Kortec and Wrenware Architectural Hardware

It was the spring of 1991. Tim McDern was just getting in from his weekly tennis match. The match, a victory, had provided a short but much-needed break from the problem he was facing as Director of International Sales of Kortec and Wrenware Architectural Hardware.

Kortec and Wrenware Architectural Hardware were two separate and distinct companies in the architectural hardware business operating as a single division of a Fortune 100 company (The Lock Company) in central Connecticut. Each company operated separately, each with its own brand names, product lines, and distribution channels. Due to changes in the architectural hardware industry, it was no longer a perceived benefit, nor was it cost-effective, to support two separate brand names.

Reorganizations of sorts had already taken place to combine the separate support areas for the two brand names. Consideration was now focused on creating a new brand name for the two companies. McDern's assignment was to determine the alternate approaches The Lock Company could follow in trying to come up with a new brand name, with the positive and negative factors that should be considered with each approach (specifically, as they related to their international markets) when it came time to actually decide on a new brand name.

COMPANY BACKGROUND

Kortec and Wrenware Architectural Hardware both manufactured commercial locksets, exit devices, closers, and key systems. Each company was started independently in the mid-1800s as a diversified manufacturer of products that ranged from locks to furniture hardware to mailboxes. They were strong competitors with each other in the area of locks. Over time, both of their product lines phased out the furniture hardware and mailboxes and concentrated on commercial locks. The companies went on to expand their product lines to include exit devices and door closers.

As the companies continued to evolve separately, they developed their own unique product lines, distribution channels, and markets.

In the early 1900s, these two staunch competitors took a step that shocked the hardware industry. They decided to merge at the corporate level, but they continued to run their operations separately, with separate product lines, distribution channels, and markets.

In the 1930s and 1940s, the companies experienced some economic gains by using the same screws in the manufacture of the two separate and distinct locks sold by each of the divisions. This marked the first significant step to further economies of scale by the two companies.

In the 1950s and 1960s, the synergy continued. The companies began using the same components in the manufacture of their locksets, with the exception of the key systems. By this time, each company was producing very similar lockset designs, with the primary differences in the key systems used. They also continued to maintain separate brand names, distribution channels, geographic markets (international only), sales forces, and management.

In the late 1960s, a Fortune 500 company acquired both companies and began to operate them as a single division. At this time, the companies were

This case was prepared as a basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

brought under a single roof for the first time—an 800,000 square-foot facility. Because they now shared the same physical location, the companies were able to combine their manufacturing processes, engineering support, and new product development. However, they continued to maintain different brand names, sales organizations, distribution channels, and geographic markets.

In the late 1980s, the Fortune 500 corporation was acquired by a Fortune 100 corporation (The Lock Company). It was at this time that senior management decided to merge its sales and marketing organizations to support the two different brand names. Due to various considerations, which will be discussed in the next several sections, it was felt to be no longer cost-effective, nor were there any perceived benefits, to maintain separate sales and marketing organizations.

Product Description

The product lines of Kortec and Wrenware had evolved so that they were built with identical components except for the key system. The key system is the part of the lockset that is referred to as the *cylinder.* The key system is the major element of the product that keeps the two brands different. Once set up, the key system controls who has access through any particular lock in the system. This is an important concept for two reasons:

1. When an order is received, it is very important to get the precise specifications about the key systems needed (how many and on which doors each system will be installed). An example would be the security needs of a hospital. Each key system in the hospital must be individually set up to provide or restrict access to the locks in the system. In setting up a hospital's key system, the purchaser (installer) of the system needs to know who should have access to what rooms. The hospital would not want the janitor's key to fit the narcotics room lock, yet the janitor must have access to a number of other rooms for maintenance. Thus, it is very important to identify up front precisely who needs access to what areas to avoid future re-works for the installer and unforseen breaches in security for the customer.
2. Because the key systems of Kortec and Wrenware are designed differently, purchasers must consider these differences carefully before choosing the company from which to purchase key systems. It is probable that, in the lifetime of a key system, additions or changes will be made to the system. Purchasers need assurances that they will be able to acquire locksets compatible with their existing key systems when they are needed.

Market

Kortec and Wrenware's products were primarily sold for new commercial construction and for the aftermarket (i.e., for replacement on buildings such as offices, schools, hospitals, and hotels). Both companies had sales in the U.S., Canada, and 65 countries overseas. Both companies had been selling overseas since the late 1800s and exerting a strong emphasis on international sales over the last 15–20 years. Each brand name had its regional strength. Kortec's strength was largely in North America and Asia while Wrenware's strength was in Europe and the Middle East.

Distribution Channels

(Manufacturer → Distributor → End User). Distribution of the products for both Kortec and Wrenware was primarily through small, privately-owned family businesses, which would frequently act as subcontractors on new and after-market projects. Distribution through this channel was referred to as *one-step distribution* because the product went to one middleman before going to the end user. For the most part, these distributors supported either the Kortec or Wrenware name. Within a given city, there were as few as one or as many as three distributors.

(Manufacturer → Wholesaler → Distributor → End User). Wholesalers were also used to some extent. This was referred to as *two-step distribution.* The wholesalers in the architectural hardware industry actually helped bring the two brand names closer together. The distributors and end users gradually become aware that the Kortec and Wrenware products were essentially the same. As a result, the end user would frequently go to a distributor and ask for either brand. For example, if an end user went to a Kortec distributor and asked for a Wrenware product, the distributor was forced to seek out a wholesaler to obtain the product because the distributor was forbidden by agreement with Kortec from going to Wrenware directly.

Distributors had historically been brand loyal, but this had been changing over time. New competition was offering new alternatives. In addition, senior management at The Lock Company no longer saw any "perceived benefit" to having two unique brand names in the marketplace because the end users and people in the architectural hardware industry were aware of the product similarities and differences in the key systems. Experience was showing that distributors were able to get both products from wholesalers. It made sense to reduce the total number of distributors. Therefore, senior management reduced the number of distributors from approximately 900 in the 1970s to approximately 400 in the late 1980s (200 for Kortec and 200 for Wrenware).

Support for Distribution

Operating two separate sales and marketing organizations required The Lock Company to maintain two separate channels of support for their salespeople, literature (catalogues, price books, and technical manuals), promotions (they needed two separate booths at trade shows and any promotional items ordered had to be brand specific), and advertisements (the ads had to be brand specific). Maintaining two separate channels had become very expensive, especially in light of increased competition and the fact that the industry was becoming more and more aware of how similar Kortec and Wrenware products were to each other. The economic benefits of operating these areas separately no longer exceeded the economic costs. Senior managers at The Lock Company decided that the company would be in a better position by combining the monies spent on sales and marketing—they'd get more bang for their buck.

PERCEIVED STRENGTHS AND WEAKNESSES IN THE MARKET

The Lock Company perceived various strengths and weaknesses in Kortec's and Wrenware's positions in the architectural hardware market. This information would be relevant to any decision made regarding changing the individual brand names.

Strengths in the Market

Brand Awareness. Both Kortec's and Wrenware's names were easily recognized by the domestic commercial hardware industry, which consisted of the architects who drew the building designs as well as the end users. This was not the case in the international markets, where each company had a regional presence. In international markets, either the Kortec or Wrenware name was known, but not both.

Market Coverage. Both Kortec and Wrenware had domestic and international sales (North America, Canada, and 65 countries overseas).

Full Line Product Strength. Both companies carried a full assortment of products for commercial doors consisting of locksets, key systems, closers, and exit devices. Because of this, buyers were able to obtain everything they needed from either company (some competitors carried less than a full product line).

Breadth of Product Line. Both Kortec's and Wrenware's product lines consisted of locksets, key systems, closers, and exit devices in a broad range of price and grade levels.

Regional Sales Office Presence in International Markets. Between the two companies, the major markets of the world were covered. The international offices were responsible for their own sales and marketing efforts (i.e., they prepared their own brochures). Thus, they were able to “think globally, yet act locally.” The international offices were also free to take what they could use from the home office and either use it “as is” or enhance the design to meet their own local needs. In addition, the brochures were designed with an international flavor (e.g., they were written in the local language and included such things as metric conversions).

Weaknesses

Reduction in Distribution Loyalty. Kortec and Wrenware faced reduction in distributor loyalty due to increased competition. Hardware products were becoming more and more generic.

Reduced Visibility of Brand Names. Economic constraints, combined with the need to split the advertising and promotion dollars to cover two separate brand names, tended to reduce the overall visibility of each brand.

Delivery and Quality of Products. Delivery and quality of products, especially in the international markets, had taken a downturn within the past five years. As a result, competitors had picked up some of their markets. Kortec and Wrenware were in the process of addressing these issues through new manufacturing processes; however, the benefits would not be felt immediately.

Promotional and Technical Support Materials in Disrepair. Both Kortec and Wrenware were in need of new promotional and technical support literature. However, due to the pending brand name decision, managers did not want to develop new materials. A complete product catalogue alone would cost each company $200,000 to develop, design, print, and deliver for worldwide distribution. Managers decided to live with the existing materials for the time being.

New ‘92 Sales Brochures Needed. New brochures were needed for the upcoming year at a cost of approximately $80,000 for each company. Management was uncertain about whether or not to combine them.

Expertise in Distribution. As stated earlier, it is very important for vendors selling key systems to get accurate key-system specifications with each order. In addition, there must be a thorough understanding of the *application of the products*. The purchasers/architects must be careful to comply with various fire codes, handicap codes, UL (Underwriters Laboratory) codes, as well as other laws.

Kortec’s and Wrenware’s distribution networks, now seen as a strength, could become a weakness due to the recent reduction in distributors around the world.

DECISIONS. . . DECISIONS. . .

Tim McDern settled back in his favorite recliner to ponder his assignment. He needed to develop the alternative approaches The Lock Company should consider when determining a new brand name. In addition, he needed to determine the various positive and negative factors that should be considered (specifically, those related to their international markets) when it came time to determine a new brand name.

McDern took a sip of his Gatorade and thought to himself: “In coming up with the various alternative approaches, there will be certain factors that may pertain to more than one alternative.” He decided to call these “generic factors.” He would list other factors under each alternative approach separately.

So, relying on his knowledge of Kortec’s and Wrenware’s backgrounds and their perceived strengths and weaknesses, McDern pulled out a notebook and began to write.

GENERIC FACTORS

McDern considered generic factors to be such basic factors as language differences, possibility of brand piracy, and local laws in the markets served by both companies that would affect the new brand name, no matter what approach was followed.

Language

Because Kortec and Wrenware had sales in 65 foreign countries, marketing would take place in a variety of foreign languages. A number of questions had to be answered before a brand name could be chosen. Would the brand name be easily *translatable* to the various languages? Could the brand name be easily *pronounced* in all of the languages? (For example, if *Wrenware* were chosen as the brand name, Asian customers would have difficulty pronouncing the name because of their trouble in pronouncing the 'R' and 'W' sounds of the English language. Could or would this have an effect on sales?) Would the brand name inadvertently insult a particular culture because of what that name might mean when translated to the language of that culture (or even standing on its own untranslated)? McDern realized the need to be sensitive to the various *cultures* in which Kortec and Wrenware operated.

In addition, two other factors that needed to be considered were the length of the name and the image that the name would project. The Lock Company would not want a name that was too long to print when preparing written materials in many different languages. The length might also affect customers' ability to remember the name, especially if a totally new brand name were chosen. Additionally, depending upon the name chosen, certain negative images might be implied in one or more of the various cultures in which the companies did business. An example would be a name that might imply a weak company or a shoddy product in any of the markets, depending upon how the brand name was translated or interpreted. Another example might be that the name chosen is acceptable, but very similar to the name of another company, in any of the markets that has a shoddy reputation; The Lock Company would not want its name inadvertently confused with or associated with the shoddy company or product.

Any one or more of these factors could adversely affect The Lock Company's market in the foreign countries.

Brand Piracy

In selecting a brand name, laws of the various countries regarding brand name piracy must be considered. There are three general forms of piracy:

1. *Imitation*—A company may copy your established brand name or logo.
2. *Faking*—A company may identify its product with a symbol or logo very similar to your established brand/logo.
3. *Pre-emption*—A company may register your brand name in its country before you and then possibly try to sell it back to you to make money.

Between them, Kortec and Wrenware were already established in 65 foreign countries and did not have any piracy problems with their current names.

Local Laws

The names currently used in foreign countries complied with the laws of those countries, but The Lock Company needed to consider the various laws and procedures to register its new brand name when the time came. In addition, The Lock Company needed to be cognizant of the fact that, if it were to choose a new brand name, it would need to ensure that the new name did not infringe upon any other companies already doing business in any of the foreign markets under that name.

Once McDern had finished listing his generic factors, he turned his attention to some alternatives The Lock Company should consider before determining a new brand name. He listed these, with various international factors, both positive and negative, that should also be considered before choosing the brand name.

ALTERNATIVE 1—LITERALLY DO NOTHING

The Lock Company could literally do nothing and continue to do business under the two separate company names. McDern listed this alternative, although he knew it would not be considered. The Lock Company had already made the decision to combine the various parts of the company operations and look for a new brand name. As stated before, there were no more economies of scale operating under separate names.

Still, it was an alternative in the event that no new brand name could be agreed upon. A positive factor in this case was the fact that the Kortec and Wrenware names were already established overseas; on the negative side, The Lock Company would need to maintain two separate sets of support materials (determined as not cost-effective).

ALTERNATIVE 2—KEEP SAME NAMES BUT DIFFERENTIATE THE PRODUCTS

McDern felt that under this alternative The Lock Company could continue to operate the companies under the same two separate names but somehow differentiate the products. By differentiating the products, The Lock Company might substantiate the costs that would be necessary to support two brand names.

The differentiation between the names could come by way of *product quality*. For example, Kortec might be marketed as a high quality, high cost product while Wrenware could be the lesser quality, lower cost product.

An alternative differentiation could come by way of *product market*. For example, Kortec might be targeted toward the hotel and hospital market while Wrenware would be targeted toward the school and prison market.

A third alternative differentiation could be by *geographic market*. For example, Kortec might be targeted at North America and Asia while Wrenware might be targeted at Europe and the Middle East. Their current regional strengths were already located in these markets.

Several positive and negative factors must be considered in differentiating the products.

Product Quality

Negative. The two companies were in predominantly separate market concentrations overseas. For example, it could potentially cost The Lock Company a great deal of money to introduce the Wrenware name to the Asian market, where it is currently not readily recognized.

Negative. The existing distributors of the Wrenware product might become upset if their product began to be marketed as one of lesser quality. This could affect future sales, as well as relationships with existing customers, to whom distributors had previously marketed Wrenware as a high quality product. Thus, relationships with distributors, as well as existing and future customers, could be affected.

Negative. The overlap in the markets might create confusion, both on the part of purchasers and those providing the support and necessary technical expertise.

Positive. Differentiating by product quality, if successful, would substantiate the need to continue to support two brand names. It might also help expand the market share of both lines. The Lock Company may be able to pick up some of their competitors' market share by marketing both a high quality product and one of lesser quality.

Product Market

Positive. Again, if successful, keeping the same names but differentiating the products might cause The Lock Company to focus on more specific types of markets.

Negative. Again, this might have a negative impact on distributors and existing customers. Distributors with contacts in a particular industry (e.g., schools) might suddenly find their product targeted toward hotels, which could affect their sales. Existing customers might also be confused. For example, if school customers needed additional locks that had originally been bought from Kortec, they would be confused to find that Wrenware was now being targeted toward their school—especially since the key systems from the two companies originally were not compatible. McDern made a note that, if this option were to be pursued, The Lock Company would need to be careful how it introduced and promoted the change.

Geographic Market

Positive. The products were already primarily established and concentrated in different geographic markets. The Lock Company would not need to worry about introducing a new brand name. In a sense, the brand name may already be widely recognized in the geographic markets, or it may be the leading seller—no need, then, to interrupt this process.

Negative. This, in a sense, was The Lock Company's current situation, which it hoped to change.

Product Quality and Market

Negative. The architects in the foreign countries were not as familiar with the similarities between the existing brands. This could have an adverse effect on their recommendations if the companies suddenly began to be targeted toward different markets. The architects might be confused or unfamiliar with the specifications of the alternative brand name.

ALTERNATIVE 3—COMBINE THE EXISTING NAMES

Under this alternative, the two company names could be combined in a form such as "Kortec & Wrenware Architectural Hardware."

Positive. This would enable The Lock Company to keep both names. Architects and end users would then not be totally confused by the change. They would still see a name they recognized.

Positive. It would result in fewer costs than having to introduce a "new" or "different" brand name to the markets served.

Negative. The name of the company would become very long. This is important when preparing written literature (catalogues, brochures, advertising—too long is *not good*). For example, the name is put in every "environment" possible, such as letterheads, business cards, trade show booths, etc. A longer name would make it more costly and difficult to prepare these materials. A longer name would also be harder for customers to remember.

Negative. Confusion might be created in existing markets. For example, in Hong Kong the name Wrenware means nothing because the product is currently not distributed there.

Major Negative. In those countries where both products were offered, and given the fact that (a) the distribution channels were recently reduced to approximately 200 for each brand name and (b) most distributors were selling either one or the other brand name, The Lock Company is now conceivably going to ask distributors to sell a product that they had considered to be a competitive brand name. These distributors, for example, may have promoted Kortec while criticizing Wrenware because they carried only the Kortec product. The previous separate sales forces selling to the distributors had also promoted in this manner. Now they will be asked to sell a product that includes a name they may have previously "badmouthed." This could have an adverse effect on the distributors' existing relationships with their customers.

Negative. The existing names may have meant something special to the architects. The Lock Company wouldn't want to lose their association with the existing brand name.

ALTERNATIVE 4—USE EITHER ONE NAME OR THE OTHER

Positive. Consideration should be given to language, culture, and local brand name laws, as previously discussed. In light of these considerations, The Lock Company would want to choose the name that gave off the stronger image (e.g., Kortec sounds like a stronger company) or be more easily pronounced, (e.g., Kortec may be more easily pronounced, depending on the culture).

Positive. A distribution system is already established in those countries served by the company that would lose its name. Additional work in the form of well-prepared advertising, support, and promotional materials could help overcome the recognition problem faster than if The Lock Company attempted to go in without an established distribution channel and support materials.

Negative. Using one name only, The Lock Company runs the risk of loss of name recognition in the countries served by the company that would lose its name. Additional costs of introduction and promotion would also result. There is a risk of losing sales in these areas, at least until name recognition for the new name is established.

ALTERNATIVE 5—NEW NAME

Alternative 5 would involve coming out with an entirely new brand name.

Positive. The opportunity would exist here for a clever, descriptive brand name and/or trademark or logo. The name chosen might enable The Lock Company to tie the brand name more closely to the product it is offering.

Positive. A new name would enable The Lock Company to update its technical manuals, etc., that were in a state of disrepair. In addition, it would offer The Lock Company the opportunity to develop new and better materials.

Positive. The Lock Company could also continue to sub-label whatever brand name was chosen with "A Fortune 100 Company: The Lock Company," to help maintain the customers' identification with its products. This might help alleviate some anxieties arising from a brand name change.

Positive. Given that various cultural factors are taken into consideration in arriving at a new name, it will be very important how The Lock Company then uses and effectively markets that name in the future. For example, "Coke" doesn't mean anything by itself as a word, but it has been so effectively marketed that it has become synonymous with the soft drink.

Negative. A new name would require The Lock Company to scrap its existing support materials that contained the old name and develop new materials. This would be more expensive up front. Using any one of the other alternatives would have enabled the company to use its existing materials for a while longer.

Negative. Finding a new name would most likely require hiring an expert consultant. The consultant would be responsible for determining if the name was already being used, whether it infringed upon existing trademarks or logos, and the impact the new name would have in existing foreign markets with respect to language, culture, and existing local laws, etc.

McDern looked up at the clock as it struck 1 A.M. Before he retired for the night, he reflected on what he had been doing.

In preparing the alternative courses of action that The Lock Company would consider when determining a new brand name for its international markets, he found there was much more to renaming a company than simply coming up with a new name and figuring the associated costs. For instance, the language, culture, and laws of each foreign market had to be considered. Nor could established relationships with distributors and customers be neglected. All in all, there were many associated issues to consider, not just a name change. Arriving at a new brand name would require expert consultants, brand awareness studies (both nationally and internationally), studies on the distribution networks used by both Kortec and Wrenware, and a significant amount of related analysis. The Lock Company would need hard facts to back up any decision it would make.

This was not a short-term but a long-term decision that would affect the long-term positioning of the company. Key strategic decisions would need to be made in order to position The Lock Company to capture a worldwide market share. These decisions should only be made after considering the various international implications and factors.