

Business to Business
Marketing

Dominion Motors &
Controls, Ltd. - Case
Analysis

Submitted By: Group 49

Problem Statement:

The topmost engine manufacturer in Canada Dominion Motors & Controls, Ltd. is in danger of losing its current market share in the mine pumping engines, because a major client of theirs, Hamilton having experienced several competing brands engine ranked DMC to be th3 3rd amongst its competitors. The problem statement is “In what ways can DMC respond to the result of the test conducted by Hamilton and come up with a proper solution in order for the company to stay the leader in the oil well pumping market.”

Background:

Dominion is a leading company that produces a line of motors, motor control units and panel board units for mine pumping engines. They have acquired over 50% of the market in northern Canada in 1973. It was a belief that the success of this company is thought to have come from one individual who was hired by the company because of his market acquired skillset through which he was able to drive the company in a fruitful direction and steer away from the competition.

The Power companies implemented a gradual monthly base charge per Horse Power at installation, to mitigate the inefficiencies caused by “over motoring” in order to improve power factor. During the development this change, the head of Hamilton's EE department conducted tests on motors from different manufacturers and defined starting torque as the deciding parameter, in order to define the ranking of motors which can be used most economically.

The problem defined in the case is that DMC's largest consumer of oil well pumping motors has ranked them the third best supplier. This can not only impact the purchasing decision of the customer which in this instance is Hamilton, but there are other smaller companies as well who could follow this large company for their motor purchasing decisions, so that they get the benefit of copying their R&D decisions by being a follower. The chief electrical engineer, John Bridges of Hamilton Oil Company, has concluded through motor testing that DMC's competitors - Spartan Motors and The Universal Motor Company of Canada are the first and second choice motors on the market, respectively. DMC's position as the third preferred choice amongst its customers could prove quite detrimental to its market share because Hamilton is the largest active oil company in Canada, and John Bridges is an extremely influential person in Hamilton's purchasing policy. The results of the test will probably carry significant weight throughout the industry since no other company operating in Canada's oilfields has an EE department. Thus, DMC is threatened by the fact that it will lose sales from companies industry-wide, since many will decide to follow Hamilton's purchasing policy for themselves.

Evaluation of Alternatives:

This information from the sales person following up with Hamilton, had put the executives under jeopardy as to what measures must be taken in order to maintain the market share and grow in the market simultaneously. The modification in the schedule of power rates, can affect the specifications of oil well pumping motors. The power companies also argued and demanded that over motoring must be stopped to improve performance and reduce the risk. As stated in Alternative 1, reducing the price of the motor will be a feasible option only for a short period since the companies in the industry want more of the starting torque. So it would suffice until the report is out. Industrialists who demanded 10 horse power will also get an advantage since

they can procure the 10 HP motors at a lesser price. We may also reduce price because if the report is out at the right time then the 10 HP motors stock would not sell. So we may need to reduce the price and sell it in the market. On the contrary going for Alternative 2 would not be a profitable idea. Looking at the first option where the company aims at charging \$790 and the company has to reduce its margins, which points that they follow NEMA along with its competitors. The second option aims at charging \$867. If the company has to increase the cost they run the risk of selling the motors in lower quantities and lower margins as well. Deducing Alternative 3, we can say that until the formal report comes out in the public domain till then there is no large benefit forgoing for a new product. Some form of profit including investments needs to be made. In regards to the 4th alternative the 3rd alternative will encourage the growth trend of definite-purpose motors. They would not remain competitive in the market anymore. It raises a need to contact and ask Hamilton to test it again as tests had not produced data sufficient to define oil pumping requirements.

Recommendation:

We recommend that Alternative 3 should be the one to be used. This would be a long term strategy that will help the customers of DMC to avoid the fine for over motoring. It would be the ideal solution since it addresses the need of a superior product in terms of horse power as well as torque requirement as per the requirements in perspective of industry standards. Definite-purpose motor would also help DMC to develop brand new market segmentation on oil well pumping industry. But on the contrary other industries could also demand similar customized products in the future. DMC has a possibility of winning most of the total purchase order by Hamilton which accounts for 30% of the total oil well pumping motor market, by giving credibility and appreciation to the research of their engineers, along with the first mover's advantage. Although as per the case facts, the market on

definite-purpose motor is very small in the region that will be difficult to determine if the future return on the initial investment will pay back.

