COMPANY PROFILE

Kohler Co.

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COMPANY OVERVIEW

Kohler Co. (Kohler or 'the company') is a designer, producer and marketer of plumbing equipment, furniture and accessories, cabinet and tiles, engines, and generators. Its products and services include plumbing fixtures, furniture, tile and stone, and primary and backup power systems. The company also conducts business in the hospitality, real estate and decorative products business. It operates its business through various brands such as Kohler, Robern, Sterling, Kallista, Mira, Novita, Rada, Sanijura, Hytec, Ann Sacks, Kohler Engines and Lombardini. It primarily operates in the Americas, Asia-Pacific, Europe, the Middle East and Africa. The company is headquartered in Kohler, Wisconsin, the US.

KEY FACTS

Head Office	Kohler Co. 444 Highland Drive Kohler Michigan Kohler Michigan USA
Phone	1 920 4574441
Fax	
Web Address	www.kohlercompany.com
Revenue / turnover ()	
Financial Year End	
Employees	36,000
Ticker	

SWOT ANALYSIS

Kohler Co. (Kohler or 'the company') is a producer of plumbing equipment, furniture and accessories, cabinet and tiles, engines and generators. Diverse businesses and large product portfolio, and global manufacturing base are its major strengths, whereas lack of scale as compared to peers is an area of concern. Online retail market in US, positive outlook for global travel and tourism industry, and growth in global kitchen appliances market are likely to provide growth opportunities to the company. However, intense competition, stringent environmental regulations and labor costs in US could affect Kohler's market share and margins.

Strength Global manufacturing base Diverse businesses and large product portfolio	**Weakness** Lack of scale as compared to peers
Opportunity Growth in global kitchen appliances market Positive outlook for global travel and tourism industry Online retail market in US	**Threat** Labor Costs in US Stringent regulations Intense competition in small engines market

Strength

Global manufacturing base

Kohler has presence in several geographies and to complement its operations the company established a strong manufacturing and supplier base. It has manufacturing locations across the world. The kitchen and bath group has manufacturing facilities in the US, Canada, Mexico, the UK, France, Spain, Egypt, Morocco, China, Thailand, and New Zealand. Its interiors group has manufacturing facility in Indonesia apart from the US and power business has manufacturing facilities in various locations outside of the US. Having such a large manufacturing base across regions facilitates smooth functioning of operations without interruptions. In addition, the presence in several low-cost countries lead to cost efficient products as well while gaining technological edge from other regions.

Diverse businesses and large product portfolio

Kohler has presence in several diversified businesses and has built a strong product portfolio in each of its businesses. The company's businesses include kitchen and bath, interiors, power, golf and resort destinations, and decorative products. Across each of these categories Kohler offers exhaustive products and services. These include design oriented as well as utility-oriented products thus serving different customer profiles. The company's presence in several businesses leads to a large customer base and the customers are from diverse sectors like household, and industrial, etc. Large product portfolios provide a seamless shopping experience which increases average customer spending.

Weakness

Lack of scale as compared to peers

The company is small compared to its competitors. Many of its competitors, such as Masco and American Standard Companies are larger and enjoy a competitive advantage in accessing financial, technical, and human resources. For instance, Masco is a large Fortune 500 company. In addition, these competitors will be able to absorb raw material price hikes better than Kohler, which has relatively a lower scale of operation. The company's small scale of operations compared to its peers would weaken the market position of the company and will be a competitive disadvantage.

Opportunity

Growth in global kitchen appliances market

The outlook for kitchen appliances market is robust. Rising disposable income, changing lifestyles of consumers, advanced technologies, increasing health consciousness, adoption of smart appliances, adoption of low price and high-quality products, energy conservation, and increasing urbanization are creating higher demand for the global kitchen appliances market. According to an in-house research report, the global kitchen appliances market is valued at US$237.3 Billion in 2019 and is expected to reach US$377.70 Billion by 2027, registering a CAGR of 6% from 2020 to 2027. The kitchen appliances market includes cooking, laundry, refrigeration and dishwashing. The company stands to benefit from global kitchen appliances market.

Positive outlook for global travel and tourism industry

The company is likely to benefit from the positive outlook for the global T&T industry. According to the World Travel & Tourism Council (WT&TC), the direct contribution of the T&T industry to the world’s GDP, is expected to increase 3.6% per annum to reach US$4,065 billion in 2029. Moreover, the industry's total contribution to GDP may increase to US$13,085.7 billion in 2029. The increase in investments in the T&T industry to US$1,489.5 billion in 2029, is likely to boost activities within the T&T industry. As Kohler operates golf courts and resort destinations, the growing travel and tourism industry could help in generating more revenue.

Online retail market in US

The company stands to benefit from growing online retailing, which provides consumers the convenience of shopping from home. With the increase in interactive methods and limitless content, the retail e-commerce is growing at a faster rate. According to in-house research, the online retail sector in the US is forecast to reach US$746.9 billion by 2025. The US accounts for about 31.2% of the global online retail sector value. The retailing of electrical and electronic goods was the largest segment in the sector, which accounted for 30.2% of the total value, followed by apparel retail (18.5%), home and garden products (18.1%), food and grocery retail (12.5%), furniture and floor coverings (7.5%), jewelry, watches &

accessories (3.8%) and other category, which accounted for 9.3% of the value.

Threat

Labor Costs in US

The labor costs in the US have been increasing in the recent past. The tight labor markets, government mandated increase in minimum wages and a higher proportion of full-time employees result in an increase in labor costs. The federal minimum labor costs are rising significantly in the US. As of January 2022, the minimum wage rate in the US was US$7.2.5 per hour. The minimum wage rate in 29 states and the District of Columbia is more than the federal rate. The hourly wages range from US$14.25 in Massachusetts, US$10 in Florida, US$12 in Illinois, US$9.87 in Michiganto US$12.5 in Maryland, US$10.1 in Hawaii, US$13 in Connecticut and US$14 in California. The minimum hourly wage in the District of Columbia reached US$15.2.

Stringent regulations

Kohler is required to comply with various regulations at federal, state, and local levels. Products which do not comply with applicable legislation may face delays in reaching customers and non-compliance with legislation may lead to penalties or legal proceedings, which can damage the company’s image. In the United Nations Framework Convention on Climate Change, the US government set a target of reducing greenhouse emissions by 30% from their 2005 levels by 2025. Similarly, EU member states will aim to reduce their emission levels by 20−30% from 1990 levels. The company is also required to comply with EPA emissions, noise-related regulations, and state regulatory agencies. Any forms of non-compliance may lead to fines or other penalties.

Intense competition in small engines market

The company faces stiff competition from rivals, such as American Standard and Masco Corporation in the small engines market. Japanese companies, such as Honda and Kawasaki also compete with the company. Kohler's small-engine industry faces its next threat from China, which has many small-engine manufacturers and a substantially lower cost base. Besides foreign competition, tougher environmental regulations are driving changes in small-engine companies. The increasing competition with stringent environmental regulations could affect Kohler's market share and margins.