The Black & Decker Corporation

Company Background

-In 1910, Duncan Black and Alonzo Decker, Sr., started a machine shop

-In 1917. B&D received a patent on the world’s first portable power drill with pistol grip and trigger switch

-In 1980s, B&D experienced a lost in first five years. In 1986, Nolan Archibald became B&D’s new CEO, after that, the sales growth rapidly.

-In 1990, B&D become the world’s largest producer of power tools, power tool accessories, electric lawn and garden tools, and residential security hardware,

-The sales reached 4.8 billion in 1990, and half of its sales are from outside of America.

The five largest product groups and their percentage of B&D’s 1990 sales were:

Power Tools and Accessories 29%

Household Products 15%

Information Systems and Services 11%

Outdoor Products 9%

Security Hardware 9%

-B&D’s brand strength ranked #7 in US and #19 in Europe

---Power Tools Market

* In 1990, power tools market was a $1.8 billion market.
* 3 segments in this market: professional-industrial tools, professional-tradesmen tools, consumer tools
* Segmentation
* 
* Consumer segment: target at normal consumers, bought tools for own home use, product can be bought from mass market. 35%
* professional-industrial segment: target at companies in typical industry, bought and owned by company, used by the workers in that company, distributors sell product to the company, 37%
* professional-tradesmen segment: target at tradesmen, such as electricians, plumbers, carpenters, framers, roofers, and general remodelers, bought products from home center and traditional hardware story for themselves, 28%

-----B&D’s position in all three segments:

* B&D participated in all three segments, and in total, it holds about 30% share in US power tools market
* In consumer segment, B&D is the leader, with over 50%

Market share:

Three major segments

|  |  |  |  |
| --- | --- | --- | --- |
|  | Tradesmen | Industrial | Consumer |
|  | Professional user | Professional user | “at home” use |
| Characteristic | Carpenter, tools for their own use on a job site | Tools for use by employees |  |
| Distribution | Home Depot, Ace Hardware  Residential contractors | W.W Grainger  Commercial contractors | Wal-Mart, Kmart  Home use |
| Market | 28% and $420 MM  Target largely at tradesmen  Growing fastest at 9% | 37% and $550 MM  Commercial contractor working on large projects  Purchased and owned by the company  No growth rate | 35% and $530 MM  Mass merchants  7% growth rate |
| Segment shares | 9%, whereas Makita 50% | 20% | 45% |
| Revenue | 35MM | $110 MM | $250 MM |
| Color | Charcoal grey | Charcoal grey | Black |

Competitors:

-Makita Electric of Japan -largest competitor

-Makita taken over the professional power tools for tradesmen business, with 80% share in cordless drills, and a 50% segment share overall.

-Makita’s dominating the market due to its development and distribution

-Prices on some products were less half of what the product should for in Makita’s home market

-Makita’s bad services, no channel protection some tradespeople view it as “arrogant and dictatorial”

- Highest level of brand perceptions of professional-tradesmen segment buyers

-Milwaukee color differentiation: Teal

-90% awareness of power tool supplier among tradespeople

-67% agree Makita is “one of the best”

Milwaukee

-Privately held firm. Selling only in the high end of the market

-10% Professional-tradesmen segment share, which 1 % higher than B&D

-Highest level of brand perceptions of professional-tradesmen segment buyers with Makita

-Milwaukee color differentiation: Red

-95% awareness of power tool supplier among tradespeople

-ranked NO1 as “one of the best” with 80%

SWOT Analysis

Strengths

Maintained the #1 market share position in the consumer and professional-industrial segments,

Research studies shows: B&D the powerful brand names in the world. B&D profession tools to be the highest quality in the industry.

“high quality, differentiated products and excellent service”

High brand recognition and image helped it attain the # 1 position in the marketplace

Black & Decker’s awareness 98%, with the highest brand awareness among its competitors

the world’s largest producer of power tools, power tool accessories, electric lawn and garden tools, and residential security hardware.

Strong consumer brand (vacuums, irons and toaster ovens…\_ each holding over a 50% market share in the US

B&D’s brand strength ranking #7 in the US and #19 in Europe-strong image in the global market as well

Weaknesses

Long-term debt $4.2 billion, representing about 84% of total captial

Only 9% market share of the professional-tradesmen segment for power tools

B&D’s strength as a consumer brand was not beneficial for the professional-tradesmen segment.

Professional brand not well differentiated

“You just have to stay away from that Black & Decker”- not being preferred

B&D’s tradesmen products-near zero profitability in this segment

Tradespeople viewed all B&D products as for use at home rather than on the job

Opportunity

50% of product revenues from outside the United States

Professional tradesmen with a 9% fastest growing rate

Makita’s bad services, no channel protection some tradespeople view it as “arrogant and dictatorial”

Color significant product differentiator

Threats

B&D’s tradesmen products with zero profitability

Makita taken over the professional power tools for tradesmen business, with 80% share in cordless drills, and a 50% segment share overall.

Makita dominating the professional-tradesmen segment due to its development and distribution

Option1: Harvest professional-tradesmen channels

-Focus on profitability, ignore the market shares?

-Bad option, Professional –tradesmen the faster growing segment

-High opportunity cost,

Option2: Get behind black & decker name with Sub-branding

-Risky, unpredictable

-High chance it will fail, due to tradesmen’s perception on B&D

Option3: Drop the Black &Decker name from the professional-tradesmen segment

-Avoid negative a wrong perception