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Stanley Black & Decker Has Deep Issues to Address In R&D

Companies: 2285.HK, AMZN, DE, LOW, HD, HSQVY, MKTAY, SWK, TORO, TTNDY, WMT

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Research Question:

Can Stanley Black & Decker get back to peak margins and accelerate sales growth even as it makes deep cuts to its product portfolio?

Summary of Findings

- Stanley Black & Decker Inc. (SWK) has broader structural problems than what it is addressing with its massive reorganization, including falling behind peers in product innovation in key segments of the power tool and outdoor-equipment markets, according to nine interviews with retailers, competitors, and other industry specialists.
- Five sources agreed that Stanley Black & Decker is lagging competitors in both the quantity and quality of new product launches, with two suggesting the company is too focused on cutting costs. Investing in R&D is especially critical right now because there is an emerging opportunity for power tool makers to steal share as the outdoor-equipment sector shifts from gas power to battery power.
- One retail source said Stanley Black & Decker has hamstrung itself with a go-to-market strategy that is too dependent on Lowe's Companies Inc. (LOW), a retailer that has shown a willingness to highlight competing brands. Stanley Black & Decker also lacks a cohesive digital approach to appeal to a new generation of online buyers focused on price and quality rather than brand names, the source said.
- A competitor source said Stanley Black & Decker's historical approach to acquisitions has been to try to capitalize on the brand names it adds while allowing product quality to degrade. That strategy has left it with a middling and undifferentiated set of products rather than a tiered portfolio that clearly distinguishes between premium and lower-priced brands.
- Stanley Black & Decker's slashing of its product portfolio is a necessary step to reduce costs and simplify operations, four sources said. The cuts risk undermining growth efforts if too extreme, but most sources believe the reductions in stock keeping units (SKUs) will not by themselves harm sales or product placement if undertaken smartly.
- A key competitor, Techtronic Industries Company Ltd. (TTNDY), continues to make gains with aggressive marketing; a beefy sales force; a string of high-quality product launches; and a smart, multibrand pricing strategy for its Hart, Ryobi, and Milwaukee brands. Its market share gains may be stickier in today's environment because winning customers means converting them to a new multiplatform battery system.

Key Quotes

"I've watched [Stanley Black & Decker] struggle with new product development and new product introduction. ... They're a finance-driven company at this point. ... They'll cut costs rather than invest in product development."

"Their margin continues to dwindle, and so do their dealer margins. They're lucky to make 10 points gross margin, when the minimum gross margin is more than double that for our distribution."

"I don't necessarily think that Stanley Black & Decker cleaning up their SKU count is going to help them turn around, but it definitely will help stop the bleeding. ... The reorganization is the only thing to do for Stanley Black & Decker. They should have done it three years ago."

"There's a significant land grab in outdoor power equipment. ... Stanley has an opportunity to continue to capitalize on that, as do the other power tool companies that have a core competence in battery-powered solutions."

"It would be a challenge for Stanley Black & Decker to get back to growth because Milwaukee Tool is a very strong competitor, and they've gained share and premium standing as people have switched over to their [battery] systems."

"Stanley Black & Decker can turn back around, possibly to single-digit growth."

"The overall Stanley Black & Decker portfolio can be generalized as midpriced and midperformance."

"Craftsman is losing ground to Ryobi and Skil in the competitiveness of their product offerings."

Stanley Black & Decker Inc.

	Impact of SKU Cuts	SWK's Competitive Positioning	Near-Term Outlook for Power Tools and Outdoor Equipment
Retailers	→	↓	↓
Competitors	→	↓	↓
Industry Specialists	→	↓	↓

Background

Shares of Stanley Black & Decker, the world's largest maker of tools and outdoor power equipment, have started to rebound in recent months after shedding two-thirds of their value from their peak in May 2021. The company is undertaking a major transformation that has included the July 2022 departure of its chief executive and promotion of its former chief financial officer, Donald Allan Jr., to the CEO spot. Stanley Black & Decker is trying to streamline operations to focus on its core business, reduce costs, optimize its supply chain, reduce inventory, and boost gross margins, which have fallen from 35% into the low 20s. In recent years, the company has divested its oil and gas business, its commercial electronic security and healthcare businesses, and its mechanical locks division while closing deals last December to acquire equipment makers MTD Holdings Inc. for $1.6 billion and Excel Industries for $375 million.

Stanley Black & Decker's sales fell 5% year over year to $4.2 billion in Q2 despite a slight bump in prices, as volumes dropped in its consumer outdoor and do-it-yourself (DIY) segment. Still, company executives touted progress on their key reorganization goals: The cost reduction program is on track for a $1 billion run rate in savings by the end of the year; inventory is down $575 million for the year to date; and adjusted gross margins showed their second consecutive quarter of sequential improvement, hitting 23.6% in Q2. Margins were still down significantly from a year earlier because of a combination of lower volumes, selling through high-cost inventory, and production curtailments. The latter is part of a major change to the company's vast product portfolio, as Stanley Black & Decker is cutting 70,000 product SKUs to help reduce inventory and supply chain complexity.

Stanley Black & Decker's key competitors in its core tools and outdoor-equipment business include Techtronic, Makita Corp. (MKTAY), Toro Corp. (TORO), and Husqvarna AB (HSQVY). Techtronic, which has reportedly been gaining market share, said it outpaced the market in both sales performance and profit generation during the first half of 2023, as gross margins topped 39%. Toro reported record second-quarter net sales of $1.34 billion, up 7% year over year, with gross margins climbing to almost 36%. Makita's revenue fell 5.6% during the June quarter, while Husqvarna's net sales climbed 7% year over year in Q2 on gross margins of just under 33%.

The two retail bellwethers for the tool and DIY equipment segment, The Home Depot Inc. (HD) and Lowe's, have been scuffling alongside an uncertain housing market, reflected in a 10.7% drop in homebuilder confidence in August, the first such decline in 2023. Home Depot's same-store sales fell 2% in Q2, the third-straight quarter of declining same-store sales for the chain. The company reiterated its full-year outlook, warning investors that its annual sales will fall for the first time since 2009.

Current Research

Blueshift Research assessed Stanley Black & Decker's ability to accelerate revenue growth and improve margins. We employed our pattern mining approach to establish three independent silos, comprising nine primary sources. Interviews were conducted Aug. 21-Sept. 5.

1) Competitors (4)
2) Retailers (4)
3) Industry specialists (1)

Next Steps

Blueshift Research will follow Stanley Black & Decker's efforts to reinvest the savings from its cost cutting into goosing its sales growth. We will also monitor share shifts as the market for outdoor power equipment moves from gas to electric.

Silos

1) Competitors

Stanley Black & Decker does not have an easy path to boosting margins while still accelerating its sales growth, said the four sources in this silo. One of the company's biggest problems is that it has fallen behind peers in product innovation at a time when the market—especially for outdoor power equipment—is getting more competitive. One source was particularly critical of the company's history of allowing product quality to degrade on brands that it acquires. The result of that years-long pattern is a set of average products and no real differentiation between premium and value brands, said the source, who contrasted that with Techtronic's highly successful multibrand approach. Stanley Black & Decker's plan to significantly pare its product portfolio is a necessary step to rein in costs after years of acquisitions led to significant duplication. The SKU reduction should not have a big impact on sales as long as it is not too extreme. One source estimated that the company gets 80% of its sales from 20% of its SKUs, so strategic cuts make sense. Finding new sales channels—both physical and online—could be key to the company's growth, one source said. There is a big opportunity right now for power tool makers to grab share in the outdoor-equipment market because of their expertise in battery systems, as that market shifts from gas to electric power. That shift bodes poorly for traditional makers of gas-powered equipment such as Stihl Inc., one source said. Techtronic's Milwaukee brand has a lot of momentum, with sources noting its aggressive marketing strategy and ambitious R&D operation. One source said Robert Bosch Tool Corp. is losing share, and another said Makita has been losing share. Two sources said softness in the power tool and outdoor-equipment markets will slow growth for Stanley Black & Decker as well as its peers, though it could lead to retailers moving toward more midpriced products and away from high-end offerings, a development that could benefit Stanley Black & Decker.

Key Silo Findings

Stanley Black & Decker's Turnaround Strategy

- 3 of 4 said Stanley Black & Decker appears to be lagging behind competitors in research and development investment, as it is not launching products at the same rate as peers.
- 1 said Stanley Black & Decker has failed to differentiate itself from peers; invest in its sales team; or develop a thoughtful, multibrand strategy that distinguishes premium brands from lower-priced ones.
- 1 said Stanley Black & Decker's efforts to reduce SKUs could lead to market share losses if the process is too extreme, but it will not necessarily slow growth if the company is strategic about the cuts.
- 3 said cutting SKUs is a necessary move that will help reduce costs, though 1 of them said the process should have been undertaken years ago and will not lead to a turnaround by itself.
    - 1 said the company's SKU count got out of control in the aftermath of the 2010 merger between Stanley and Black & Decker.
    - 1 said cutting SKUs does not necessarily mean the company will stop manufacturing products. It may simply mean reducing certain configurations and bundles of products.
    - 1 said the company likely gets 80% of sales from 20% of its SKUs, so a big reduction in SKU count could help margins while not sacrificing sales or shelf space.
- 2 said the power tool and outdoor-equipment markets are getting more competitive.
    - 1 said advances in cordless battery technology, combined with government efforts to reduce gas emissions, are opening opportunities for power tool makers to push into new areas.
- 1 said Stanley Black & Decker has a history of driving down prices and product quality after acquiring new brands.
- 1 said Stanley Black & Decker needs to get its products into more sales channels, both online and physical ones, perhaps with international expansion.
- 2 said Stanley Black & Decker's rebound will be hindered in the short term by declining sales throughout the industry.

Competitive Landscape

- 2 said Techtronic's Milwaukee brand continues gaining market share.
  - 1 said Milwaukee is sales-focused and product-driven.
- 1 said Milwaukee has been the most aggressive in its marketing and promotional efforts.
- 1 said Milwaukee has a robust R&D program that includes bringing a product from concept to launch in half the time it takes Stanley Black & Decker to do so.
- 1 said Stanley Black & Decker's Craftsman brand has positioned itself as a value brand rather than a premium one, while it has raised prices much more than peers for its DeWalt-branded products.
- 2 said the overall Stanley Black & Decker product portfolio is perceived as midpriced and midperformance.
- 1 said it is hard for competitors to take share from Stanley Black & Decker because the company has so many brands and offers a lot of marketing incentives to retailers.
- 1 said Bosch is among the power tool makers losing market share.
- 1 said tool and equipment prices are going to fall as pandemic-era supply costs decline, but 1 other said manufacturers will bundle products or offer short-term promotions rather than cut prices, as it would be impossible to bring prices back up once lowered.
- 1 said Makita has been relatively quiet with its marketing lately and appears to be losing share in the United States.

Broader Industry Outlook

- Outdoor power equipment for the lawn and garden segment will be the most competitive arena in the next year because of the shift from gas to electric power.
- 1 said traditional leaders in gas-powered outdoor equipment, such as Stihl, are vulnerable as power tool companies with expertise in cordless battery technology push into equipment like lawn mowers and leaf blowers.
- 1 said toolmakers that are moving to all cordless technology are ceding a small amount of share in the industrial market, where customers do not want battery-powered equipment.
- 1 said most major retailers are trying to expand their appeal to professional contractors.
- 1 said a slowdown in tool and equipment sales will steer retailers toward offering more midpriced and fewer higher-end products.
  - Manufacturers that can be aggressive on pricing will benefit.
- 1 said the consumer retail segment is soft, and the industrial segment is showing signs of a slowdown.

1) Business development manager for a maker of premium power tools

Stanley Black & Decker has become a finance-driven company focused on cutting costs rather than developing a pipeline of new tools with a strong sales force to back them up. Techtronic, meanwhile, is successfully following the latter playbook. Stanley Black & Decker is caught in the middle, with an average set of products that are poorly differentiated from competitors, and they have failed to develop a tiered approach to product sales. The company has a history of driving down prices after acquiring new brands, hoping to capitalize on the brand name while reducing quality.

Stanley Black & Decker's Turnaround Strategy

- "We play in a slightly different channel than Black & Decker, although we have products that cross over and are considered by the same customers. We watch and pay attention to exactly what Stanley and Milwaukee do."
- "Stanley is caught in no-man's land, offering average products. They don't differentiate themselves from anybody. If they want to have margin expansion [they need to improve product quality]. Coming from a premium manufacturing company, our margins are great, and our distributors' margins are great. We've chosen to do that because you can't get caught in no-man's land, especially as a smaller company."
- "Stanley should choose to play at a higher level of the market in some categories."
- "I've watched [Stanley Black & Decker] struggle with new product development and new product introduction. From experience, I know that they're a finance-driven company at this point. That happened when Stanley bought [Black & Decker]. They used to be a sales company that marketed tools. When [former CEO] Joe Galli went to TTI [Techtronic], he initiated the same [product-driven sales] strategy there, which is what Stanley Black & Decker is now competing against."
- "They'll cut costs, which is the first thing [publicly traded companies] always do; rather than putting more feet on the street, which is what a sales guy does. They'll cut costs rather than invest in product development and get more new

products. That's how you win—a rich new product pipeline with a good sales force to go out and sell it, vs. a bean counter that just cuts costs."

Competitive Landscape

- "Under Galli, Milwaukee is sales-focused and new-product-driven. In my opinion, DeWalt is just not new-product-driven. They're focused on the spreadsheet rather than the tool and launching innovative new products. TTI is just steamrolling everybody."
- "Stanley keeps driving prices down. They have a history of driving down prices with all their acquisitions, including premium products. Their strategy is to take a good brand and wipe it out [on quality] just to use the name. I still have DeWalt products that I use, outdoor power equipment that [my company] doesn't make, like trimmers and things like that. But I'm not interested at all in any power tool that [Stanley Black & Decker] manufactures at this point."
- "I'm not seeing [Stanley Black & Decker] pursuing any kind of premium pricing with DeWalt or any other brands. Milwaukee is commanding some premium pricing, but it's not at the very high end."
- "Their margin continues to dwindle, and so do their dealer margins as well. They're lucky to make 10 points gross margin, when the minimum gross margin is more than double that for our distribution."
- "[Another problem for Stanley Black & Decker] is they don't have a very good multibrand strategy like TTI does—which at the bottom end starts at Hart and then [progresses up to] Riyobi and all the way up to Milwaukee in the power tool market."
- "Black & Decker doesn't have that; there's no strategy for them to go into the retail market like that. And, of course, there's a lot of people who only use a power tool a couple of hours a year; you still have to service that if that's the route you choose."
- "If I were in [Stanley Black & Decker's] shoes, I'd start looking at a different brand strategy because they're squeezing their margins on their one and only [higher end] brand name, DeWalt, and they're not offering their customers a tiered brand strategy."
- "They used to have Black & Decker Industrial, which they rebadged to DeWalt. The Black & Decker Industrial product was very good, but it's degenerated [in quality]. If I were them, I'd go back to a premium price for a premium product, giving both themselves and their [retailers] a better margins story."
- "Milwaukee is no longer going to offer corded power tools; it's all cordless. They've got a very aggressive battery strategy and program. TTI is very robust in their R&D. I watched an interview with Joe Galli, and their goal is nine months from concept to launch on any power tool. Black & Decker is double that."

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>
> Business development manager for a maker of premium power tools

Broader Industry Outlook

- "More and more things are going to be offered cordless. That's good for us because as our competitors discontinue key corded products, their use in the industrial market that's low-volume for them, it's actually a higher volume for us, and we're happy to offer [corded products] for industrial customers that have no interest and no need for a battery in a production environment."

2) Sales executive for a national tool brand

Stanley Black & Decker's efforts to reduce SKUs is a necessity that should have been done years ago, as its high product count stems from widespread duplication dating back to when the companies merged in 2010. The SKU cuts will not turn the company's fortunes around but will help cut costs and focus the business. In outdoor equipment, Stanley Black & Decker and its competitors have a chance to steal share from traditional makers of gas-powered equipment like Stihl as the industry shifts to battery power. However, the overall industry has gotten more competitive, and Stanley Black & Decker is not churning out new products as quickly as some of its competitors. The company may be able to get back to single-digit growth, though the current economic environment is a challenge for all tool and equipment makers.

Stanley Black & Decker's Turnaround Strategy

- "I don't necessarily think that Stanley Black & Decker cleaning up their SKU count is going to help them turn around, but it definitely will help stop the bleeding. It's not going to fix the high-interest-rate problem [plaguing industry sales], but it's going to help them survive."

- "The reorganization is the only thing to do for Stanley Black & Decker. They should have done it three years ago."
- "One of the biggest challenges of the acquisition [of Black & Decker by Stanley] was that it ended up with a great deal of SKU duplication. When one brand was better in one channel, they would just rebrand the same item. It ended up building much too much inventory. The same product would have three different brandings with Black & Decker, DeWalt, and Stanley."
- "We are hearing about their SKU elimination, but that doesn't mean they are discontinuing all those SKUs. It could just be that they are eliminating SKU duplication. It doesn't necessarily mean that they have stopped manufacturing something. The configurations in their SKUs could include an item being sold by itself and then the same item being sold with a battery [under a different SKU] and again the same item with batteries and a charger [in a third SKU]."
- "This is something that needed to be done. Other brands have done this, too, but without discontinuing anything and without losing sales or market share."
- "During COVID, there were major supply chain concerns with electronics and lithium batteries, and this led to a thinning of SKU lists, with the same item in many configurations. If this is what they are doing, it's the right thing to do—eliminating SKU proliferation."
- "There is some risk to losing sales, but they have their analysis; and if they trust their own analysis, they can do it right."
- "Stanley has some real antiques in their SKUs. Most business today is in cordless, but most Stanley business is in hand tools, like chrome mechanic types of hand tools. Stanley's bread and butter was chrome handheld tools like sockets and wrenches. With a 100-piece socket set, there are 100 other individual pieces created within that set for warranty. That's why Stanley is so SKU-intensive."
- "By reducing SKUs, Stanley Black & Decker is going to cut out a lot of cost and improve their ability to serve the business they want to serve."
- "I think Stanley Black & Decker can turn back around, possibly to single-digit growth. However, the challenge now is that everybody in the industry is feeling the impact of the economy. All the brands have missed their initial sales targets this year. This is because of the high interest rates at the moment."
- "The tool and construction business is very heavily hinged on new construction. According to the Dodge Report, there's a significant reduction of new commercial residential building jobs coming out of the ground. The current drivers of the tool and equipment business is the MRO [maintenance, repair, and operations] business and infrastructure and mega-job sites—billion-dollar-plus jobs like data centers or lithium battery plants. Where private investors would be taking out loans for things like new home construction, business complexes, and strip malls, those are just not happening. As a result, the tool business has been very heavily impacted."
- "Stanley Black & Decker does launch new products, but they are not launching products at the same speedy rate as their biggest competitors."
- "Power tools have become more competitive because the size of the market continues to grow. There are always new products coming out that allow a professional to complete a task that they weren't able to compete previously. Tools are becoming more powerful. They now have the ability to replace pneumatic products and gas-powered products. We have product launches that are replacing gas-powered equipment."

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> Sales executive for a national tool brand

- "Stihl is the premier brand for gas-powered construction equipment. They make things like chainsaws and backpack blowers. They are being significantly impacted financially, in part by the economy but also because there is no innovation in gas-powered equipment. They already had to redesign many of their products for carbon compliance, but now there are lithium-powered products with large battery packs that allow users an electric alternative to a gas engine."
- "In California, there are noise and pollution restrictions that prohibit the use of gas-powered equipment. There are hospitals and apartment complexes and other facilities that have restrictions on using gas-powered equipment. The alternative before was a product that you could plug into the wall and have an extension for. Now, there's actually a better alternative where, in many cases, lithium-powered products can outperform gas-powered ones, along with being cleaner and quieter."

Competitive Landscape

- "The most aggressive in terms of marketing spend is Milwaukee. Makita comes and goes in waves depending on their interest in the U.S. market. They can be very aggressive, but they're more often focused on the construction side and on the West Coast. Lately, though, they've been quiet. Much of their business is in Asia. I mostly see that they've been losing share in the U.S."

- "Stanley Black & Decker continues to aggressively promote, but it seems they have divested people."
- "Milwaukee hasn't changed the size of their sales force, and they've continued to grow. They are also aggressively promoting."
- "Pricing will not come down because costs aren't going to get lower. When companies see high inventory on an item, they don't lower the price. Instead, they promote it aggressively. It's usually promoted with another product for bundled value savings for a period of time. You can't take the price down because then you can't ever take it back up."
- "Power tool companies will evaluate where they want to invest. They compress the margin by promoting an item with another value-add product for a time, and then they take away the promotion and get back to a healthy gross margin."
- "There have been price and cost increases due to increasing transportation costs. The increase was only supposed to be temporary, but it lasted a couple of years. Even when the costs went back down, at the same time all the raw material costs went up, especially for lithium battery cells, electronics, and semiconductors. Also, the cost of resins for plastics went up. Costs have been very volatile."
- "Stanley Black & Decker has a wide breadth of product. Some are [sold at] opening price points, and there are others that are premium price point. I would qualify them as high [priced], but not the highest. The overall Stanley Black & Decker portfolio can be generalized as midpriced and midperformance."

Broader Industry Outlook

- "Professional brands like Stanley Black & Decker, Makita, and Milwaukee don't specifically target the DIYer, but they enjoy it when a do-it-yourselfer wants to buy a professional brand. There's a generous amount of business in the retail home center that serves the pro user and where the DIYer also shops—retailers like Lowe's, Home Depot, Menards, Ace Hardware."
- "Home Depot and Lowe's were both down in performance. The first quarter was particularly dismal. Missing the first quarter is telltale for the year that follows. It's a reflection of consumer spending by the DIYer and the pro user. They both underperformed. It's a mirror reflection of the power tool companies."
- "The growth trend over the next couple of years is going to be around MRO [maintenance, repair, and operations] for facilities like high schools or state capitols or a new tire manufacturing plant. There will also be MRO for railroads, wind and power farms, and energy-related structures. Those projects consume a lot of tools to keep operations going. It's where most professional users of power tools are. You have to keep the country moving even if there is a recession. Although it's not recession-proof, infrastructure is the one thing that is the safest bet for investment by power tool and hand-tool manufacturers."
- "There's a significant land grab in outdoor power equipment, with all manufacturers focusing on establishing new users. This includes products like leaf blowers and lawn mowers—which, for many users, are often still gas-powered. Now, there are products which will allow replacing gas-powered equipment with lithium-powered alternatives."
- "Sometimes, it's because the users of gas-powered equipment are required to switch over because of ordinances. This is an opportunity to create a new battery-powered user who now has an opportunity to choose from a multitude of battery platforms—Stanley Black & Decker, Ryobi, Milwaukee, a limited line from Makita, Greenworks, private-label brands, or Stihl."
- "I think Stihl is going to fail long term because they don't have the breadth of product. Traditionally, power tool companies didn't make lawn mowers and leaf blowers, but today they do. [The power tool manufacturers] are stealing share. It's good for the power tool companies and bad for those in the gas-powered business."
- "In terms of product trends, it's battery-powered products."
- "Stihl has a battery-powered alternative, but their challenge is that they have an orphan battery platform. Their battery powers only that one tool."
- "Other manufacturers have batteries that not only run power tools but also their outdoor products. Companies like Husqvarna, Stihl, and John Deere [& Co./DE] that have gas-powered equipment cannot all of a sudden enter the lithium-powered space. That's not their competency."
- "Stanley has an opportunity to continue to capitalize on that, as do the other power tool companies that have a core competence in battery-powered solutions. [Stanley] has some good products in outdoor power equipment. It's not

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always best in class, but they are always very competitive, and they have a very big distribution base. That can be good and bad because, in my opinion, it's too much distribution."

3) Former senior executive at a power tool manufacturer

Stanley Black & Decker's plans to sharply cut its product portfolio will lead to market share losses if the reductions are extreme, especially with large retailers looking to minimize their number of suppliers. However, SKU reductions may not harm growth if the company is strategic with the cuts. Stanley Black & Decker is likely falling behind peers in research and development with so much time and effort focused on its reorganization. The power tool and outdoor-equipment market is getting more competitive, as advances in technology and government incentives are opening growth opportunities for battery-powered equipment.

Stanley Black & Decker's Turnaround Strategy

- "I don't believe [Stanley Black & Decker's] leadership has any choice [but to try to return to pre-COVID margins]. Their shareholders demand a return on their investment regardless of the current environment."
- "The primary key is reducing complexity in their business model—namely, clarifying their value proposition—then aligning the organization behind it in the most efficient manner possible. They have made several bold moves over the course of the past year to cut costs and streamline operations."
- "The biggest obstacles include the slowing economy and associated decline in consumer demand, along with significant pressure from the competition."
- "[Cutting product SKUs will] not necessarily [undermine growth efforts] if they are strategic in their portfolio rationalization efforts."
- "Similar to other power tool manufacturers, [Stanley Black & Decker] has been aggressively expanding their product offering in the past decade to sustain top- and bottom-line growth in complementary or adjacent categories, such as hand tools, outdoor power equipment, etc. At some point, regardless of how large and loyal their core consumer base is, the brand's relevancy loses its universal appeal, especially in categories with entrenched leaders."
- "Extreme line rationalization will, inevitably, lead to market share loss, especially with large retailers who, too, seek to simplify their business, including minimizing suppliers while maximizing profitability, [such as through] volume discounts and incentives."
- "I suspect that their rationalization strategy is primarily based on the profitability of each product category and that they've drawn a line in the sand for investments."
- "I don't know specifically how their [R&D] spending [and product innovation] compares relative to their competition. However, I suspect [Stanley Black & Decker] is falling behind their peers [in R&D]. Recent headlines suggest that the bulk of their resources, including human capital, are concentrated on streamlining operations and rationalizing their business model and corresponding portfolio."
- "There is always a risk [they will be unable to pull off the reorganization]. However, they have a very capable leadership team that is making this initiative a top priority."
- "Absolutely, [the power tool and outdoor-equipment segments are becoming more competitive]. With advances in cordless battery technology, namely lithium ion, the sky is the limit with regard to what products can be battery-powered. This, coupled with pressure from government agencies to reduce emissions from combustion engines that historically powered most of these categories, has opened a door for power tool manufacturers with their cordless battery expertise to find new growth opportunities."

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Former senior executive at a power tool manufacturer

Competitive Landscape

- "Milwaukee Tool has undoubtedly gained the most market share, especially in the past five years. They have achieved more than 20% year-over-year growth for many years, much more than the market."
- "I don't see Craftsman positioned at retail as a premium brand but more a value brand. Their offering has expanded with meaningful innovation and without sacrificing quality."

- "Regarding DeWalt, in general, they kept pace in terms of price increases with the market since the COVID-19 pandemic. However, in recent years, they have raised prices much higher than the competition on select products."
- "[Declining prices are] inevitable and not necessarily simply due to bloated inventories. Manufacturers raised prices because their costs skyrocketed during the pandemic [due to the costs of] raw materials, shipping, etc. These costs have since declined, albeit not to pre-pandemic levels. In addition, dealers raised their concerns about runaway pricing as early as the fall of 2022 and, I contend, started looking for other solutions to meet their end-customer demands."

Broader Industry Outlook

- "The outdoor-power-equipment segment, namely lawn and garden, will remain the most competitive in the next year, driven by the conversion from gas power to cordless battery power."
- "The consumer retail segment is already very soft, and the industrial segment is showing clear signs of a slowdown. Rising interest rates and inflation are the root causes. Until these are addressed, I believe everyone will shift into a wait-and-see mindset."

4) Accounts manager for a midrange power tool and outdoor-equipment manufacturer in the Midwest

Stanley Black & Decker's SKU-cutting efforts should help the company improve margins by getting rid of underperforming products. The cuts should not hurt sales or product placement. To grow long term, the company needs new distribution channels, both physical and online. But in the short term, it is in a good spot as retailers focus on lower- and midpriced tools for the DIY market in an uncertain economy. Stanley Black & Decker could also benefit from a push by retailers to grow the professional tools market.

Stanley Black & Decker's Turnaround Strategy

- "I would say that [Stanley Black & Decker's cutting SKUs] will 100% help them. We're in similar circumstances, where we need to make sure that we cut back on SKUs that are underperforming and really sharpen our pencil on the margin side of things."
- "Black & Decker probably gets 80% of their business from 20% of their SKUs, so I would say [fewer SKUs] won't affect sales or product placement."
- "From a retail standpoint, [a challenge for all manufacturers] is that there is limited retail space and volume. So [for Stanley Black & Decker], it's going to be about making sure they can get into new channels, including more brick-and-mortar and online. That could be Costco [Wholesale Corp./COST] or international business."
- "Margins are a discussion we have every day. There are always threats from competitors trying to come in with lower prices and take the business, even though it could be short term."

> **"Black & Decker probably gets 80% of their business from 20% of their SKUs, so I would say [fewer SKUs] won't affect sales or product placement."**
>
> Accounts manager for a midrange power tool and outdoor-equipment manufacturer in the Midwest

Competitive Landscape

- "From a category standpoint, it's hard for retailers to move away from [Stanley Black & Decker] because there are so many brands, with marketing funds and rebates that go with that, potentially at the back end. There's a lot of money on the table that another vendor would have to pay to potentially take that business away."
- "We continue to build our [midprice range] power tools brand, and we do have some OPE [outdoor power equipment] in there as well. We go up against the Milwaukee, Black & Decker, DeWalt brands."
- "One of Black & Decker's strengths is that it has multiple brands. Certainly a lot of retailers we deal with, we know they don't want to be totally invested in one brand. They don't want to put all their eggs in one basket."
- "I don't know whether Stanley Black & Decker is gaining market share, but they are holding market share and even building up. Bosch is losing market share."
- "We do a ton of business online, especially in the power tool market, which is typically smaller items, vs. the OPE products."
- "TTI is pretty in with Home Depot. But in the same way Stanley Black & Decker will have to branch out into new retail channels, TTI will have to try to branch out as well. They've got a huge sales force out there, with Milwaukee brand and others, so there's a lot of money invested in those brands from a personnel standpoint. In order to support that big machine, they're going to have to gain more placement across the board."

Broader Industry Outlook

- "I do a lot of DIY [product sales], but all the retailers I deal with—whether it's Lowe's, Home Depot, Ace Hardware, and others I've seen—are trying to put more focus on the professional and business customers, on contractors and business owners who are buying more heavy-duty products. All of the large retailers are trying to grow that pro business. They need those brands, which Stanley Black & Decker carries."
- "We're getting pressure from the retailers from both areas [OPE and power tools] that margins aren't where they need to be; they want better margins. At the same time, I think that because of the economy here in the U.S., the retailers have started to buy more midrange power tools like ours and less of the high-end product in power tools like Milwaukee and DeWalt."
- "So we're seeing retailers pull back a bit from an ordering standpoint. Those manufacturers that can be aggressive on pricing are making progress with certain retailers."

2) Retailers

Stanley Black & Decker's transformation efforts will face major obstacles, said the four sources in this silo. Regaining market share lost to competitors like Milwaukee is more difficult than in the past because converting customers means switching them to new multiplatform battery systems, one source said. Another said key questions surround Stanley Black & Decker's distribution and marketing strategies—namely that the company is too dependent on Lowe's at the retail store level and has not yet developed a cohesive digital footprint to appeal to a new generation of online buyers. The latter are not loyal to specific brands but are focused on price and quality. As much as 50% of sales in this industry will happen online in the next five years, that source said. Trimming its product portfolio could lead to market share losses for Stanley Black & Decker, two sources said, especially since competitors like Milwaukee are thriving with a steady stream of product launches. A third source, however, said Stanley Black & Decker's SKU reduction will help margins by eliminating underperforming products and help the company become more focused. The outdoor-power-equipment segment in particular is getting more competitive because of the shift to battery power, three sources said. One said Milwaukee has staked out a better position there than Stanley Black & Decker, with higher quality and more powerful products. Consumers do not perceive Stanley Black & Decker as having premium products that can command higher prices, while Milwaukee has garnered such a reputation. One source said Stanley Black & Decker's DeWalt brand has made some strong gains with professional contractors, and the company also has taken some steps toward regaining share in the DIY market with some improvements in product quality.

Key Silo Findings

Stanley Black & Decker's Turnaround Strategy

- 2 of 4 said Stanley Black & Decker has significant challenges to boosting margins and sales growth.
- 1 said competition, particularly from Milwaukee, is an obstacle, as that brand's share gains mean buyers have switched over to their battery systems.
- 1 said Stanley Black & Decker's retail distribution strategy, combined with an undeveloped digital approach, is limiting its upside.
  - On the retail side, Stanley Black & Decker's fortunes are tied closely to Lowe's, which has shown a willingness to feature competing brands.
  - A more comprehensive and effective digital strategy will be key because younger buyers prefer to shop online and have less brand loyalty than previous generations.
- 2 said trimming SKU counts could lead to market share losses as competitors like Techtronic continue to unveil new products; 1 other, however, said reducing SKUs should help Stanley Black & Decker become more focused.

Competitive Landscape

- 2 said Techtronic and its Milwaukee brand are gaining share.
- 1 said Stanley Black & Decker's DeWalt brand has made strong gains with professional contractors.
- 1 said Stanley Black & Decker is trying to recapture lost share in the DIY market with some higher-quality products at enticing price points.
- 1 said both ends of the power tool segment are doing well—Milwaukee at the higher end and retailers focused solely on less-expensive items.
- 1 said consumers do not perceive Stanley Black & Decker as having premium products that justify premium pricing. Milwaukee is considered higher end.

- 1 said Milwaukee has been much more aggressive than Stanley Black & Decker in its marketing.
- 3 said the outdoor-power-equipment market is getting more competitive as the segment shifts to battery power.
  - 1 said Milwaukee has stronger products in that area than Stanley Black & Decker, though the latter's DeWalt brand has some good entrants.
- 1 said online sales of unbranded power tools are growing.

Broader Industry Outlook

- 1 said sales of electric outdoor power equipment are going to grow, especially with California's ban on gas engines going into effect next year.
- 1 said as much as half the sales of outdoor power equipment will happen online within the next five years.

1) Product executive at a national tool and equipment retailer

It will be a challenge for Stanley Black & Decker to get back to peak margins because consumers no longer perceive its products as premium quality. Many have shifted to Milwaukee Tool, which has stronger marketing and has engendered customer loyalty with compatible battery systems across multiple products. Winning back customers is no longer about selling a single drill but about persuading them to switch systems. Stanley Black & Decker's efforts to reduce product SKUs will cost it market share because it will have fewer products on display. The consumer DIY segment has been declining over the past year while the professional contractor segment continues to grow.

Stanley Black & Decker's Turnaround Strategy

- "It would be a challenge for Stanley Black & Decker to get back to growth because Milwaukee Tool is a very strong competitor, and they've gained share and premium standing as people have switched over to their [battery] systems."
- "To get back to higher, pre-COVID gross margins, Stanley Black & Decker will need to convince customers that they are a very high-quality brand."
- "They have to convince people to switch their systems. People have a lot of tools from a single brand, like Ryobi, which all use the same battery and the same system. It's a big deal to convert somebody. It's not just about selling a new drill but convincing people to switch over."
- "Stanley Black & Decker's competitors, like Milwaukee Tool, seem very proud of how many SKUs they have, especially the number of SKUs that use one battery only. People buy from Milwaukee Tool because of the many tool SKUs they have and because of the battery systems."
- "It doesn't seem like Stanley Black & Decker would reduce their SKUs easily unless they've found it very necessary. It's probably not good news."
- "Fewer product SKUs will lead to lower market share because they'll have fewer products on display."

Competitive Landscape

- "I haven't heard about Milwaukee Tool trying to gain market share aggressively at Home Depot. I have heard that [retail chain] Harbor Freight, with their very cheap tools, is doing well in this economy."
- "In other words, both ends of the spectrum are doing well—Milwaukee with their expensive tools and Harbor Freight with their cheap tools."
- "I think there is a lot of price competition. A lot of it happens with bundling, such as getting more than one battery or a couple of different kinds of products together. All the retailers are doing it. The offers originate from the tool companies that sell the products. Stanley Black & Decker is also doing it."
- "I don't think people regard Stanley Black & Decker as having premium-priced products anymore. Instead, it's Milwaukee Tool that's considered high end."
- "In terms of marketing, it's definitely Milwaukee Tool that we see the most of. Their marketing is very aggressive. We don't see Stanley Black & Decker being as aggressive."
- "The power tool segment has become more competitive. There are so many companies with such a wide variety of these tools now. When they compete for customers, they're not competing to just sell a drill but to switch somebody over to a whole system. This is what Milwaukee Tool has done."
- "Right now, it's Milwaukee Tool that's the fastest-growing brand."

"I don't think people regard Stanley Black & Decker as having premium-priced products anymore. Instead, it's Milwaukee Tool that's considered high end."

Product executive at a national tool and equipment retailer

Broader Industry Outlook

- "A key trend in DIY is using many—four or even six—small batteries to run bigger tools like lawn mowers."
- "Consumer DIY has been declining over the last year, while the professional contractor segment is still growing."

2) Merchandising strategy manager based in the South for a large national retailer

Stanley Black & Decker's biggest obstacle to growth is its outdated channel strategy, which limits its Craftsman brand to Lowe's and a few other retailers while excluding major outlets like Home Depot and Walmart Inc. (WMT). Within the Lowe's ecosystem, Craftsman is forced to compete with many other brands in the lower-priced DIY space, while Techtronic's Milwaukee and Riyobi brands get top billing at Home Depot. With millennial consumers less brand-loyal and more focused on price and quality, Stanley Black & Decker needs to step up its digital marketing to overcome the limitations of its brick-and-mortar approach.

Stanley Black & Decker's Turnaround Strategy

- "I think there are two things that will make or break Stanley Black & Decker as they're looking to turn around. One is to understand what their channel strategy looks like—where they want to sell and what their agreements look like."
- "[A second key will be sharpening a digital strategy geared to] millennials, [for whom] brands are not as important. It's price and quality. How are customers going to shop this space—not today but in five years? Are they still going to leverage home improvement centers, which are behind the times when it comes to having a digital footprint?"
- "Based on their agreements [with retailers] they've made over the years, Lowe's has paid a hefty licensing fee for the Craftsman name. But based on some of these agreements [with retailers] they made five or 10 years ago, when we hadn't seen the full emergence of digital, they could potentially be putting a ceiling on some of their growth."
- "I don't think they've figured out yet how to make Craftsman as profitable as they want it to be. Lowe's, for example, is just out there buying a lot of other brands other than Stanley Black & Decker that bring quality and low pricing. I think Stanley Black & Decker thought that by making this agreement with Lowe's, it was going to be the silver bullet that could accomplish a lot of different things, but I don't think they're seeing as much as they wanted to."
- "What does that mean for licensing agreements outside of Lowe's and Craftsman? Can they put on other things, with other retailers?"
- "[On the digital strategy front], what Black & Decker was able to capture for a long time was brand name recognition; I've got a whole garage full of DeWalt tools because somebody years ago gave me a DeWalt power drill that had a battery on it."
- "Is Stanley Black & Decker going to be able to reach the younger consumers today without having a digital strategy? How is that going to work for the customer under the age of 30 who is buying a house for the first time?"

Competitive Landscape

- "Stanley Black & Decker is really tied into Lowe's. Their brand [in the Lowe's chain] is Craftsman, and Lowe's is really signed off as Craftsman, so that's going to be the player from them from a pro standpoint. But Lowe's doesn't have as strong a pro brand strategy as Home Depot does."
- "For Home Depot, Milwaukee is their best, Riyobi is their middle, and they use a couple other brands for their [lower] price point."
- "Stanley Black & Decker has really put their horse on Lowe's. [But] Lowe's is interested in more brands [than just Craftsman], vs. Home Depot [mainly] leveraging the TTI brands, Milwaukee and Riyobi."
- "What this means is that [Stanley Black & Decker's] tide is only going to rise as much as Lowe's lets them, because while they have the Craftsman brand, Stanley Black & Decker won't sell that brand outside of any franchisees. From a retailer standpoint, they'll never come to talk to Walmart because of that agreement with Lowe's. And Walmart [like Home Depot] has an agreement with TTI."
- "Stanley Black & Decker will only sell to franchisees, and I believe the three top retail outlets are Lowe's, Ace Hardware, and True Value. I'm not sure what their agreement is with some of the dot-com players like Amazon[.com Inc/AMZN], but I just know from a brick-and-mortar standpoint that [Stanley Black & Decker's channel strategy limits them]."

"Stanley Black & Decker has really put their horse on Lowe's. [But] Lowe's is interested in more brands [than just Craftsman], vs. Home Depot [mainly] leveraging the TTI brands, Milwaukee and Riyobi. ... [Stanley Black & Decker's] tide is only going to rise as much as Lowe's lets them."

Merchandising strategy manager based in the South for a large national retailer

- "[What I'm seeing gain market share] is the unbranded categories [of power tools] in the digital space. Over the next 18 months, I think the growth is not going to be retail traffic at the likes of Lowe's and Home Depot but, rather, online customer penetration."
- "Suppliers are seeing success outside of the traditional home retailers, especially for new and emerging brands like [TTI's] Hart and Hyper Tough."
- "I know there's a lot more competition in that [outdoor power equipment] space lately. Every time I look up, I see more cordless opportunities. That's driving AUR [average unit retail prices] up and driving higher retails in the space. Customers in the space are looking for more things run on battery."
- "I've heard rumblings of New Jersey and other parts of the East Coast taking similar measures [as the West Coast] to ban gas-powered OPE [outdoor power equipment]."

Broader Industry Outlook

- "Spending overall in the power tools and OPE industry looks like it's going to be down, especially when it comes to this fourth quarter. But both Home Depot and Lowe's are expecting rebounds the following year in the category."
- "In OPE this year, these categories have five-year lows right now [for Home Depot and Lowe's]. It's because during inflationary time periods, customers will make do with the tools they have. They'll put off additional buys, especially in an industry that hasn't seen a lot of new stuff happen in it."
- "Online is where 50% of sales in the tools and OPE segment is going to be in the next five years. Are the home improvement centers going to catch up to Amazon [and the more proactive digital strategies of] Walmart?"
- "Ace has trouble with execution, though I've seen them do things like ship to home and job site delivery. They're a bit more nimble because they're a smaller retailer, but they are experimenting with [their digital strategy]. They just need the infrastructure that they don't have right now."

3) West Coast territory manager for a large hardware chain

Stanley Black & Decker's strategy of cutting SKUs should help it focus on its core tools and brands. Its DeWalt brand has increased its market share dramatically among professional contractors over competing higher-end lines. On the DIY side, Stanley Black & Decker is trying to claw back market share with higher-quality products like ergonomic drills and drivers, which will remain low cost. In outdoor power equipment, sales of electric products should grow with the banning of gas-powered equipment in California. Milwaukee is the stronger competitor in that segment, but DeWalt has good products as well.

Stanley Black & Decker's Turnaround Strategy

- "I've seen other companies in the past do something similar [with regard to cutting SKUs], and I don't think [it will undermine Stanley Black & Decker's growth efforts], mainly because then they can focus on their core tools and their core brand. I feel that would actually be a good move for them."

Competitive Landscape

- "On the pro side, DeWalt has really increased their market share dramatically over the last couple of years and taken a lot from the other higher-end lines."
- "[On the DIY side], Stanley Black & Decker really pulled away from the market a few years ago—which left a void, because there was not a whole lot in that DIY, lower-end-priced tools that's a really good name brand. I see them positioning themselves to get back into it and to kind of refill and take over a lot of that market now."
- "[This has involved] mainly just the release of new and more relevant tools. I do feel they will be very successful with that."
- "[Stanley Black & Decker's newer tools] are the more ergonomic drills and [drill] drivers that are a little bit higher quality. I had a Stanley driver about 10 years ago, and it was horrible. But a more recent one—at least the demos that I saw with one of the reps—definitely looked a lot better quality for the money. So they're improving their quality but still keeping that lower price point [in the DIY segment]."
- "Prices right now [across the board] have been fluctuating beyond belief, but [Stanley Black & Decker] is still keeping their prices low [on the DIY side]. But it does look like it's a higher-quality product."
- "A lot of [pricing fluctuation] has just been supply and demand with COVID and just the supply chain issues in general, where pricing in all aspects has gone through the roof in the last year to year and a half."

> **"I had a Stanley driver about 10 years ago, and it was horrible. But a more recent one—at least the demos that I saw with one of the reps—definitely looked a lot better quality for the money."**
>
> West Coast territory manager for a large hardware chain

- “I am seeing some areas where pricing is coming down because [materials such as] plastics and chemicals that have really increased [in price]—those are now leveling off or starting to go down slightly. It’s a sign that other areas will follow.”
- “I have heard there have been supply chain issues with batteries and battery packs due to some of the chemicals and components, and I know that brought the price way up.”
- “I haven’t seen [signs of Techtronic’s aggressively pushing its product]. I haven’t seen a lot of movement with Milwaukee, at least into other distribution centers or anything like that.”
- “Yes, I would say the [power tool and outdoor-equipment segments have gotten more competitive in the past one to two years].”

Broader Industry Outlook

- “Being from California, especially on the outdoor power equipment, with gas engines going away next year, we’ll probably see a lot more demand for those electric lawn mowers, weed eaters, things along those lines. And I know Milwaukee has gotten very, very strong in that area.”
- “The rest of the country, I’m not sure about, but it’s going to be a very interesting time for the next two years; because with the economy, people aren’t buying as much. It could be more of ‘I’m going to pass on that [shift to electric power] right now.’ It will be a trying time.”
- “Stanley Black & Decker [doesn’t have products] that I’ve seen that will compete [strongly in the electric outdoor power equipment segment]. I know Black & Decker has some products out there, but they are definitely a lot lower quality, which would gear more toward the DIY.”
- “What I’ve seen from Milwaukee—and to a lesser extent DeWalt—is a lot higher quality, a lot more powerful product, which is what’s needed in that area.”

4) Co-owner of a contractor supply house in New York

Stanley Black & Decker faces its biggest challenge from companies introducing a steady stream of new products, such as German-based Festool and Techtronic. Cordless tools offer a lot of innovation, but so many are hitting the market that prices for them are likely to decline.

Stanley Black & Decker’s Turnaround Strategy

- Did not discuss.

Competitive Landscape

- “Festool, a power tool company from Germany, is gaining share because they are coming out with new products.”
- “Techtronic continues to grow because they are always coming out with new items. [Some] new items will be discontinued because they aren’t going to sell half of them. But time will tell.”
- “The market is going to be so flooded with cordless products that those prices are going to decline the most.”
- “Cordless tools are going to continue to be promoted and innovated.”

Broader Industry Outlook

- “Construction is slowing down because of fuel prices and interest rates.”
- “The construction [segment] will grow [eventually].”

3) Industry Specialists

Stanley Black & Decker is losing ground to competitors like Chervon Holdings Ltd. (2285.HK) and Techtronics that are developing more innovative and higher-performing products at similar or even lower prices, according to the one source in this silo. Competitors are also showing more creativity with marketing initiatives, especially on social media, and are generating excitement, product placement, and sales. Stanley Black & Decker’s Craftsman brand could be particularly vulnerable to losing prime shelf space to Chervon’s set of lawn care and power tool brands .

Key Silo Findings

Stanley Black & Decker’s Turnaround Strategy

- 1 of 1 said cutting SKUs could help Stanley Black & Decker if it allows the company to focus and invest in improving core product lines to catch up with competitors.

- 1 said cutting SKUs will be a negative if it is simply a reflection of a larger pullback on resources and product investment.
  - It could result in losing shelf space to key competitors at important retailers like Lowe's.

Competitive Landscape

- 1 said Chervon and Techtronic are outpacing Stanley Black & Decker in launching products and developing higher-performing equipment at similar price points.
  - Craftsman is losing ground to Techtronic's Ryobi and Chervon's Skil, while DeWalt is falling behind Chervon's Flex brand.
  - Flex is gaining momentum among professionals with innovative tools priced slightly below the competition.
  - Chervon's emergence threatens Stanley Black & Decker's shelf space.
- 1 said Walmart's highlighting of Techtronic's Hart brand is a big obstacle for Stanley Black & Decker to regain lost market share.
- 1 said Chervon and Techtronic are doing a better job than Stanley Black & Decker in generating consumer excitement through their marketing, especially across social media and other digital channels.
- 1 said it may be difficult for DeWalt to gain share from established brands as it tries to move into the professional lawn care segment.
  - DeWalt's primary competitors are not trying such an expansion.
- 1 said Black & Decker brands are competitively priced in the DIY and household segment, while Craftsman tends to be higher-priced despite being a step down in performance from some peers. DeWalt is generally priced on par with Milwaukee but lags in performance and features.

Broader Industry Outlook

- 1 said the power tool and outdoor-equipment segments are vastly improving in performance and features in battery-powered products.
  - The high end of the market is getting more expensive, opening room for a new middle tier.
- 1 said demand is likely to be steady in the professional-construction segment.
- 1 said the overall industry has been focused on developing and marketing higher-performing tools with advanced features, but economic conditions suggest it may have to shift to promoting value.
- 1 said Chervon's EGO brand is dominating the battery-powered segment for residential outdoor equipment because of its aggressive marketing of well-developed products.
- 1 said the residential outdoor-equipment market is plagued by a lack of service centers. Any brand that can help consumers get products repaired and back in operation quickly will have a big advantage.

1) Journalist with extensive experience covering power tools and outdoor equipment

Black & Decker's Turnaround Strategy

- "A dramatic reduction in SKUs [by Stanley Black & Decker] could go either way. If that's allowing them to focus innovation on core product lines, it could be a long-term gain as they catch up in performance, features, and/or price with their competitors. That would be a win for their high-volume product lines. Optimizing what's profitable and trimming some of the proverbial fat could very well help them trim up for a positive push in response."
- "However, if it's simply a pullback on resources, their brands are already having increasing trouble competing head-to-head, and that could hurt, especially with the aggressive marketing and development of TTI and Chervon. If it means that Chervon is gaining shelf space in Lowe's at the expense of [Stanley Black & Decker] products, I expect that to have a net negative effect on Stanley."

Competitive Landscape

- "Bigger pushes from Chervon brands Flex and Skil directly compete with DeWalt and Craftsman with more innovative and higher-performing products at similar price points."
- "Traditional competitors from TTI, such as Milwaukee and Ryobi, are pushing out more products and keeping their brands front of mind more effectively from both a marketing and product development standpoint."
- "Hart's takeover of the home improvement section of Walmart, with its product selection and marketing backing from TTI, presents a significant obstacle for Black and Decker's power tool division to regain lost market share."
- "From a competitive standpoint for DeWalt, tool development seems to be stable but not gaining ground against competitors such as Milwaukee Tool and Flex. We have heard from Flex sales representatives that the majority of their conversions are DeWalt users."

- "Craftsman is losing ground to Ryobi and Skil in the competitiveness of their product offerings, though it may not be reflected in sales at this point."
- "Black and Decker's power tools seem to be losing ground to Hart. The Reviva line is intriguing because of its use of recycled materials, though not necessarily competitive from a performance standpoint. It's uncertain what percentage of the DIY market will respond to an environmentally focused initiative."
- "[Stanley Black & Decker's] competitors from TTI and Chervon are developing and marketing to target users at a higher rate, resulting in more excitement around their brands across social media, YouTube, and blogger channels. This makes it more challenging to earn conversions in the professional and serious-DIYer sectors."
- "DeWalt's entry into the professional and commercial lawn care sector is a move that hasn't been mirrored by their primary competitors. It's unclear how effectively they can earn conversions from established brands in that sector, though."
- "The biggest competitors to keep an eye on come from Chervon. Flex is an emerging brand that is gaining momentum in the professional market, with tools that are high-performing, innovative, and priced a little below their competition. Innovations such as high-capacity pouch cell batteries, which were publicly announced just after DeWalt's smaller PowerStack and Stack Pack modular storage system, are getting the attention of professional users."
- "Skil has a longer history in the U.S. but since Chervon's acquisition has developed higher-quality, better-performing tools at a more attractive price point. Chervon has also developed a relationship with Lowe's similar to that of TTI and Home Depot. EGO, Skil, and Flex cover the lawn care, DIY power tool, and professional power tools sectors, though they don't enjoy as large of a shelf space advantage as TTI brands do in Home Depot."
- "If sales continue to rise, it may result in pushing some [Stanley Black & Decker] products out, especially on the Craftsman side. Chervon has also expanded into other retailers, such as Acme Tools and Ohio Power Tool, broadening their reach."
- "Black and Decker remains competitively priced in the DIY and household sector."
- "Craftsman is priced higher than its competition from Ryobi and Skil, making it a difficult conversion for people who are comparison-shopping, especially considering the performance level is a step down from those brands."

> **"DeWalt tends to match up well in its pricing against Milwaukee for products in the same tier. However, DeWalt's performance and features tend to lag behind Milwaukee's, making customers wonder why they would pay the same price for both products."**
>
> Journalist with extensive experience covering power tools and outdoor equipment

- "DeWalt tends to match up well in its pricing against Milwaukee for products in the same tier. However, DeWalt's performance and features tend to lag behind Milwaukee's, making customers wonder why they would pay the same price for both products. Pricing tends to be slightly higher than Flex, who has an intentional strategy to earn conversions through both design and pricing."
- "TTI and Chervon seem to be more aggressive in their targeted marketing in the use of influencers and tool-focused media. DeWalt seems to be more aggressive in its brand awareness spend, particularly in the use of television commercials and professional sports sponsorships."

Broader Industry Outlook

- "[The power tool and outdoor-equipment segments] are experiencing tremendous improvement in performance and, in some cases, features in their battery-powered products. As that happens, the high end will become more expensive, making room for an expanded midrange group of products to fill the gap between the high and entry-level points."
- "As the high end increases in price and fears of a recession grow, I expect to see a shift in purchasing behavior to this middle level. I believe most will come from consumers being priced out of the higher tier, and some may shift up from the entry-level tier, especially if the price from entry to mid is reasonable."
- "If we enter a recession, I expect consumer spending to drop in the DIY sector. Shoppers will be more likely to spend money on what they're confident will improve their quality of life, rather than purchasing what they'd like to have but might not have an immediate benefit. Serious DIYers who today might be willing to buy professional brands will likely shift to the 'prosumer' class—Craftsman, Ryobi, Skil—in order to save money. Brands with higher value propositions—[around] price, compatible cordless products, warranty—are likely to weather the downturn more profitably."
- "Professionals in the construction industry are likely to have a steady demand. The number of in-process construction projects will ensure there's plenty of work over the next couple of years. If there's an increase in filling

the number of available jobs in the construction industry, we may see an increase in demand for power tool products."

- "Even if there's a slowdown in new construction due to people staying in their homes rather than upgrading through new construction, the demand typically shifts to remodeling and renovation to improve the space those folks are staying in."
- "As fears of a recession rise, the need to develop and promote power tools that have high value and meaningful innovation will rise. We've been in a development and marketing cycle that promotes higher performance and advanced features for a long time; and that will create a challenge to educate consumers away from what's new, flashy, and possibly unnecessary to what's actually needed and adds real value or profitability."
- "In the residential outdoor space, battery power is taking over. EGO dominates this space with aggressive marketing backed up by genuinely innovative, high-performing, and well-developed products. The challenge for them, and every brand in the space, is service after the sale. Most parts of the country lack a service center to get these products repaired and back in service quickly. The brand that does it most effectively will have a big advantage."
- "This sector will continue to see the development of battery-powered riding lawn mowers. Now that the performance and run time are in a good place for EGO and Ryobi, the need for solutions for larger spaces and improving affordability will take center stage."
- "For handheld lawn care tools, it's all about reducing weight and vibration while maintaining performance levels that match or exceed gas power. Features that make the user experience easier, such as easy-load string trimmer heads, will go a long way in converting sales."
- "For professionals, the messaging of fuel and maintenance savings over time [with electric tools] is struggling to gain traction. More real-world case studies are required, and there is skepticism when it comes to manufacturer-produced or sponsored information. This is a challenge in convincing professional lawn care crews about the performance of battery products in some areas of the country where battery power is not being required by regulation."

Additional research by Eva Cahen, Emily Carr, and Marianne Weaver.