

TABLE OF CONTENTS

Letter of Transmittal.....	i
List of Illustrations.....	iii
Executive Summary	iv
Introduction	1
Purpose.....	1
Scope	1
Methodology.....	2
Assumptions.....	2
Limitations	3
Declining Sales and Vanishing Profits, 1985-95.....	4
Sales Reduction of 18% Since 1991	5
Profits Cut in Half Since 1985.....	6
Costs Up 10% Since 1985.....	7
Current Market Demand for Mechanical Typewriters	8
Dying Demand in the U.S.	10
Continuing Demand in Asia, South America, and Africa.....	11
Expected Market Demand, 1996-2010.....	12
Continuing to Make Typewriters: Short-Term Solutions	13
Import Typewriter Parts	14
Quality of Imported Parts	15
Effect of Imports on Production Costs	15
Effect of Imports on Domestic Source of Supply	16
Investigate International Sales.....	17
Increasing Profits: Long-Term Solutions.....	18
Recommendations	22
Appendix A Focus Group Questions	24
Appendix B Transcript of Focus Group Responses.....	26

LIST OF ILLUSTRATIONS

Figure 1. Falling Sales, 1995-99.....	4
Figure 2. Rising Production Costs, 1989-99	6
Figure 3. Rising Advertising Costs, 1986-99	7
Figure 4. Music Revolution's Market Share in 1999	9
Table 1. Specifications of Foreign Parts	12
Table 2. Price List for Foreign Parts	14
Figure 5. Demand for Typewriters Will Fall Further	16

Ways for Morris Machines to Increase Its Profits

Executive Summary

Because the available short-term solutions will not completely solve its financial problems, Morris Machines should change the products it manufactures.

Customers are increasingly switching from typewriters to computers. The market for mechanical typewriter is very small in the United States and Canada and is likely to dwindle even further.

To improve cash flow in the short run, Morris Machines can cut costs by importing less expensive foreign parts. It should also enter the international market, perhaps through joint ventures. The international market for typewriters remains strong, since many countries lack the capital or the steady supply of electricity necessary for computers. However, even the international demand for typewriters cannot make Morris Machines profitable, even if you cut costs and gain a larger market share. To assure long-term financial success, Morris Machines will have to shift to other products.

You have at least two choices: Morris Machines could position itself as a business machines company or as a manufacturer of precision mechanical implements. To compete in business machines, the company would need to hire people with expertise in electronics and computers and retrain many of the employees. If the company wants to investigate the possibility of precision mechanical implements, further research will be necessary to determine which field would be best. Garden implements and supplies for home carpentry are among the fields worth investigating.

When the company changes what it manufactures, it should change the company name to reflect the new enterprise. The company can retain "Morris" and the four-generation tradition of family ownership, but it needs a name that is perceived as up-to-date.