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President DiCamillo,

In 1991, the Black & Decker Corporation faces a major challenge within the power tools industry. Today, the industry features three major market segments: Professional-Industrial, Professional-Tradesman and Consumer¹. Professional-Industrial tools are sold to larger companies who bought tools for their workers, Professional-Tradesman tools were sold to independent contractors and other workers who used their own tools on the job site, and Consumer tools were sold to households¹. At this time, the Black & Decker Corporation holds the #1 position in both the Consumer and Professional-Industrial market segments; however, we struggle in the Professional-Tradesman segment with a market share of 9%¹. According to product research, the products that Black & Decker has to offer are rated high on performance, durability and reliability². Despite these results, sales are still down, so we must turn to another possible cause of the problem: brand name. The results of telephone surveys and Black & Decker's Annual Image Study show that the Black & Decker brand received an impressively high percentage of awareness among consumers in the Professional-Tradesman market segment at 98%, but the brand image suffered with only 44% of the respondents saying that Black and Decker tools are "One of The Best"³. Because the Black & Decker brand has developed a negative reputation within the Professional-Tradesman segment, the company needs to change its strategy. Three options arise: harvest the division by focusing on maximum profit for the short run regardless of market share in order to put money into the other segments, sub-brand current Black & Decker products in order to re-establish the brand, or re-brand the tools in the

¹ Harvard Business Case 9-595-057: The Black & Decker Corporation (A): Power Tools Division, p. 1

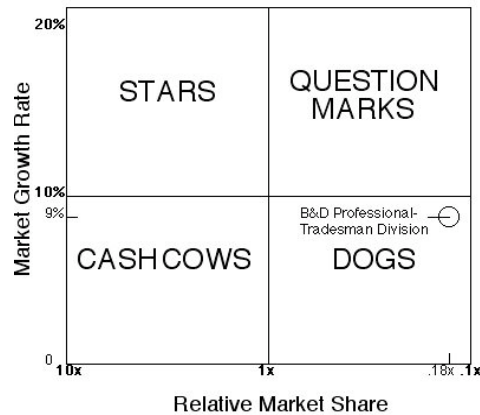
² Harvard Business Case 9-595-057: The Black & Decker Corporation (A): Power Tools Division, p. 5

³ Harvard Business Case 9-595-057: The Black & Decker Corporation (A): Power Tools Division, p. 9

Professional-Tradesman segment using a different brand name to cast off the negative image from the quality products⁴. Although all three options have their potential benefits and justifications, the option to implement a new brand name provides the best opportunity to win back the market in the Professional-Tradesman segment with the least amount of risk.

The first option of harvesting the division appears reasonable at first, but further inspection shows that it could be damaging to the Black & Decker Corporation. According to the Boston Consulting Group approach to developing small business unit strategies, a company's decisions should be based on a SBUs relationship to the Market Growth Rate and Relative Market Share⁵. The location of the Professional-Tradesman division in this Growth-Share Matrix is marked in Figure 1:

Figure 1: The Professional-Tradesman Segment Plotted in The Boston Consulting Group's Growth-Share Matrix



*Note: Relative Market Share represents the relationship between a company's market share and its highest competitor. Since Makita has a 50% market share and Black and Decker has a 9% market share, Black and Decker has a .18x Relative Market Share

A company with a relative market share that falls below that of the highest competitor (or 1x on the scale) and is in a market with a less-than-10% growth rate is considered to be a "dog"⁶. A company with a dog faces the decision of either harvesting the company by milking it for what it

⁴Harvard Business Case 9-595-057: The Black & Decker Corporation (A): Power Tools Division, pp. 10-11

⁵ *Marketing Management* 11th Edition, p. 94

is worth or divesting the company by closing it down and spreading its resources to other small business units⁶⁶. Given these options, the Black & Decker Corporation would be best off by harvesting the company so they could make some money off the struggling division.

However, advocates of the option to harvest are ignoring the greater picture. Yes, the company is a “dog” now according to the Boston Consulting Group approach, but with a 9% Market Growth Rate, it borders on becoming a “question mark” within a few years. By investing capital into building the company, a question mark can become a “star” and hold a large portion of the market share in a fast growing market, thus creating more profit⁶. If Black & Decker chooses to harvest the company, they will be focused on profit instead of market share and wind up forcing the company to become a dog when it could have the potential to be a star. One major factor that the first option ignores is the high product ratings on their products, which shows a great deal of potential.

The second option presents a way to tap into the potential of high product ratings by rejuvenating the brand through sub-branding⁷. The biggest issue with the current line of products is that the Professional-Tradesman market has a very negative view of the Black & Decker Brand. On the job site, tools are a sort of status symbol: “...On the job, people notice what you’re working with...if I came out here with one of those Black & Decker gray things, I’d be laughed at”⁷. By adding catchy names in the tradition of “Piranha[□] by Black & Decker” as well as the Sawcat[□] and Super Sawcat[□] throughout the entire line of products in the Professional-Tradesman segment, Black & Decker could theoretically raise its brand image.

However, the potential for sub-branding to work is rather slim. The sub-brands in the past have not been entirely successful⁷, which makes this option a major risk. Currently, tradespeople are 98% aware of Black & Decker, yet only 44% agree that it is “One of the Best”

⁶ *Marketing Management* 11th Edition, p. 95

⁷ Harvard Business Case 9-595-057: The Black & Decker Corporation (A): Power Tools Division, p. 10

⁸ If the name is still on the product, the tradespeople will be unlikely to focus their attitudes on the new sub-brand when they can clearly recognize that Black & Decker is still the creator. A new sub-brand on the same product without removing the poorly viewed brand will be more likely to show desperation on the part of Black & Decker Corporation than actually improve the brand image.

While removing the Black & Decker name from our products in the Professional-Tradesman segment seems as though it is a conceit, it appears we have little choice if we hope to regain market shares within the segment. The final option is to shift another brand to replace the Black & Decker name on the products. Brand XYZ, which formerly was used for large radial saws, could serve as a suitable replacement for the Black & Decker brand. The brand scored a 70% awareness rating and a 63% agreement rating for the statement that Brand XYZ is “One of the Best”⁹. These scores are significantly higher than the Black & Decker scores and represent a brand name that would not have the automatic negative bias. By attaching this brand name to our current line and changing the color, the consumer will likely recognize the product as new. An “Industrial Yellow” would stand out from all of the other lines as well as fit in with the decorum of many job sites¹¹. A seemingly new product ^{that} ranks highly according to product research, could win back some of the market.

This option nearly eliminates the major threats that could occur. The first threat, losing the market share, is nearly impossible at this point because a 9% level doesn’t leave much room to drop, so the financial risk is hardly applicable. The second major threat would be damage to the reputation of the Black & Decker Corporation. By isolating the Professional-Tradesman segment with a new brand name completely free from the Black & Decker name, the risk of damage to the other two segments are minimal. If Brand XYZ fails, then the retailers and

⁸ Harvard Business Case 9-595-057: The Black & Decker Corporation (A): Power Tools Division, p. 9

⁹ Harvard Business Case 9-595-057: The Black & Decker Corporation (A): Power Tools Division, p. 10

consumers will be more likely to associate the failure with Brand XYZ than with Black & Decker as a whole.

In conclusion, the company cannot sit back and watch its Professional-Tradesman division struggle within the power tools industry's fastest growing market. Action must be taken, and three options arise: harvest, sub-brand, or re-brand. To harvest would be foolish at this time because although the business unit could be considered a "dog" according to the Boston Consulting Group approach, it very much borders on a "Question Mark." To cut the losses now and drain the division for profits would prevent the possibility of the company moving from a "Question Mark" to a "Star", when the growth rate rises above 10%. This would be cutting the line far too early for this division. Sub-branding would be unlikely to solve the problem as the products are highly rated, but the brand image is negative. By keeping the brand name on the product and simply adding a sub-brand to the label, the tradespeople's attitudes would be unlikely to change. The division needs a clean slate with which to build brand image, and thus re-branding would solve the problem. By replacing the Black & Decker name with a brand name owned by the company that is both recognizable and positively associated with quality products as well as changing the color of the product, the products will appear brand new. Therefore, Brand XYZ should replace the ailing Black & Decker brand name on the products made for sale to the Professional- Tradesman market segment.

Sincerely,

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Bibliography

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Exhibit 1:

Black & Decker Professional-Tradesman Segment SWOT Analysis*

Strengths:

- Exemplary data on product performance, reliability, and durability from product research and field studies.
- High brand awareness in both Black & Decker Brand (98%) and Brand XYZ (70%)
- Brand XYZ, despite being a dormant brand name, had a “One of the Best” rating of 63%

Weaknesses:

- Small segment share (9%) in the fastest growing market segment in the power tools industry with a 9% market growth rate. With its highest competitor controlling 50% of the market, this gives B&D a relative market share of .18x, making it a “Dog” within the Boston Consulting Group Model
- Poor brand image in segment as shown through measures of relative perceived quality, and ratings on specific attributes in telephone surveys and B&D’s annual Image Study

Opportunities:

- The opportunity for market share growth within the Professional-Tradesman segment
- The opportunity to increase brand image for the products sold in the Professional-Tradesman segment.

Threats:

- The major competitors taking more of B&D’s market share as the brand image declines.
- The failure of a risk in strengthening the Professional-Tradesman segment could embarrass the company with consumers and negatively impact the brand image in the other two segments.

* All information from Harvard Business Case 9-595-057: The Black & Decker Corporation (A): Power Tools Division