



Distributor based Competitor

Business Model

*by:*

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April 11, 2016

**Overview:**

In this report, a business model of distributor based competitor for GATCO is analyzed which mainly focuses on the resources used by the competitor, target customers of the competitor and value proposition proposed by the competitor. The overall Knife sharpening products can be classified into two, namely manual sharpener and electric powered sharpener. GATCO manufactures ceramic knife sharpener, diamond knife sharpener, carbide knife sharpener and other knife sharpening accessories which falls into the category of manual knife sharpeners.

**Competitor selection – Buck Knives Inc.:**

Currently there are two major competitors who are efficiently increasing their market share in knife sharpening industry namely Work Sharp Tools and Buck Knives, Inc. Work Sharp tools mainly focus on powered knife sharpeners and offers very limited product varieties in manual knife sharpeners. Buck Knives offers a wide variety of manual sharpers and offers similar products like GATCO which includes Diamond pocket sharpeners, EdgeTek Bench stone sharpener and EdgeTek Ultra steel honing devices. In the Whitby and Co and other online sites, the products of GATCO and Buck knife sharpeners are displayed close to each other to attract the customers. Hence, this report will focus on the strategy implemented by Buck Knives, Inc. and a brief reasoning of how this strategy will be helpful for GATCO to compete efficiently in the knife sharpening industry.

**Target customers:**

The company offers knife sharpening products that are more appealing and provides a glossy look to attract their customers. Their main customers are the following:

1. Established wholesale/Online distributors like Amazon, Walmart, Home depot.
2. Knife focused distributors like Knife Depot and Knife Center.
3. US Marine
4. Tourist/Trekking enthusiast
5. Knife Magazines like Blade Magazine.
6. Knife bloggers like Knifeblog.com.
7. Military fans

The company increased its share by marketing its products in Rambo movies in the 1990s. It has also received awards in blade shows for its design and quality. They have gained good recognition through marketing which makes their customers to come back for their products.

**Resources**:

The company has a 120,000 sq. ft large manufacturing plant at Post Falls, Idaho with 245 employees. The company has moved it location from San Diego, California in 2002 to reduce its cost of manufacturing and it has also opened a new manufacturing plant in China to obtain low cost raw materials and labor. The major resources for Buck knives are:

1. Strategic alliances with industry partners for co-branding and funding marketing initiatives.
2. Military connections and contracts with US. Government.
3. Outsourcing from China which is about 15 - 30% of sales.
4. Low cost manufacturing due to lean manufacturing process implemented in 2002.
5. Skilled labors who works 10 hours shift per day and offers competitive salary packages.

**Value Proposition:**

Buck knives Inc. values their product as an “American Icon”. It is a family owned business and the company treats their final goods as not just a product but as an added sentiment with high quality. Their products are not cost focused but are differentiation focused. The following are the value proposition that the company offers to their customers.

1. Buck’s forever warranty for their products where customers could exchange or get it repaired at lowest cost.
2. Customization for each customers.
3. High quality and constant customer support.

**Business Model:**

Based on the analysis, there are 3 business models that the company employs to increase its market share.

1. *Revenue Model* – Based on the value proposition, the company attracts large number of customers and thus increases its revenue.
2. *Overhead Model* – Buck Knives moves its location to low cost manufacturing sites, outsourcing to China and adopts lean manufacturing to reduce the overhead cost.
3. *Profit Model* – The company combines the above two model to increases its profits margin and expand its market share.

**The Triangle:**

**Customers:**

1. Large wholesale/online distributors
2. Knife focused distributors
3. US Marine
4. Tourist/Trekking enthusiast
5. Knife magazine and bloggers

**Value Proposition:**

1. American Icon
2. Forever warranty
3. Customization
4. High quality

**Resources:**

1. Strategic Alliances
2. Military Connections
3. Outsourcing from China
4. Lean Manufacturing
5. Skilled Labors

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