DEERE AND COMPANY CASE REPORT

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Table of Contents

a. Problem statement:

Deere & Co. is among the manufacturing leaders of farm and industrial equipment dominating the small tractor market. It had a market share of 50% to 60% followed by other competitors such as International Harvester, Case, and Caterpillar in fourth place. However, the scenario was different for the large tractor market. Caterpillar was the leader of the market followed by International Harvester, Case, Fiat-Allis, Komatsu, and Terex.

Deere & Co. faced many issues as they were penetrating the existing market of larger units used for heavy construction and mining work which was dominated by the Caterpillar

Tractor Company. Caterpillar Tractor Co. had dominance with the highest share of 45% worldwide for the crawler tractor market. A large crawler tractor was referred by the name "Cat" or Caterpillar because of their popularity. Deere had developed a bulldozer tractor JD750 & crawler loader JD755 to compete with the larger tractor market.

Deere & Co. is facing a challenging problem of pricing the JD750. Pricing the smaller tractors was based on competitor pricing and past Deere pricing. However, pricing the larger ones was a complex process and involved several possible product strategies as suggested by one engineering executive. Investment in large tractors such as JD750 was huge, and the initial concept and the pricing would usually involve many sources.

b. Issues:

i. Consumer and demand analysis

The consumer market is best divided into two categories, large market (machines having above 100 horsepower) and small market (machines having below 100 horsepower). The large crawlers referred to as productive machines as they were often required to work for 10 to 24 hours per day were used in the heavy construction like construction of highways, dams, airports, etc. and mining industries. While the small crawlers were used for utility purposes which were under less strain because their usage was more sporadic.

Crawler loaders and bulldozers were used by a wide variety of customers including landscapers, home builders, underground contractors (electrical, sewer, etc.), paving contractors, sanitary landfills, industrial plants, general contractors, mines, foresters, sugar cane plantations, and so on. In general, bulldozers were oriented to rural areas, while loaders were oriented to urban areas because of their industrial and hole-digging applications.

The large units were purchased by large contractors (who specialized in projects such as highways, dams, and airports) and by mines. They were used for much of the day and sometimes into the night. The purchasers were sophisticated and kept detailed records concerning productivity (tons moved per hour or per dollar) and reliability. They tended to purchase crawlers on the basis of parts availability, as well as on durability and reliability. Large contractors also purchased small machines. These utility machines, however, were not used quite as intensively as the larger units.

Most small units were purchased by small contractors as they were concerned primarily with reliability. Deere management estimated that the 1977 to 1980 domestic sales of JD750- and D-5-sized machines would be 5,500 per year; those of the JD850 and D-6 machines would be 3,500 per year.

ii. Competitor analysis:

Competition is intense among manufacturers from all over the world such as Case, Caterpillar, International Harvester, Fiat-Allis, Komatsu and Terex. The larger equipment market was dominated by the Caterpillar Tractor Co., with a crawler market share of about 45% worldwide. Deere's major success had been in light crawler tractors. Case, another company with agricultural ancestry, had the major share (50%) of the North American light-wheeled industrial tractor market. Caterpillar dominated the markets for heavy construction and mining equipment. (It had worldwide construction and materials handling sales of $4.5 billion in 1975.

Because of the high reliability, good engineering and dealer strength with small contractors, Deere had 50%-60% of the small tractor market. The second in the line, International Harvester which also produced farm equipment’s and truck’s, especially heavy trucks stood as a competitor with perhaps 10% of the market followed by Case and Caterpillar.

When we look towards the large tractor market, the situation is considerably different. Due to the part operation being viewed as excellent and superior to all competitors, Caterpillar led the market with a share of 50% to 60%. Number two was International Harvester. Other competitors included Case, Fiat-Allis (a joint venture of Fiat and Allis Chalmers), Komatsu, and the Terex division of General Motors.

Komatsu was a Japanese manufacturer that copied Caterpillar designs, and in doing so brought the designs up to the existing state of the art—its strategy was to offer an equivalent product at a lower price. On the other hand, Terex was viewed as a highly innovative competitor with little impact in the market. It was known to be field testing a prototype bulldozer with a hydrostatic transmission.

c. Alternatives:

i. Economic evaluation

In general, the manufacturing market has seen a growth pattern over subsequent years. In particular, Deere & Co. was showing more margins than the market average, which was indicative of the fact that it was indeed catching up with Caterpillar in the market. The same can be explained with the help of the following figures for the years 1975 and 1976 respectively.

	Deere & Co.		CAT Company	
	1975	**1976**	**1975**	**1976**
Net Sales (M)	$2955	$3134	$4964	$2466
Gross Margin (M)	$682	$818	$1105	$591
Gross Profit (Gross Margin/Net Sales)	23%	26%	22.2%	23.96%

We can see that the percentage increase for Deere & Co. is larger than that of CAT.

ii. Qualitative evaluation

Deere & Co. has always been business focused as seen from their growth over the years. But it also needed to be customer focused, which was achieved by providing the customers technologically advanced products like specialized attachments for forestry and other applications. They should also conduct market research from time to time to stay relevant and get to know what their competitors are doing in terms of technology and market share and other parameters. They should also collect data and insights of the customer needs. The large/heavy construction customers should be divided into focus groups which consist of past customers to whom we can showcase the capability and features of JD750 and make them our potential customers.

iii. Marketing implications

Deere introduced to the world the most important dual path hydrostatic drive system JD750 and JD755 which was fully automatic in its operation. This transmission would supposedly increase productivity by 10-15%. The accessories market is still not very competitive and can be monopolised and captivated. This will boost up the current sales and increase the market share. Deere should develop strategies to improve manufacturing and procurement of these accessories which would be a great advantage in the market. Deere and Co. should also concentrate on servicing large scale at reduced prices.

d. Recommendations:

John Deere has excelled in agriculture, their merchandise and innovations have made them the leader in this field. However, Deere may venture into developing its power systems and engines for alternative off-highway applications like marine and diesel locomotive powertrains.

SWOT Model Recommendation

Although the company recognizes opportunities in the future for the agricultural industry due to higher populations and the construction industry due to mass urbanization. Yet, it has recorded a decline in sales in the agricultural division due to a weak agricultural economy. A recommendation based on integrating the SWOT analysis could be a more geographical approach to the issue. While mass urbanization may be a trend in the more developed/developing countries, the growing need for agriculture may be fulfilled by third world countries. Given that, it would be advisable for Deere and Company to relocate (not completely remove) and focus their Agricultural Division and construction division (Both of which are the primary contributors of revenues) into the geographic regions that would most demand it. This is similar to the company focusing on the forestry division efforts in Brazil (Amazon Forest). Some other recommendations could be to pursue brand reinforcement strategies and create higher brand awareness.

Recommended Strategy

1. Keep the dividend as it is. However, strengthen the sales strategy, particularly with the implementation of the worldwide strategy. In this manner each financial gain and growth investor's square measure is appeased and a major quantity of chance is generated with the support to back it up. Sales square measure is important for firms in such cash-intensive industries like the machinery trade. Don't raise the dividend till projected earnings and sales have exaggerated enough to warrant dividend growth.

2. Avoid divestitures within the future unless it's found to be necessary to align with the company's mission and objectives. This edges the corporate by providing accounting transparency and elusion temporal arrangement problems. solely acquire firms with innovative technologies that Deere views as a solid future investment, additionally to orientating with their mission and core values.

3. Continue to sharply pursue the worldwide strategy. However, be clear and concentrate on building relationships. Create Deere's presence, mission, and core values documented within the new regions and network with native businesses to explore

partnerships that will be useful for the native communities. Additionally, produce a brand new domestic strategy that will emphasize Deer's commitment to the U.S. economy and therefore the native communities that John Deere already impacts. This could be structured as a selling campaign and as a sustainability/philanthropic initiative.

4. Require separation of corporate executive and Chairman of the Board positions. Though it's mostly accepted by several companies, all efforts ought to be taken to cut back conflicts of interest at intervals in an organization. This is often a system of checks and balances to make sure company responsibility, the least bit levels and therefore the fewer safeguards that square measure in situ, the additional chance for unsustainable business practices or company corruption.

5. Develop an additional aggressive water resource and waste management set up as there are 2 areas of environmental weakness for Deere. Production industries area units are water-intensive and make an oversized stream of waste, however stricter rules, social responsibility, and environmental place need corporations to become additional economical in these areas, not regressive. One recommendation is to hunt help from outside environmental/sustainable consulting corporations. This approach can bring a new perspective associate degreed new solutions that may inevitably result in Deere changing into a business leader in property business practices.

Strategic Alternatives:

1. Lower the dividend payout and specialize in increasing earnings from sales growth. A pro thing is, that this may give a lot of transparency into actual worth, additionally to generating a lot of sales. From an investor's standpoint, this shows a strategic nevertheless appreciable arrangement and provides confidence in every growth chance. A con is that investors that look for financial gain won't appreciate the cut in dividend and will spark a sell-off.

2. Acquire firms, domestically and globally, with innovative technologies that will then either cut back expenditures on analysis and development or which will offer the power for larger steps in R&D. A pro is that the technology has already been (or closely) developed and also the acquisition is often accounted as an asset. A con is that the innovation isn't Deere's and also the non-inheritable company has the potential to become a liability.

3. Re-focus on North Yankee sales and reduce on getting into international developing markets. A pro is that risk related to getting into new markets, as mentioned throughout, is diminished and growth will be targeted more clearly in acquainted regions. This conjointly edges the domestic economy more and offshoring wouldn't be the maximum amount of a problem. A con is that industrialists might not incur the expansion, it must even maintain market share and its competitors can have a major advantage within the future. Also, industrialists have developed (and continues to

develop) compelling property initiatives that other global regions may gain advantage from.

4. Require separation of Chief Executive Officer and Chairman of the Board positions. A pro is that it might eliminate conflicts of interest that may have the potential to arise with one person holding each position. A con is that you simply lose that singularity of the old one who is aware of the corporate ins and outs of each domain.

e. Plan of action:

Deere & Co. should fully develop their company's core values and mission amongst themselves and then branch out to grow. They should continue their dominance in the smaller tractor market and deliver quality products like they have been doing. Then they can tap into the accessories market and focus on improving current products and services to their customers to achieve higher loyalty so when new products are introduced, it will be easier to sell. This in turn would create more customer retention and loyalty, generate more profit, and attract potential new customers.