for Metalworking Machinery Manufacturing in the USA

It can be seen in Figure A that the United States of America import \$16.9 Billion in Metalworking Machinery Manufacturing. This is very promising for Turner Precision Engineering as they continue to target the USA market, Figure B shows the market segmentation of the USA in Metalworking Machinery Manufacturing. The USA look to import Australian products due to their quality.

Market Segmentation and Size

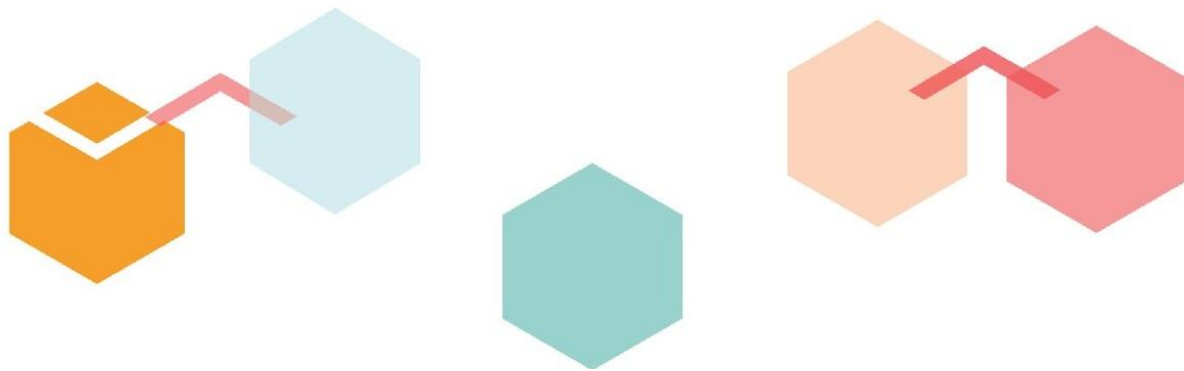
The market is looking promising with continual growth expected in the Metalworking Machinery Manufacturing industry. Below provides an overview of the key points relevant to Turner Precision Engineering.

Key Findings

Imports in this industry are High and Increasing. International trade is a significant determinant of the industry's performance. Domestic operators engage in a high level of international trade and imports make up a large share of domestic demand. Australian exporters compete on the basis of premium quality and innovation. Over the past five years, the value of exports has increased moderately.

Industry goods are typically used in a single stage of complex production processes. This has led most industry operators specialising in a specific product category, which allows them to become the dominant domestic player. These firms then attempt to compete in both the domestic and foreign markets. As the local market is small by global standards, domestic consumers of industry goods rely on imported products where an Australian-made alternative does not exist. Furthermore, domestic producers export most of their products due to the domestic market's small size.

Overall, imports have risen at an annualized rate of 3.5% over the five years to 2020, with imports as a percentage of domestic demand having trended upward to 38.1% in 2020 from their 2015 level of 35.2%. As the US dollar continues to remain volatile, the decreasing purchasing power held by US manufacturers is estimated to slow import growth over the next five years to 2025. Therefore, imports as a share of domestic demand is estimated to fall from 38.1% of domestic demand in 2015, to 37.5% of domestic demand in 2025. The industry's major import markets include the Japan, Germany, China and Canada.



Market Growth

The market is looking promising with continual growth expected in the Metalworking Machinery Manufacturing industry. Below provides an overview of the key points relevant to Turner Precision Engineering.

Key Findings

The Metalworking Machinery Manufacturing industry is projected to encounter difficult conditions in the short term due to COVID-19. However, industry revenue is forecast to grow at an annualised 0.3% over five years through 2025, to \$34.7 billion. Current difficult conditions are projected to persist through to 2019-20, before the industry returns to moderate growth from 2020-21 as demand from the construction sector recovers. Profitability is forecast to increase slightly as firms continue adapting to the difficult operating environment.

Imports constitute an estimated 38.1% of domestic demand. The trade-weighted index (TWI) has favored overseas sellers, with an appreciating US dollar giving foreign currencies a greater advantage than they previously had. Consequently, over the five years to 2020, imports to the US are expected to rise at an annualized rate of 3.5% to \$16.9 billion. This is very promising for Turner Precision Engineering as they continue to target the USA market with their advanced drill attachment nibbler the CaNibble.

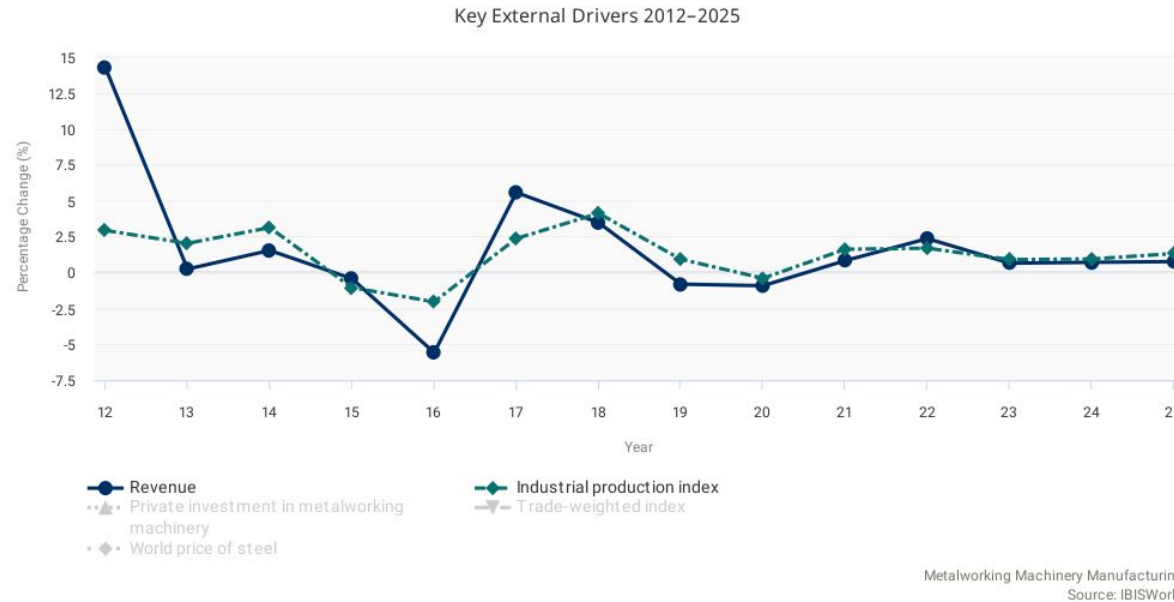


Figure C: Key External Drivers for Metalworking Machinery Manufacturing Industry

Figure C identifies a gradual increase in demand from 2020-2022. This is very promising for Turner Precision Engineering as they continue to target the USA market with their advanced drill attachment nibbler the CaNibble.

Section 2

Turner Precision Engineering Market Attractiveness



Market Attractiveness

About

The market attractiveness of the industry of the company depends on factors which are total revenue, the market growth rate, and the prices of the current profit margins in the market whether they are increasing or decreasing.

Key Findings

In Australia:

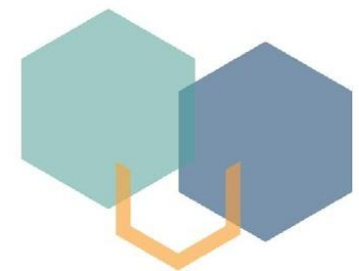
- Total revenue has decreased 1.3bn in 2019.
- Market growth rate has increased 0.6% between 2014 and 2019.
- Profit Margins decreased 7.7% in 2019
- 14.2 of the industry export is to USA , which is the highest individual. country, therefore it would be good to keep launching to the American market.

International Trade

Exports



53.3% Other
14.2% United States of America
13.5% United Arab Emirates
9.6% China
9.4% New Zealand





SWOT Analysis

The team has done SWOT analysis to identify the strengths, weaknesses threats and opportunities of Turner Precision Engineering in the market.

| Strengths – to build upon | Opportunities – to seize |
|--|---|
| <ul style="list-style-type: none">• High quality products compared to the alternative Chinese products• Availability of Export markets throw Amazon to USA• Low Capital Requirements | <ul style="list-style-type: none">• There is a growing trend for cutting metal for automotive industry• <u>There is a growing trend for cutting metal for aerospace and defense.</u> |
| Weaknesses – to mitigate | Threats – to neutralize or avoid |
| <ul style="list-style-type: none">• inability to service other company's tools• High imports.• Affordability of a cheaper chinese products.• Not enough platforms to supply products to the USA market. | <ul style="list-style-type: none">• <u>Local US businesses having control over the industry leaving no space for exporters</u>• <u>Having the chinese competitor</u> |

5 Forces Analysis

We have utilised Porter's 5 Forces Model to identify the competitive environment within Turner Precision Engineering.

threat of substitution considered moderate, because the low price of the alternative product might attract more consumers, but at the same time consumers will compare the quality too.

| Threat of New Entrants | | | |
|--|---|--|--|
| <ul style="list-style-type: none">Network effects (increase the usage leads to increase the value of other products at the same industry).Brand equity (high level of brand awareness lead customers to buy the products even if it has a higher price than others).Product differentiation (distinguish the products of the company from the products of the competitive rivalry). | | | |
| Supplier Power | Competitive Rivalry | Buyer Power (Customers) | |
| <ul style="list-style-type: none">Loyalty programs, which helps supplier to attract more customer, and the company does not has a loyalty program such as a reward card that might work to attract more customers.The power of th distribution channels (Amazon), which offers wiser platforms to attract more customers.Brand equity (the name of the company in the market helps to attract more customers), and currently the brand of the company is known in the australain market, but might needs to use a wiser social media platforms such as instagram instead of facebook or do them both together. | <ul style="list-style-type: none">Availability of the chinese rivalry in the markets, which leads the customers to choose the lower prices products most likely.The brand Cigweld Pty Ltd and ESAB (Australia) Pty Ltd, supply local and oversea markets via Asia (by Victor Technologies Australia Pty Ltd (VTA) company). | <ul style="list-style-type: none">australian market has a growth of the money that is spending on the market of the products that the company is producingThe power of th distribution channels (Amazon) on their supplier, which makes customers highly needed to use this channelsensitivity of the buyer price (how the product price affect on consumers' purchasing behaviors, where most people tend to choose the low price products), and the company have relatively a higher prices than the chinese products. | |
| Moderate | | Threat of Substitution | |
| <ul style="list-style-type: none">Price-performance comparisonProduct differentiation (distinguish the products of the company from the products of the competitive rivalry). | | | |

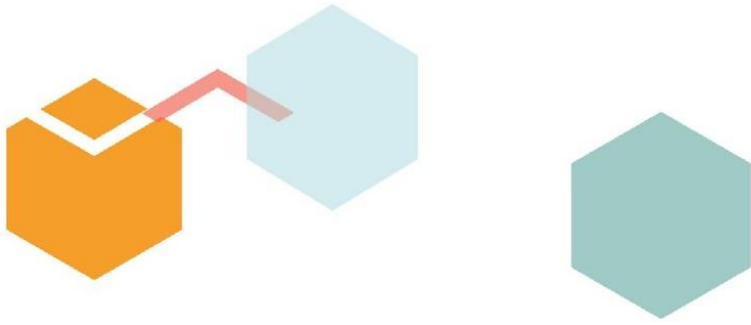
supplier power consider weak, because it needs a further improvement towards offering loyalty programs that will work

Buyer power considers strong, because it is related to the market growth, how price could attract more customers, and

Section 3

Competitor Analysis





Competitor Analysis

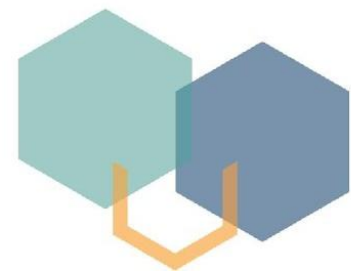
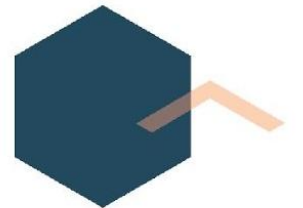
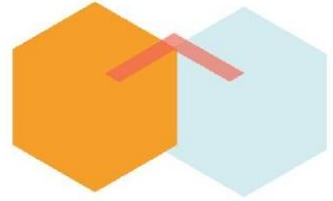
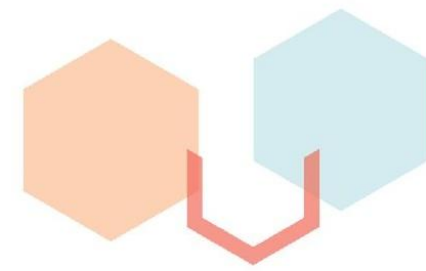
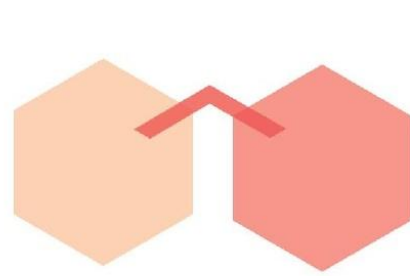
About

Competitor analysis of the industry of the company provides most help in identifying and profiling competitors while assessing strengths and weakness between companies.

Through analyzing the gap with competitors, the companies can gain a deeper understanding these aspects, services, profitability, marketing objectives and growth potential and increase their competitiveness through improvement.

Key Findings

- The manufacturing industry is a key part of Australia's economy. Through reviewing of Australia's growth performance since the early 1990s, the pressure of market competition is constantly increasing.
- Competitors
 - P&N nibbler
 - Craftright Double Handed Nibbler
 - Falcon Nibbler
 - Laser Nibbler
 - Lang / Turner Nibbler
 - Fit Power Nibbler
 - Rexberi Nibbler





Competitor Analysis

| | Our product | P&N | Craftright | Falcon | Lang / Turner | Rexbeti |
|-----------------------|-------------|-----|------------|--------|---------------|---------|
| Price | | | | | | |
| Customer Satisfaction | | | | | | |
| Popularity | | | | | | |
| Delivery | | | | | | |
| Advertising | | | | | | |
| Website | | | | | | |

Key:

Advantaged

Neutral

Disadvantaged

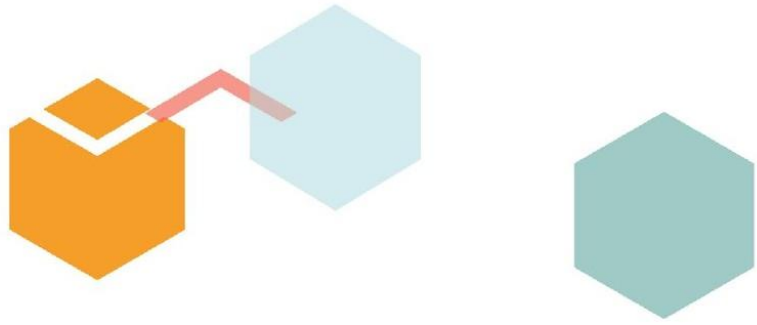
Absent



Section 4

Target Customer Analysis





Target Customer Analysis

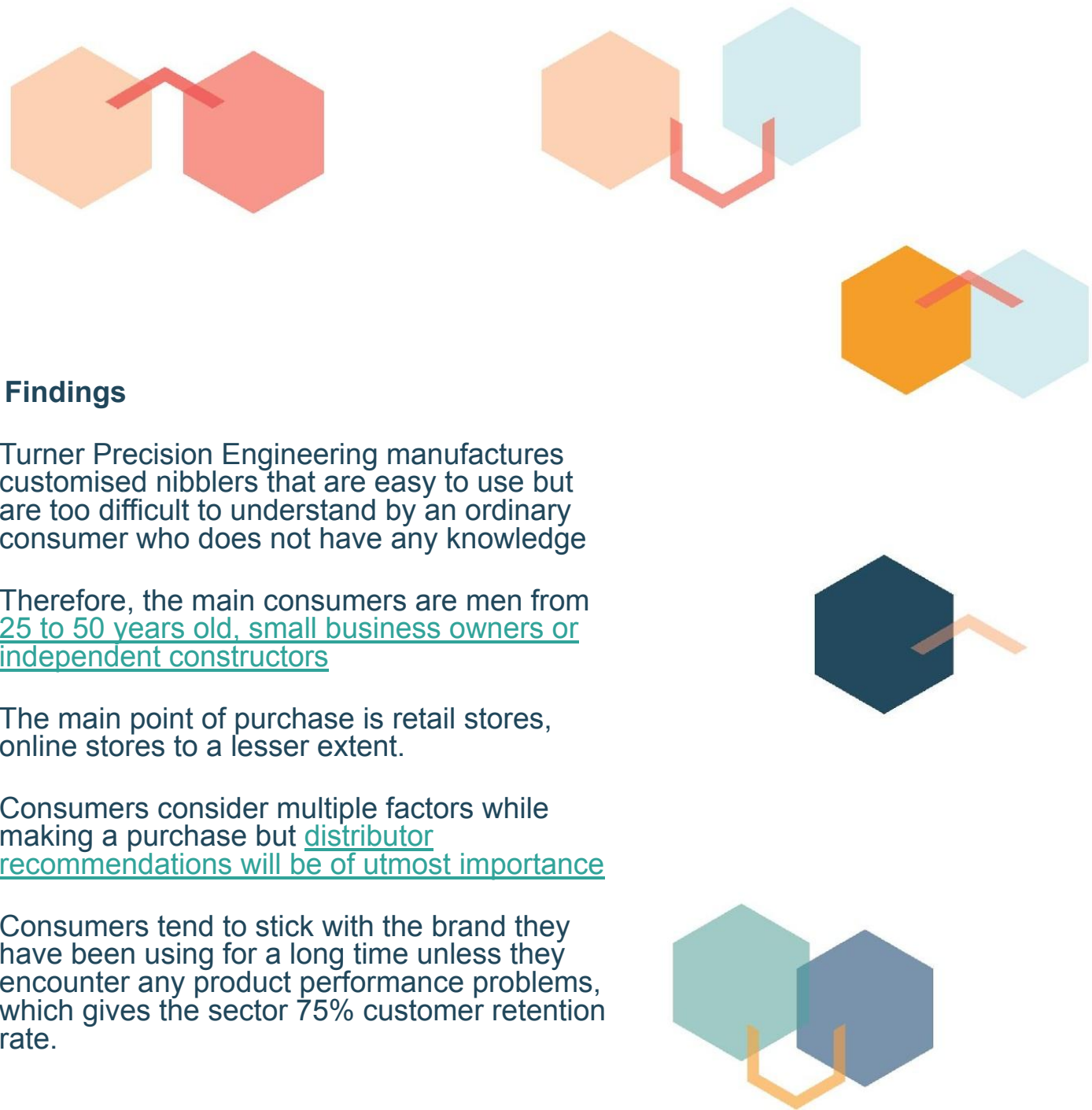
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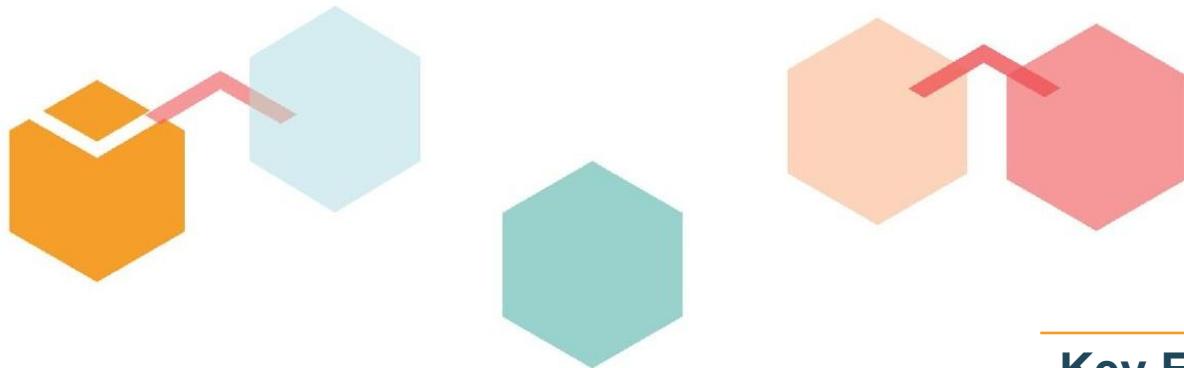
The current analysis shows the personas that can be potentially interested in nibblers made by Turner Precision Engineering. It also identifies the needs and problems of the market that the company has to pay attention to in order to establish a better connection with consumers.

The research shows that the promotion strategy either has to be reinforced by giving more knowledge to non-skilled customers through blogs on the website or articles explaining the importance of custom tools; or promotion should be focused on professionals.

Key Findings

- Turner Precision Engineering manufactures customised nibblers that are easy to use but are too difficult to understand by an ordinary consumer who does not have any knowledge
- Therefore, the main consumers are men from 25 to 50 years old, small business owners or independent constructors
- The main point of purchase is retail stores, online stores to a lesser extent.
- Consumers consider multiple factors while making a purchase but distributor recommendations will be of utmost importance
- Consumers tend to stick with the brand they have been using for a long time unless they encounter any product performance problems, which gives the sector 75% customer retention rate.





Target Audience

Metal Cutting Tools Market: Segmentation by Geography




[Figure 1: [Segmentation by Geography](#)]

- The United States is a slow growing region for this industry. Almost 36% of growth will come from APAC countries in the next five years leaving behind Europe and North America.







Key Findings

- There are [13.9% blue-collar workers in the U.S.](#) These workers are the primary target audience of the company due to their high involvement in the industry. [Research shows](#) that consumers who do not have primary knowledge in the industry, non-skilled workers, use non-customised tools and parts at the very beginning of their work because they do not know how customised tools can be of help.
- When choosing a company for necessary tools, customers are looking for [latest innovations, reviews from other companies, use cases and available offerings.](#) Customers are looking for immediate availability, otherwise they switch to other companies.
- The first point of contact for professionals are local distributors who have catalogues of all manufacturing companies.
- In the purchase stage customers are looking for tool performance: reliability and quality. Innovations is the biggest factor as well. Given the fact that there is a [70% retention rate](#) in the industry, customers try new brands only when they are more modern and technologically advanced than their competitors.
- Consumers are also looking for extensive technical support to answer questions regarding the tools. They highly criticise unresponsive companies
- As a result of Covid-19, [consumers stick to tools they already have](#), not willing to spend on new tools

Customer Personas

| | | |
|---|---|--|
|  | My industry Automotive, Defense, Medical, Oil | Goals or Objectives Quality is everything Great deals with companies we buy from - a discount for a bigger sale or service support |
| Name Nick Professional | Biggest Challenges <ul style="list-style-type: none">• Innovative tools• Easy availability for fast replacement• No time to waste• (For automotive) tools that handle lighter materials and make thinner shapes | What attracts me Convenience and good reviews from distributors or people from my professional network |
| Age 25 to 50 years | | |
| Highest Level of Education Bachelor's Degree | | |
| Organization Size 1-10 employees | Problems Unresponsive companies are hard to deal with. Looking for a new company also takes time. | Preferred Method of Communication <ul style="list-style-type: none">• Phone• Email• Text Messaging• Social Media |

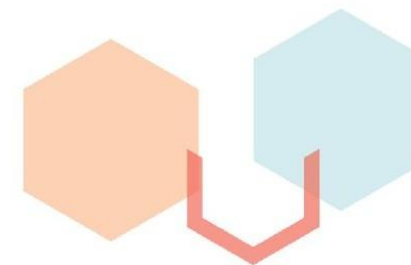
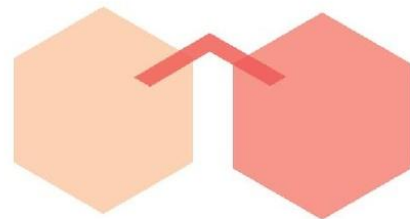
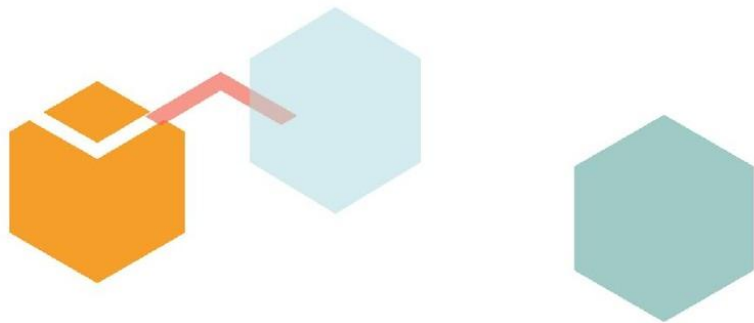
Customer Personas

| | | |
|---|---|---|
|  | My needs I need the tools to fix stuff or maybe start a new hobby. This is for my own purposes. | Goals or Objectives Learn how to use nibblers |
| Name Peter Beginner | | What do I want I want more support to learn. These are my first steps, so I need someone to guide me. A guide for the tools will be a great idea |
| Age 25 to 50 years | My problems I don't have much knowledge on the subject. I have to read about it more and maybe first buy the tools that are easily available in my retail store to see if I succeed with them | Biggest Challenges <ul style="list-style-type: none">• To get the job done• Do it myself or maybe call a specialist?• Not much knowledge |
| Highest Level of Education | | |
| Social Networks      | Preferred Method of Communication <ul style="list-style-type: none">• Phone• Email• Text Messaging• Social Media• Face-To-face | |

Section 5

Legal and Regulatory Considerations





Applicable Grants

About

There are a number of grants which may be used to supplement expansions into the US market. Some of these grants may be helpful if looking to have local US retailers stock some of the Turner Precision Engineering products.

Key Findings

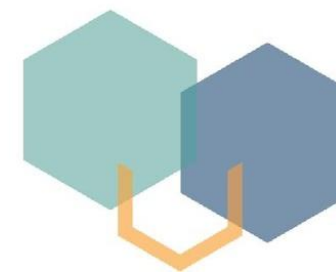
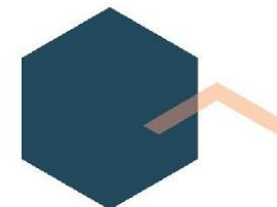
- Export Market Development Grants (EMDG)

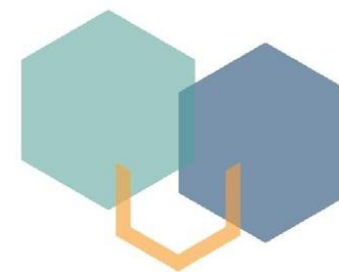
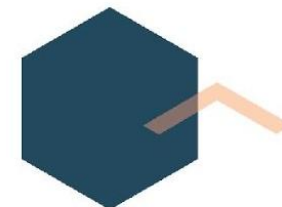
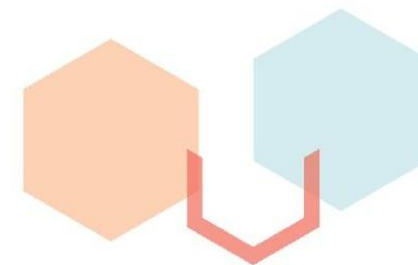
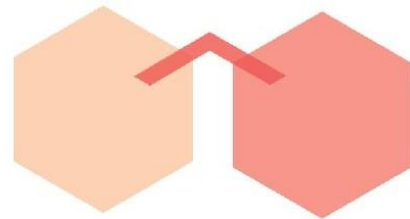
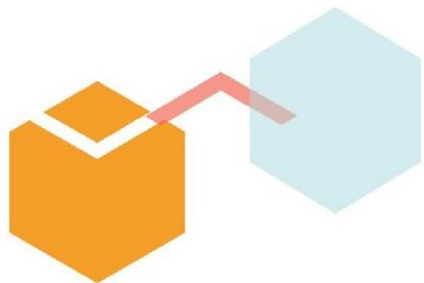
[Export Market Development Grants \(EMDG\) | business.gov.au](https://business.gov.au/export-market-development-grants-EMDG)

Offering 50% of promotional expenses in an overseas market above \$5000 to a maximum of \$150,000 provided all eligible expenses amount to at least \$15,000

- [Small Business Export Loan | business.gov.au](https://business.gov.au/small-business-export-loan)

Offering loans to small to medium export businesses with loans to cover up to 80% of the costs to secure an export contract or purchase order with an overseas buyer. Loans of \$20,000 to \$350,000.





Considerations for distribution to USA retailers

About

Moving from online retail to stocking the CaNibbler on shelves within US brick-and-mortar retailers can be a great way to increase sales of the CaNibbler. However there are many legal considerations involved in signing a contract with distributors in the USA. These considerations will differ depending on the location of the distributor; in addition to Federal regulation each state will have laws governing the sale of the Nibbler range. County or city ordinances may also require extra considerations or licensing to trade within that local area.

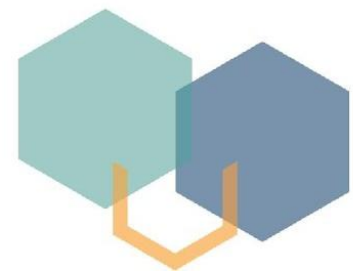
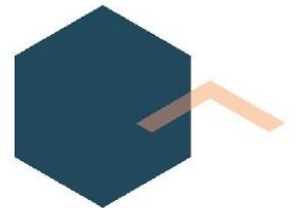
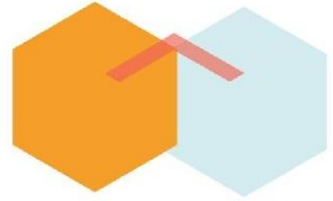
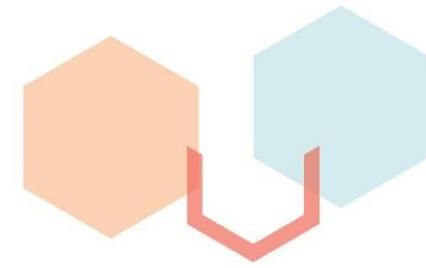
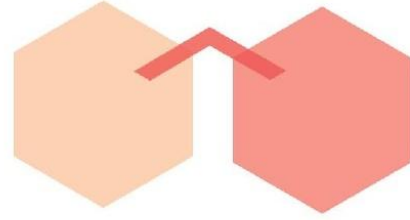
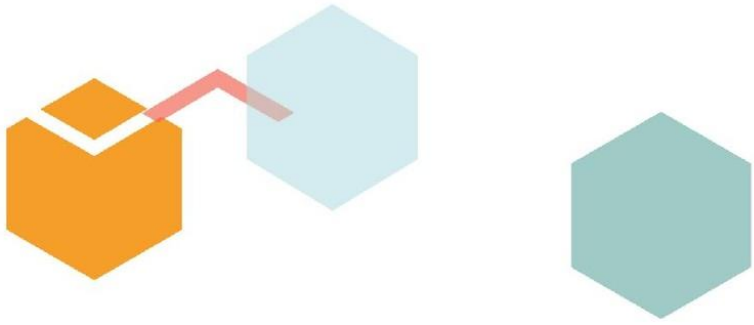
Key Findings

- Using subcontractors to manufacture goods that are to be sold in the USA can sometimes result in prospective distributors requiring a demonstration of compliance within standard Social and Environmental Responsibility Standards.
- Larger retailers such as The Home Depot require that suppliers must have adequate Commercial General Liability Insurance which covers themselves in addition to the distributor (eg The Home Depot)
- Specific laws will apply to the state and county a desired distributor is located and will likely require the advice of a local commercial attorney

Section 6

Key Industry Trends and Innovations





The future US Nibbler industry

Current Patent Landscape

The CaNibble tool currently has patent protection within the US market until 2029. The CaNibble tool patent remains the most advanced portable nibbler attachment available on the US market currently. Milwaukee Electric Tool Corp recently filed for a patent on a new handheld electric hole puncher for rapidly punching holes in metal; however this lacks the ability to cut advanced shapes and can't be used with any preexisting power tool.

Key Findings

- Currently consumers still find the usage of a Nibbler to be appealing for small jobs and at a lower price point than other metal cutting tools
- The biggest user concern for a Nibbler is that extended use may result in blistering of the hand, most users seem to prefer not using a glove while using this form of tool
- Companies that could find a way to create a more shock absorbant Nibbler that is easier on the handler may find themselves a new competitive advantage

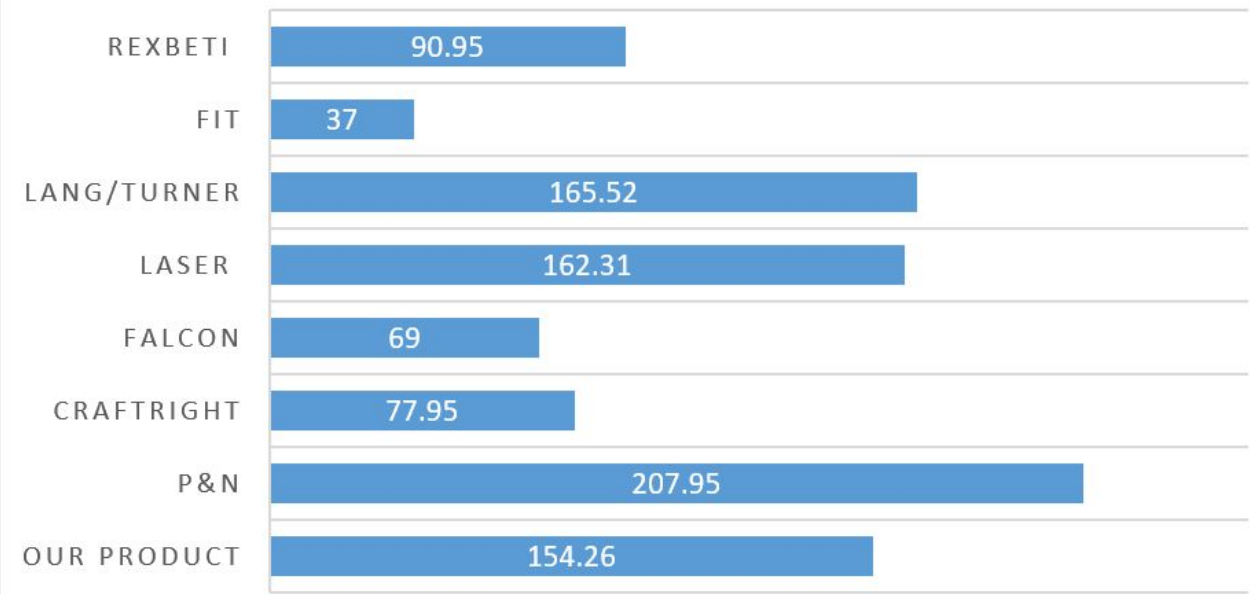
Section 7

Appendix A: Supporting Analysis

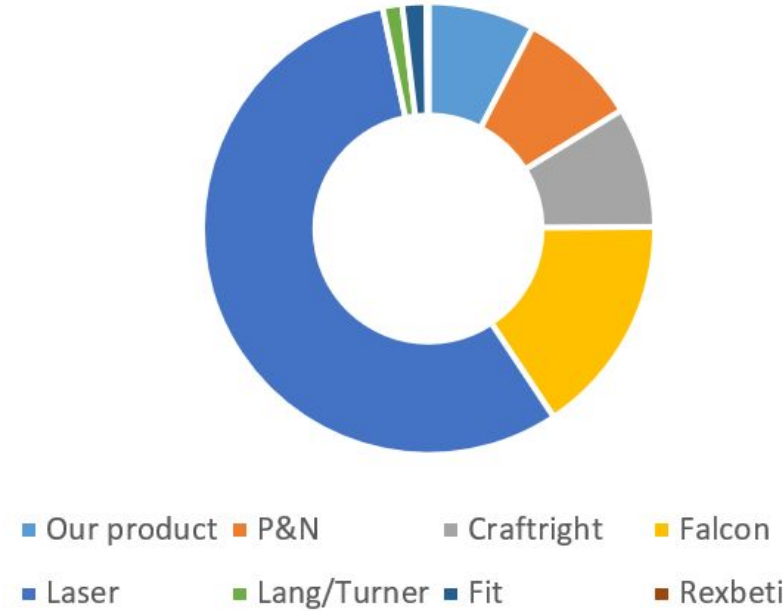


COMPETITORS COMPARISON

PRICE(AU)



Sales



COMPETITORS COMPARISON



Thank you

| Chris Molloy | Giorgi Misuraca | Anna Sheremeteva | Ye Cai | Maya Obed |
|---|---|---|---|---|
|  |  |  |  |  |
| Project Manager | Communications Manager | Lead Researcher | Researcher | Researcher |
| QUT | QUT | QUT | QUT | QUT |
| Science | Finance and Management | Marketing | IT | Nutrition & Dietetics |
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