



# **Case 32: Black Diamond Equipment, LTD.**

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## Mission Statement

- "To design, manufacture, and bring to market, in a profitable and on-time manner, innovative and technical products of high quality, high performance, and exemplary durability that are targeted toward our primary customers- climbers and backcountry skiers."

# The History of Black Diamond

- Chouinard Equipment was bought out after declaring bankruptcy and was renamed Black Diamond Equipment, LTD
- The bankruptcy was claimed due to lawsuits based on accidents with the climbing equipment
- Black Diamond opened its doors in 1989

# The History of Black Diamond

- Chouinard Equipment had a reputation for their innovation and quality that was unmatched by competitors
- In 1991, Black Diamond was relocated from Ventura, California to Salt Lake City, Utah
- The reason for this was to be closer to the targeted customer

# The History continues

- This high quality and innovative design company decided to keep the previous logo of the diamond but decided that changing the name would help their image
- The name “Black Diamond” was to attract extreme athletes and recreational skiers



# Black Diamond's Commitments

- These commitments have been implemented since BD first began
  - To be a global presence
  - Supporting specialty retailers to promote BD's products
  - Creating long-term partnerships with companies
  - Being passionate, easy to do business with, and being fierce competitors while also using high ethical standards

# Commitment

- Developing a competitive advantage
- Sharing success with employees
- Creating a safe work environment
- Preservation of the access to their mountains



# The Growth and Development

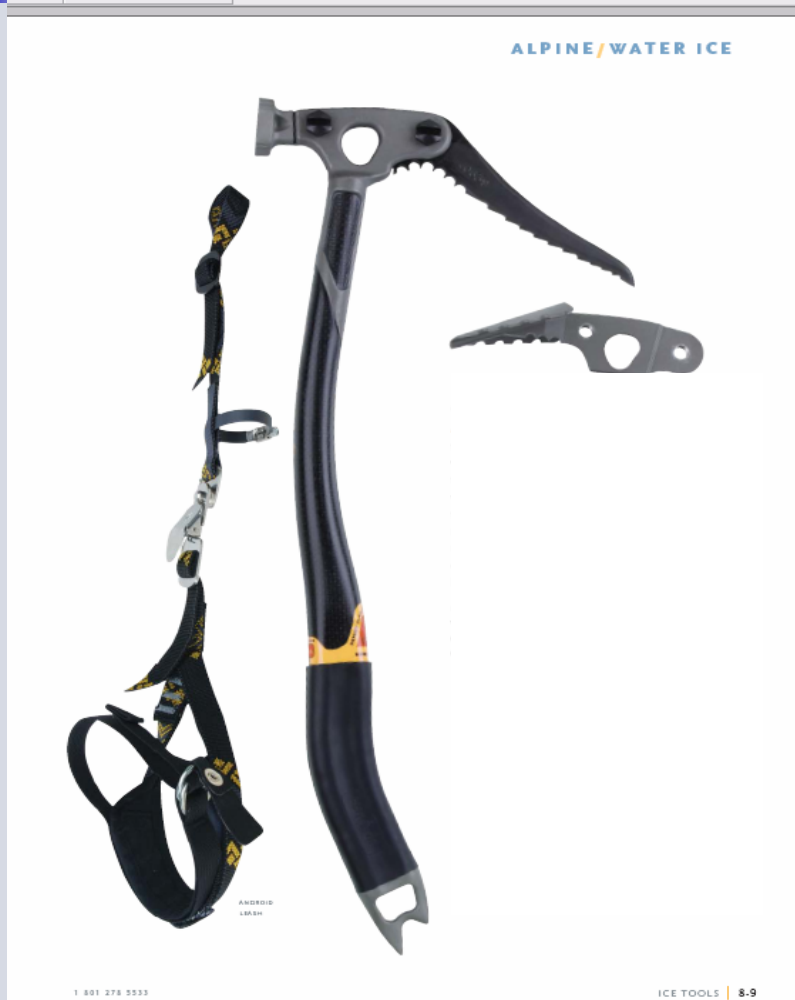
- From 1990 to 1993, the market was demanding more innovative products and faster delivery. Black diamond struggled with this high demand
- In 1991, BD was owned 50/50, half by the employees and half by outside investors
- In 1993, Black Diamond had expected annual sales of \$12 million, with a gross profit of \$4.8 million while they made a net profit of \$1.2 million. BD decided to hire 100 more employees to help the company run smoother



# What made Black Diamond who they are today

- Due to the BD commitment to constantly find new innovations and technologies
- BD also relies heavily on customer satisfaction. The customer is number one.
- BD recently created a new and improved state-of-the-art axe called the Black Prophet

# Black Prophet



- BD believed the Black Prophet would put them at a higher advantage over any of its other competitors
- The Black Prophet is a climbing tool specifically for ice climbing; it is lightweight with a composite handle designed to reduce arm fatigue and increase grip

# Cost

- Production cost was \$80, retail price was \$200, and wholesale was \$140
- The demand in 1993 for these axes were 200 units
- The expectations were yearly projections of 2,500 units sold, becoming one of the top ten winter selling product



# Black Diamond's Strengths

- A large competitive edge with a well known name
- Lots of advertisement, the Black Prophet was well known before it was even manufactured and sold
- Black Diamond worked as a team, employees supported everything about Black Diamond
- A strong marketing background, advertisements were well known nationally and internationally
- Very innovative and technologically savvy
- Wide range of customers
- BD personnel were well informed of the products being sold

# Black Diamond's Strengths

- A wide array of products applying small father-son camping trips to hardcore mountain explorations
- The prices of these products range from relatively high to affordable
- BD has a manager for every stage of manufacturing from quality managers to product marketing, designers, production, research and development, assembly leaders and customer services of Black Diamond. All who work together to find the best, newly design, innovative, high-tech products while fulfilling preseason orders from customers
- Manufacture their own products while also subcontracting, decreasing the fatigue of their employees

# Weaknesses of Black Diamond



- Failure of the product caused by pressure
- Not enough employees and machines to keep up with the high demand
- Need to be ISO-9000 certified:
  - to sell to European countries
  - decrease liabilities and ensure quality of the product

# Weaknesses of Black Diamond



- Financial problems
  - Lawsuits for selling faulty equipment
- Parts for the Black Prophet did not match up precisely
- Employees do not work on the same task for long
- Employees are not well educated nor trained

# External Environmental Opportunities

- In order to expand internationally, BD must obtain ISO-9000 certification
- Expanded their market by catering to the needs of non-mountaineering industries
- Increase brand awareness by expanding internationally through marketing
- BD plans to become vertically integrated
- Relocate the business to a closer location to the target customer
- Employees need to have the opportunity to attend service training





# External Environmental Threats

- Global warming could decrease ice climbers
- Climbing is not trendy in the U.S.
- Brand loyalty
- Product substitution
- Inefficient training methods increase the rates of accidents occurring
- Most competitive company, Petzl



# Evaluate the SWOT Analysis

- Black Diamond is in an overall strong competitive position:
  - Loyal customers
  - Brand reputation
  - Expanding internationally
- It can continue to pursue its current business/corporate level strategy profitably
  - Expanding its market share

# Evaluate the SWOT Analysis

- Black Diamond can turn its weaknesses into strengths and threats into opportunities by:
  - improving its weakness
  - decrease threats
  - Porter's 5 Forces
- Black Diamond can develop a new functional business/corporate strategies

# Corporate Level Strategies

- Part of the Black Diamond corporate strategy is to take a closer look at its new product introduction process and production process. BD is using this strategy in attempts to limit the number of new product defects
- They work with retailers, wholesalers and manufacturers

# Corporate Strategy Cont.

- Working to obtain an ISO-9000 certification
- Participate in vertical integration
- They do not trade, but exchange resources in order to manufacture their products



# Business Level Strategy

According to the case study, Black Diamond has 10 guidelines for its operations (pg 24)

1. Being a market leader while being passionate about the sports they market to
2. Create a global presence
3. Support the specialty retailer

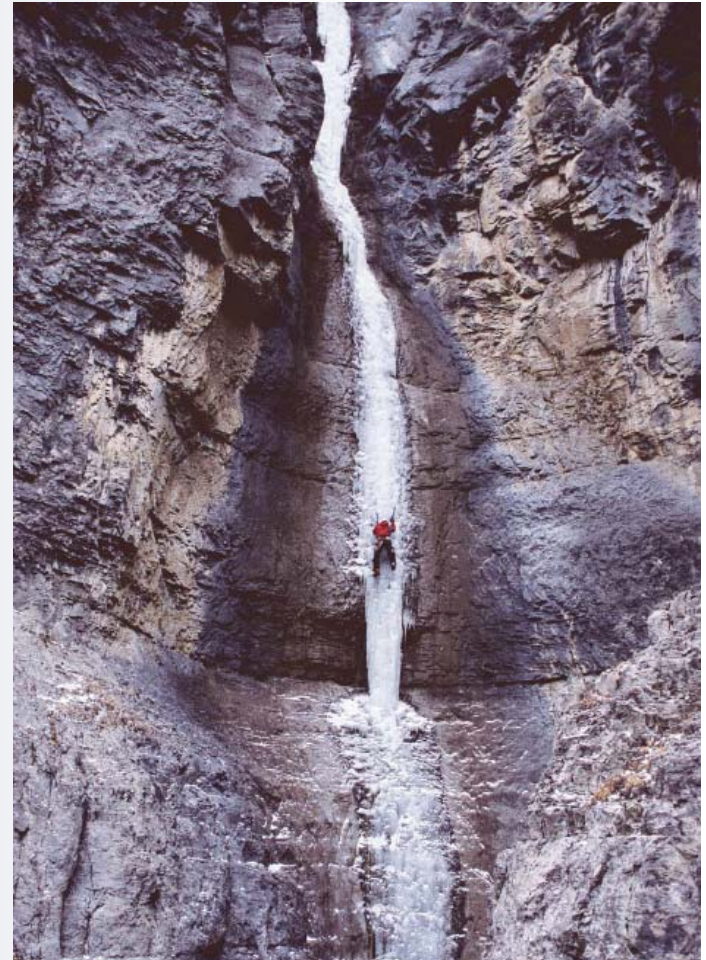
# Business Level Strategy



4. Create long-term partnerships with other companies
5. Being very easy to do business with
6. Be a fierce competitor while maintaining ethical standards
7. Developing a sustainable, competitive advantage
8. Share the company's success with employees

# Business Level Strategy

9. Create a safe, personally fulfilling work environment for all employees
10. Being known as an environmental-friendly company through preservation and access to mountain environments





# Business Level Strategy

- BD puts emphasis on their supply chain management
- Keep up with their competitor's technology and processes



# Structure and Control Systems

- Using random sampling to test for defects and test the quality of their products
- Working to achieve an ISO-9000 certification in order to reach their international sales market profit
- BD breaks its production facilities into several different segments

# Recommendations

- Increase spending on job training. Service training will increase manufacturing while increase Black Diamond's profit margin.
- Increase spending on research development on equipment management and manufacturing
- Change job profile, Black Diamond requires a minimum education level of high school for assembly line positions
- Creating task force teams for the manufacturing process that point out exactly what needs to be done
- Increasing employment while decreasing employee turnover and incorporating incentives
- Recall the Black Prophets that are in stock while notifying purchasers of the defect

# Lesson Learned

- **Every company needs to keep up with changes in the markets**
- **Brand recognition is very important when it comes to both the product and the company**
- **If the product is dangerous, the company must take the product off the market no matter how much profit they will lose, it is the ethical and responsible thing to do**
- **Customers safety is the most important**

# Questions or Feedback?

- Clarifications needed?
- Questions?
- Comments?

**Thank You**

This concludes the presentation...

Black Diamond's web site:  
<http://www.blackdiamondequipment.com/>