

# Competitive SWOT Analysis - 2013-2014 - World's 7 leading Construction Equipment Manufacturers - Caterpillar, Komatsu, Volvo, Hitachi, CNH, Sandvik, Terex

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## Abstracts

### Overview & Rationale:

The prevailing uncertainty in the global macroeconomic environment has rendered competitiveness as crucial & key to maintaining & bolstering business profitability amid pressure on topline across most industry players besides emphasizing the strategic significance of environmental responsiveness in the overall business strategy. Thus, most OEMs have been focusing on rationalizing their cost base, initiating efficiency programs aimed at generating crucial cost savings & moving towards a flexible operating structure providing capability of being scaled up & down quickly, in-sync with the imminent market signals & feelers.

Industry leader, Caterpillar has generated about \$700 million of cost savings through September in 2013 with a multitude of cost reduction initiatives and efforts while leading industrial group, Volvo, too, has initiated a comprehensive, group wide efficiency program aimed at enhancing efficiency & competitiveness at an estimated restructuring cost of SEK 5 billion while generating substantial annual cost savings to the tune of SEK 4 billion from 2015.

### Global Macroeconomic Environment continues to be Difficult & Uncertain:

The global macroeconomic environment continues to be difficult marked by slow pace of ongoing recovery in Western Europe from the debt crisis and a multitude of economic challenges in the United States. The EU economy finally made an egress from red by

registering a 0.3% quarter on quarter GDP growth for Q2 2013 while the U.S. economy registered a decent 2.5% GDP growth for Q2. The growth projections for the second half of 2013 indicate towards a sub 2% GDP growth with the U.S. economy facing a host of fiscal & monetary policy challenges amid ongoing political tussle amongst the Republicans & the Democrats over handling of fiscal matters & Fed's indications towards tightening measures fomenting further uncertainty regarding the overall fiscal & monetary policy stance.

### Global Construction Equipment Industry on an Uphill Trajectory amid Continued Weakness & Uncertainty in Global Economy:

The global construction equipment industry has been on an uphill trajectory of-late after having been through the roller coaster ride over the years driven, primarily, by the rapid Chinese economic growth over the 2002-2012 decade with the commensurate rise of China as the world's largest & most strategically significant construction market. The industry, however, has been combating significant pressures with the growth rate in 2012 limited to a low, single digit value amid a difficult & uncertain macroeconomic environment in the western hemisphere and the continued weakness in Chinese market with the economy treading on the recovery path fastidiously since late 2012 after the country's long bid to contain inflationary pressures through a host of monetary policy measures. The spurt in economic growth in China during Q3 2013 with a mostly investment driven 7.5% GDP growth has been a much needed change which is likely to be followed by a difficult outlook for 2014 with shooting inflation level and the currency being on a 20 year high that is likely to bring monetary policy measures to forefront over near term.

Additionally, sporadic fluctuations in global currency exchange rates have put significant pressure on profitability across OEMs. The magnitude of impact of the strengthening of Swedish Krona on Volvo's profits has been to the tune of SEK 1 billion during Q3 2013 while weakening of Japanese Yen against the USD eroded Caterpillar's profitability by \$181 million during Q3 2013.

### **Industry's Long-Haul to Recovery Spearheaded by Strong U.S. Housing Starts in 2013:**

Most global OEMs are facing pressure on revenues & profitability amid difficult global macroeconomic conditions with continued, weak demand & activity in Europe & China further compounded by the ongoing slump in mining activity that has impacted profitability by altering the product sales mix across OEMs. The industry leader,

Caterpillar saw topline declining by \$11 billion for the first 3 quarters of the year with its resource industries segment registering a 75% contraction with low demand for mining equipment.

The industry & macro-environmental developments indicate towards tough projections for 2013 with the industry growth projected to stay flat at best and contract by 5%-10% at worst in 2013. In the U.S., housing starts have been encouraging so far in 2013 compensating well for the dip in non-residential public construction activity coupled with the Fed's intent to keep short term credit rates artificially low through 2014, which augurs well for the industry. The U.S. housing starts are likely to touch 1 million in 2013 while the projections for 2014 indicate towards the 1.18 million mark. The strong housing starts & modest non-residential construction activity are likely to drive replacement demand in North America and partially offset continued weakness in Europe & China.

### **Most Key, Global Markets to Stay Flat in 2013 with Improved Projections for 2014**

Most key, global markets are likely to stay flat for the year 2013 led by Europe where the market is expected to contract in the 5%-15% range after registering a 8% decline for the first 8 months and showing early signs of resurgence. The North American market, on the other hand, has been flat through August 2013 and is projected to be in the -5% to +5% range for the year 2013. The Chinese market contracted by 4% through the first 8 months of 2013 despite a strong 10% growth in Q3 driven mostly by fiscal measures with infrastructure related investments that drove the strong 7.5% economic growth for Q3. Going forward into 2014, the global construction equipment market is likely to recover further led by China which is projected to register a positive, single digit growth rate followed by North America & Europe which are likely to register a low, single digit growth rate at best or contract by upto 5% at worst.

### **Competitiveness & Environmental Responsiveness Key to Profitability:**

Against the backdrop of this overarching focus on maintaining & enhancing overall competitiveness & efficiency coupled with a high degree of responsiveness by key industry OEMs; the report analyzes these 7 leading global construction equipment manufacturers through a comprehensive competitive SWOT analysis framework based on a thorough assessment of each player's business structure, operating cost base & financial structure, capital structure, key drivers of profitability, profitability bottlenecks & the entire gamut of business activities and strategies ranging from R&D, production, sales & distribution, sustainment support & aftermarket to product portfolio & market

specific strategies. The report also analyzes initiatives, plans, strategies & strategic measures being adopted by OEMs to enhance competitiveness & efficiency and to offset global currency exchange rate fluctuations.

**Relevance & Usefulness: The report will be useful for**

Strategic Planning, Competitive Analysis & Benchmarking Exercise

Comprehensive Strategic & Competitive Assessment & Analysis for each key OEM

Assessment of Structural Strengths & Weaknesses of each industry player

Assessment of the overall degree of environmental responsiveness of each company

Strategic Insights into key Business Strategies being pursued by each key OEM

Gaining a Strategic Perspective on the Business & Strategic Outlook for all key players for 2014

Gaining access to Key Industry as well as Market Trends, Insights & Growth Opportunities

Analysis of Forces Driving as well as restraining the Industry & their overall Dynamics

Strategic Market Outlook for 2014 – For North America, Western Europe & BRIC Markets

Identifying & highlighting areas for Potential Strategic Changes, Adjustments & Realignment

**For Whom:**

The report would be essential for those having strategic interest in the Global Construction Equipment Industry or any of these companies & will be especially useful for Key Decision-Makers, Top Management of Companies, OEMs, Suppliers,

Distributors, Vendors and other Key Players in the Industry Value Chain as well as existing & potential Investors, industry & company analysts & those associated with the industry or any of these companies.

**Highlight:**

The report is comprehensive yet concise & compact at the same time; is custom-built for meetings & presentations, being built on the Microsoft PowerPoint platform; in addition, to being a ready self-reckoner as well as a quick reference guide driving, enabling & ensuring prompt and informed decision making.

## Contents

### SECTION - 1

#### Business Structure & Snapshot

- a) Founded
- b) Headquartered
- c) Business Segments
- d) Employees
- e) Revenues
- f) Market Capitalization
- g) Key Executives
- h) Shareholding/Ownership Pattern & Structure

### SECTION – 2

#### Financial Performance Snapshot – Q1-Q3 2013 Vs. Q1-Q3 2012, H1 2013 Vs. H1 2012 & 2012 Vs. 2011

- Sales Revenues Growth Trend
- Gross Earnings & Margin Trend
- Operating Earnings & Margin Trend
- Net Earnings Trend
- Profitability Growth Trend
- Profit Margin Trend
- Cash Flow from Operations
- R&D and CAPEX Trend

### SECTION – 3

#### SWOT Analysis

- Strengths to be Leveraged
- Weaknesses to be Ameliorated
- Opportunities to be Capitalized Upon
- Weaknesses to be Negated & Overcome

### SECTION – 4

#### Competitive SWOT Analysis

- Comparative Analysis of Strengths

Comparative Analysis of Weaknesses

## **SECTION – 5**

Strategic Outlook for 2014 – For each OE M - Based on a Comprehensive Analysis of Business Strategies, Plans & Priorities

## **SECTION – 6**

Global Construction Equipment Industry – Force Field Analysis

Driving Forces

Restraining Forces

## **SECTION – 7**

Key Industry Trends

Issues & Challenges

Risk Factors

Strategic Industry Outlook for 2014

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