

A Comparison Between Stanley Black & Decker Inc. and Illinois Tool Works Inc. in Overall Company Performance for Investment

HUANG Ziyi

Tianjin University of Finance and Economics, Tianjin, China

Investment choice is the conclusion of comprehensive analysis and comparison of the company. In the financial industry, how to make industry investment analysis and selection is a very important subject. The optimal investment choice can save costs and obtain the highest benefits. It is reported that many people focus on the financial situation and ignore the other aspects of the company. By comparing the advantages and disadvantages in product development, financial position and brand value of the two companies in the manufacturing industry, this report obtains the most suitable company for investment mainly by means of quantitative research method and literature research method. This paper introduces in detail how to make investment choice between the two industrial companies and provides methodology for investment analysis and provides more ideas for making investment choices, but it only analyzes the three main aspects of the company and does not consider the other aspects. Therefore, the investment choices in this report only focus on these three aspects, rather than a single analysis of the financial situation, which has certain reference value.

Keywords: brand value, company background, financial position, investment value, product development

Introduction

There is an old Chinese saying that if a worker wants to do a good job, he must first sharpen his tools. Looking back at the long course of human history, tools have experienced a development process. From simple stone tools to metal tools, to plastic tools, and to modern tools, the production and use of tools greatly facilitate our life and play a very important role in our daily life. The businesses of tool companies are also constantly expanding. From manufacturing all kinds of tools to providing all kinds of tool services needed by people, each tool manufacturing company has formed its own unique business process and category, and established its own brand image and brand concept.

Stanley Black & Decker Inc. and Illinois Tool Works Inc. are both American companies that provide similar industrial goods and services. They are each other's top competitors and they have been competing for a long time. The report aims to estimate which of the two companies is a better investment choice. Based on further research in this report, Stanley Black & Decker Inc. seems to be a reasonable investment choice. Compared to

HUANG Ziyi, bachelor student, College of Finance, Tianjin University of Finance and Economics, Tianjin, China.

Correspondence concerning this article should be addressed to HUANG Ziyi, Municipal Party Committee family yard Building 9, Unit 4, Floor 1 east, Dongchangfu District, Liaocheng City, Shandong Province, China.

Illinois Tool Works Inc., Stanley Black & Decker Inc. has a bigger investment in product development, a better financial position and greater brand value which make it more excellent.

Company Background Information

Stanley Black & Decker Inc. is an industrial equipment supplier founded in 1843 and headquartered in New Britain, Connecticut, the US. It is a global company formed by the merger of Stanley Works and Black & Decker. The combination of the two companies added a range of international brands and distribution channels, while the company's global market share increased. At the same time, Stanley Black & Decker Inc. continues to nurture and develop its local brands to ensure that they remain an important part of its global strategy. It continues to explore potential value on the basis of existing business advantages. The merged company has the loyal customer base of the previous two companies and a wider range of dependent consumers. In 2021, the company achieved a 20% increase in performance revenue compared to the previous year and the operating profit margin reached 14%. It has tried to move on from the negative impact of the COVID-19 pandemic and the data show that it has had some success.

The company has three main brands empowering the way we live. Those are tool brands which contain Bostitch, Facom, Lista, Vidmar, and so on, outdoor brands which are a portfolio of power tools in the field of lawn and garden equipment, such as BigDog Mower and Mtd, and industrial solutions (Stanley Black & Decker Inc., n.d.). Geyer (n.d.), Corporate Officer Responsibility Officer, stated that sustainability has become an integral part of their business culture. Their ESG strategy focuses not only on reducing negative impacts, but also on making a positive impact on the environment through their operations. Also, the company focuses on building and fostering diversity and inclusion.

Illinois Tool Works Inc., founded in 1912 and headquartered in Glenview, Illinois, the US, is a manufacturer of diversified industrial products and equipment. It has deep expertise in the market and the application from customers and the company can be proven reliability by the long relationship with people, durable products and industry-leading follow through service. In 2021, the company achieved a revenue growth rate of 15% and gross profit margin reached 41.3%. It has achieved some profit growth while achieving high gross profit margin.

Illinois Tool Works Inc. provides a comprehensive product offering including a variety of technologies and market specific designs and its markets are electrical medical, electrical, power tools, and other industries. At the same time, the company offers pad printing machines, automation and ancillary products, such as SealCup Express and Primocure II Drying Tunnel. The company carefully asks employees to understand the company's weaknesses and listens to customers what is most important for them to conduct comprehensive brand research. It works collaboratively with customers who are treated to be strategic collaborative partner to provide the most valuable solution to the customers' requirements problem. Illinois Tool Works Inc. (n.d.) stated that they provide the best product decoration solutions to meet customers' needs. All of the company's efforts are focused on providing the expertise, efficiency, and reliability that are the brand value and foundation. They state that the production environment is all through art and they provide broad range of product decorating technologies.

Discussion

The demand of industrial market has realized the leapfrog growth, which brings opportunities to industrial enterprises, but also full of challenges. Stanley Black & Decker Inc. and Illinois Tool Works Inc. are two major competitors in the manufacturing industry, especially in the market of power tools, and they both have their own

characteristics. This section will discuss their performance in product development, financial condition, and the brand value to evaluate the value of investment.

Product Development

Product development is the innovative process which can reflect the competitive advantage of the company, and meet the needs of the market. Considering the highly competitive product market, Stanley Black & Decker Inc. has offered a wide variety of innovative instruments and constantly focused on sustainability development. These behaviors gain consumer preference with a long-term vision and development advantages which make it more competitive than Illinois Tool Works Inc. in terms of the products they produce and the services they provide.

Stanley Black & Decker Inc. pays attention to ecological protection and emphasizes the sustainable innovation of products. The company's ESG strategy is based on the belief that business strategies and product innovations which create social value can support revenue increase and profitability growth (Stanley Black & Decker Inc., n.d.). The company brought more than 2,000 new products to market in 2021. The business of industrial fasteners and accessory tools achieved growth of around 15%, offsetting the negative impact of COVID-19 in other sectors, and it received more than 60 innovation awards in 2021 (Annual Report). R&D costs for FY2021, FY2020, and FY2019 are \$276.3 million, \$200 million, and \$240.8 million, respectively (MarketLine, 2022a). The company's innovation policy makes the products greatly meet the needs of customers, conform to the law of social development, and achieve further strong development of the company.

From the perspective of customer demand, Illinois Tool Works Inc. pays attention to the market satisfaction of products. The company's unique approach to innovation is built on insights gleaned from the 80/20 Front-to-Back process that 20 percent of customers/products generate 80 percent of revenues/profits (Illinois Tool Works Inc., 2022b). The R&D activities of Illinois Tool Works Inc. focus on the development of new products to meet market needs, broaden application of the company's existing product portfolio, and improved use of advanced methods and equipment. The development activities of the company also aim to reduce customer consumption costs by eliminating steps in the product manufacturing process. As of December 2020, the company spent \$214 million on R&D, which as a percentage of revenue stood at 1.7%. Illinois Tool Works Inc. has 9,000 foreign patents and 3,800 unexpired patents in the US (MarketLine, 2022). The company has invested a lot of costs to promote product innovation and make it easier for customers to cooperate. This is a profit-cutting action by the company, a great degree of consideration for customers.

Financial Position

Financial position is the capital reflection of the results of business activities which will observe the capital occupation, analyze the fund project, and compare the capital source. Considering the prospects for future industrial markets, Stanley Black & Decker Inc. has more robust financial management than Illinois Tool Works Inc. as well as more adequate cash liquidity. These can place Stanley Black & Decker Inc. at an advantage when it attempts to fund any potential mergers and expansions.

Stanley Black & Decker Inc. has a rapid development with full-year revenue totaling \$15.6 billion in 2021, up 20% from the previous year, with 17% organic growth across all of its businesses. The revenue contained \$12.8 billion from Tools & Storage, \$2.5 billion from Industrial, and \$0.3 billion from other aspects. The full-year's operating margin rate in 2021 was 13.9%, and the company delivered record diluted earnings per share of

\$10.48, up 30% over 2020. Stanley Black & Decker Inc. changed its strategy in the dynamic market to prioritize serving the larger market needs (Annual Report). The company was able to formulate reasonable policies in time to avoid losses in the face of extremely difficult situations, which greatly protected the interests of shareholders.

Illinois Tool Works Inc. reported a decline in financial performance in FY2020. The company's revenue was \$12.574 billion, compared with \$14.109 billion in FY2019. Overall net sales declined 10.9% in FY2020 due to lower organic revenue, the impact of 2019 divestitures, and the adverse impact of foreign currency translation. It is a global company, but revenue declined 9.8% due to global business disruptions due to the COVID-19 pandemic. Adverse revenue performance may affect the ability to pursue growth, gain market, and win competition (MarketLine, 2022). Despite an increase in net interest rates in 2021, the company remains in a precarious position, and shareholders' equity may be harmed by fierce competition. It also needs to make some changes to recover from their disadvantage.

Brand Value

Brand value is the most core element of brand management, and also an important sign that a brand is different from similar competitive brands. Considering unique brand culture, the particularity of Stanley Black & Decker Inc. lies in the emotional value obtained by consumers through the purchase and use of the brand. This makes Stanley Black & Decker Inc. more competitive than Illinois Tool Works Inc. because people want not only the quality of the products but also the spiritual value in modern society.

Stanley Black & Decker Inc. has a unique brand culture to create a precious brand value. It has been named one of Forbes' 2021 "World's Top Female-Friendly Companies", a list based on a survey of 85,000 female employees at 300 companies around the world. Stanley Black & Decker Inc. CEO Loree (n.d.) said Stanley Black & Decker Inc. is committed to providing a diverse, fair, and inclusive work environment to employees. The company gained recognition from female employees and made significant progress in promoting gender equality in the workplace. What's more, it has demonstrated its commitment to racial and gender equality. They run a sponsor program, where more than 50 percent of the disciples are women (Stanley Black & Decker Inc., n.d.). As their chief diversity officer says, Stanley Black & Decker Inc. understands that building diversity, equity, and inclusion is critical to achieving its goals and becoming a sustainable company that allows the most talented people to thrive here. They are excited about the possibilities that the world can gain the power from women, encouraged by the progress it has made so far in this regard, and eager to work together to shape our shared future.

Sustainability also has become integral to their business culture. Stanley Black & Decker Inc. has been recognized as Global Sustainability Leader on the Dow Jones Sustainability Indices for three years. Their ESG report fully explained about their determination to help build an inclusive, sustainable, and reliable economic system. Also, the company supports an employment-led post-COVID-19 recovery, supported by business leadership and public policy that helps spur the expansion of supply chains and manufacturing in the United States. It embodies Stanley Black & Decker's mission, values, and commitment to their employees, communities, suppliers, and customers.

Illinois Tool Works Inc.'s guiding principle is to be a trusted partner for customer-focused product decoration solutions (Illinois Tool Works Inc., n.d.). From accounting to production, every department of the company's business has dozens of innovative and exciting projects to continuously improve products and services. All of the company's efforts are focused on providing expertise, efficiency, and reliability. The company makes a commitment to reliability through trustworthy integrity, performance, and follow-through, efficiency through

motivated employees, cost savings, and getting it right for the first time, professional knowledge through extensive knowledge, diverse technologies, and comprehensive services.

The company has established full humanistic feelings with customers, so that customers can also participate in its own service solutions, and through excellent training system and process as well as professional knowledge from employers, the whole process from art design to production is more suitable for different application needs, and it is willing to provide satisfactory solutions for each customer. These promises give customers enough confidence to support it.

Conclusion

Data and examples show that Stanley Black & Decker Inc. has more advantages in terms of industrial base than Illinois Tool Works Inc. In terms of the products and services they offer separately, Stanley Black & Decker's business is broader and more detailed than Illinois Tool Works Inc.'s. Their equipment is more sophisticated and complicated, and they have a wider selection of supplies which cover a wider range of areas. Stanley Black & Decker Inc. naturally has a larger audience, which provides a good foundation for its sales growth. Only when the sales are greater and the company achieves profitability, the investment from stockholders is worthy.

Fortune Magazine (2022b) revealed that the overall revenue of Illinois Tool Works Inc. showed a downward trend, while that of Stanley Black & Decker Inc. showed a strong upward trend. It reflects that compared to operating results, Stanley Black & Decker Inc. is significantly higher than Illinois Tool Works Inc. In general, Stanley Black & Decker Inc. has higher income, and the product development budgets of Stanley Black & Decker Inc. are more adequate which make products more competitive. They can give full play to product advantages so as to build brand loyalty and gain more market. Therefore, Stanley Black & Decker Inc. has greater adjustment ability in the face of crises, and it can apply the advantages of various aspects to get the enterprise out of the disadvantageous position. In this case, the investment shareholders can reduce the possibility of loss as much as possible, and truly achieve the purpose of investment.

Porter (n.d.), the founder of the modern strategy field, mentioned that the assets of a brand are mainly reflected in the core values of the brand. The next shift in business thinking is the principle of shared value. By solving the needs and challenges of society, enterprises create value for society as well as economic value. Industrial enterprises, which bear the important responsibility of manufacturing tools, should change development mode today when protecting the environment becomes more and more important. They ought to think how to achieve a breakthrough without polluting the environment. There is no denying that Illinois Tool Works Inc. has put a lot of effort into meeting the needs of its clients and improving its professionalism. However, compared to Illinois Tool Works Inc., Stanley Black & Decker Inc. meets customer needs while achieving brand sustainability goals.

According to research, Stanley Black & Decker Inc. has more advantages in product development, financial condition, and the brand value and it has been working hard towards the company goals which show their own competition. Illinois Tool Works Inc. still needs some time to increase product development in different ways, especially expanding their services, rather than just continuing to deepen the vertical development of each business. How to distribute profit in products and other aspect is the choice of enterprises, enterprises should maintain a certain profit as well as increase product research and development which can help provide more diversified products to satisfy customers. Also, they can improve the financial ability to resist risks. The economy

is susceptible to certain influences, such as politics and culture, and changes hugely. All kinds of crises are coming at any time, as a manufacturing company, it should continue to improve its ability to withstand pressure in the form of economic downturn, so as to avoid faults in the whole production chain caused by overstocking of goods, which will bring huge risks to the company. Illinois Tool Works Inc. should further develop the brand value by formulating some inclusive measures. An enterprise is a part of the society, especially an enterprise operated by various employees. In addition to its own product positioning and service provision, a company should be placed in the whole social environment and make social contributions while realizing its own development. This will make brand culture of the enterprise get sublimation and receive more consumers' attention and trust. Combined these three aspects, Stanley Black & Decker Inc. has a great investment value compared with Illinois Tool Works Inc. at present.

References

- Fortune Magazine*. (2022a). Stanley Black & Decker. Retrieved from <http://www.fortunechina.com/america500/252/2022>
- Fortune Magazine*. (2022b). Illinois Tool Works. Retrieved from <https://www.fortunechina.com/america500/149/2020>
- Geyer, D. (n.d.). Our impact. *Website Stanley Black & Decker Inc.* Retrieved from <https://www.stanleyblackanddecker.com/impact>
- Illinois Tool Works Inc. (n.d.). *Brand values*. Retrieved from <https://itwtranstech.com/about/trusted-partner/>
- Illinois Tool Works Inc. (2022a). *Form 10-k 2022. US. Securities and Exchange Commission*. Retrieved from <https://www.sec.gov/Archives/edgar/data/49826/000004982622000006/itw-20211231.htm>
- Illinois Tool Works Inc. (2022b). *2021 annual report*. Retrieved from https://www.annualreports.com/HostedData/AnnualReports/PDF/NYSE_ITW_2021.pdf
- Illinois Tool Works Inc. (2022c). *Trusted partner our guiding principle*. Retrieved from <https://itwtranstech.com/about/trusted-partner/>
- Loree, J. (n.d.). Our inclusive culture. *Website Stanley Black & Decker Inc.* Retrieved from <https://www.stanleyblackanddecker.com/about/our-Inc.lusive-culture>
- MarketLine. (2022a, August). Stanley Black & Decker Inc. (Reference Code: F1952A6E-A751-4E62-9438-66F71ADAE095) [Company profile]. Retrieved from Business Source Complete database.
- MarketLine. (2022b, January). Illinois Tool Works Inc. (Reference Code: 86A88175-DD67-439E-8E17-F3F6D98D6A71) [Company profile]. Retrieved from Business Source Complete database.
- Stanley Black & Decker Inc. (2021). *Stanley Black & Decker named a 2021 Forbes' World's Top Female-Friendly Company*. Retrieved from <https://newsroom.stanleyblackanddecker.com/2021-11-02-Stanley-Black-Decker-Named-A-2021-Forbes-Worlds-Top-Female-Friendly-Company>
- Stanley Black & Decker Inc. (2022). *Growth with purpose*. Retrieved from https://s29.q4cdn.com/245094436/files/doc_financials/2021/ar/SWK_AnnualReport-2021-Final.pdf
- Stanley Black & Decker Inc. (n.d.). *Our brands*. Retrieved from <https://www.stanleyblackanddecker.com/brands>
- Stanley Black & Decker Inc. (n.d.). *Diversity, equity & inclusion*. Retrieved from <https://www.stanleyblackanddecker.com/impact/people/diversity-equity-Inc.lusion>
- Porter, M. (2011). Creating shared value. *Harvard Business School*. Retrieved from <https://www.isc.hbs.edu/creating-shared-value/Pages/default.aspx>