Table of Contents
1 Company Overview .................................................................................................................. 3
  1.1 History! ................................................................................................................................. 3
  1.2 Description of the Industry or market segment ................................................................. 4
  1.3 Relative placement within the industry ............................................................................ 5
  1.4 Management Structure ................................................................................................. 5
  1.5 Chief Competitors ........................................................................................................... 6
2 Marketing Challenges faced by company ............................................................................ 7
  2.1 Research methodology used by the company to identify challenge ............................ 7
  2.2 If possible try to determine the Marketing model used by the company .................... 7
3 Response to market challenges .......................................................................................... 8
  3.1 Technologies employed ..................................................................................................... 8
  3.2 Determination of relative success ................................................................................... 9
  3.3 Correlation of response with the marketing model employed ....................................... 9
4 Evaluation of Caterpillar Inc. using the Value Bubble model .......................................... 10
  4.1 Identify Value Bubble Components ............................................................................... 10
  4.2 Identify technologies used for each Components ......................................................... 10
  4.3 Identify missed opportunities ....................................................................................... 10
  4.4 Identify failed implementations .................................................................................... 11
5 Customerization model ....................................................................................................... 11
6 Questions ............................................................................................................................. 11
7 References .......................................................................................................................... 12

Index of Tables
Table 1. Performance of Caterpillar Inc. with selected competitors and the Industry as a whole, .................................................................................................................................. 6
Table 2. Caterpillar Inc. Balance Sheet 2005 ........................................................................ 9
1 Company Overview

Caterpillar Inc. is the world's leading manufacturer of farm and construction machinery, including trucks, tractors, excavators, and graders. Caterpillar also manufactures both gas and diesel engines which are used in Caterpillar machinery and other equipment. Caterpillar has 50 production facilities in the United States and 60 production facilities abroad, and has over 200 dealers in 178 countries. Forty four percent of Caterpillar's business is in the US and 56 % abroad. Caterpillar also sells used equipment, and offers financing and insurance for its customers and dealers.

1.1 History!

Caterpillar began in 1863 when Charles Holt established C.H. Holt & Co., which imported hardwood lumber. His brothers, William, Frank, and Benjamin, become partners in the business, which adopted the name Holt Brothers. After patenting the first grain cleaner in 1871, they began their venture into vehicle products in 1883. In 1886, the Holt offered the Link Belt Combined Harvester, which used flexible chains rather than gears to transmit power from the ground wheels. This innovation greatly reduced machine down-time. In 1892, the Holt brothers build a steam powered tractor that was capable of hauling 100,000 lbs. of freight at about 3 mph. The next milestone occurred in 1906, when the Holt’s produced the first caterpillar-style tractor, which enabled travel on boggy and previously impassable soils. The company flourished for most of the century until 1983, when it lost money for the first time in over 50 years. A plant was shut down in Newcastle-On-Tyne, England, and many other workers were laid off. In 1985, Caterpillar made some significant changes in order to compete with Komatsu, shifting
some of its facilities and functions (both in production and purchasing) overseas, and moving jobs from Peoria, Illinois to Scotland and Japan.

In 1985, Cat made a $600 million factory modernization investment, which permanently reduced its manufacturing labor force. As a result, Caterpillar’s net income rebounded to $200 million. In 1990, Caterpillar underwent a major reorganization, establishing profit centers which had autonomy. In 1991, in overall sales reductions were down 11%, and Cat UAW workers engaged in a 5 month strike over wages and benefits. Caterpillar added 17 new models to its product line. Caterpillar announced that its export business accounted for approximately 20,000 jobs in the U.S. Caterpillar played hard ball with the UAW in 1992 by filing suit to have the UAW’s practice of requiring companies to pay salaries and benefits of UAW full time officials declared illegal under the Labor Management Relations Act. Also in that year, most of the 12,500 striking Cat workers returned to work without a contract. In 1996, Caterpillar refused entry of Federal health inspectors to its plant in York, Pennsylvania, maintaining that the request was unreasonable.

In 1998, with the U.S. market flourishing, an average sales growth of 13% for the previous 5 years, and 50% of sales being international, the company refocused on global diversification.

### 1.2 Description of the Industry or market segment

Caterpillar is in the Industrial Goods sector, in the Farm & Construction Machinery Industry.
1.3 **Relative placement within the industry**

Caterpillar is at the lead in this industry worldwide with over 30 billion in sales annually.

**Annual Sales**

1.4 **Management Structure**

Principal Divisions include the Asia-Pacific Division, Building Construction Products Division, Compact Power Systems Division, Europe, Africa & Middle East Product Development & Operations Division, Global Mining Division, Large Power Systems Division, Latin America Division, Mining & Construction Equipment Division, North American Commercial Division, Track-Type Tractors Division, and Wheel Loaders & Excavators Division.

The company officers, many of which earn salaries from 1 – 2.6M annually, include:

James W. Owens - Chief Executive Officer, Chairman of the Board  
David B. Burritt - Vice President, Chief Financial Officer  
John S. Heller - Vice President, Chief Information Officer  
Sidney C. Banwart - Vice President, Human Resources  
Michael J. Baunton - Vice President  
James S. Beard - Vice President  
Richard A. Benson - Vice President  
Rodney L. Bussell - Vice President  
Thomas A. Gales - Vice President  
Donald M. Ings - Vice President  
Stuart L. Levenick - Group Vice President  
Robert R. Macier - Vice President  
Daniel M. Murphy - Vice President, Purchasing  
Douglas R. Oberhelman - Group Vice President  
Gerald Palmer - Vice President  
Edward J. Rapp - Vice President  
Gary A. Stroup - Vice President  
Gerard R. Vittecoq - Group Vice President
1.5 **Chief Competitors**

Chief competitors of Caterpillar include Komatsu Ltd., Case/New Holland, Deere & Company, Terex Corporation, Ingersoll-Rand Company Limited, B Volvo, Hitachi Construction Machinery Co., Ltd., J C Bamford Excavators Ltd., and Cummins, Inc.

Table 1 outlines performance of Caterpillar vs. selected competitors, and the industry as a whole.

<table>
<thead>
<tr>
<th></th>
<th>CAT</th>
<th>Case/New Holland</th>
<th>Volvo</th>
<th>Industry (includes Deere and Komatsu)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital</td>
<td>40.11B</td>
<td>2.37B</td>
<td>18.53B</td>
<td>971.73M</td>
</tr>
<tr>
<td>Employees</td>
<td>76,920</td>
<td>25,700</td>
<td>81,080</td>
<td>3.06K</td>
</tr>
<tr>
<td>Quarterly Revenue Growth</td>
<td>17.20%</td>
<td>-0.40%</td>
<td>13.60%</td>
<td>22.60%</td>
</tr>
<tr>
<td>Revenue</td>
<td>35.21B</td>
<td>12.54B</td>
<td>29.05B</td>
<td>592.72M</td>
</tr>
</tbody>
</table>
2 Marketing Challenges faced by company

2.1 Research methodology used by the company to identify challenge

The company continuously analyzed demand segments, and compared its productivity with national and international competition.

2.2 If possible try to determine the Marketing model used by the company

The company was effective in thinking “out of the box” relative to its core manufacturing business, by identifying and pursuing opportunities related to financial services, and used offerings. It was recognized that customer experience prior-to, during, and after the buying process was perhaps more important than the product itself. The internet was pivotal in making value added offerings to address these needs.

Caterpillar established CatUsed.com which includes photographs and inspection reports used. When you want to buy something, you are connected with your local dealer, and the dealer is responsible for getting machines from other dealers' inventories if necessary.

Realizing that margins on services are much higher than on equipment, Caterpillar established CatUsed.com, marketing Caterpillar-inspected used equipment and parts. Sixty-five Cat dealers list used equipment and parts, offering about 9,000 machines and 1.25 million used parts for sale.

Financial services yielded a 12.4% profit in 2000 compared to 8.8% on machinery. This trend is typical in the industry a during the 1990s, business services in
the U.S. increased by 9% annually, while industrial machinery sales increased <5% per year.

Caterpillar recently began offering the Cat AccessAccount, which is a card-less, revolving charge account enabling payment for parts, service and rentals at Cat Dealers in the U.S. Customer benefits for the Cat Access Account include:

⇒ An open network, combining all parts, service, and rentals nationwide under one account with one statement; provision of detailed information to assist in data management and decision making;
⇒ The ability to view itemized transactions, track payments, and pay securely online; and
⇒ Offer purchasing flexibility to all customers through various plans.

3 Response to market challenges

3.1 Technologies employed

Caterpillar began investigating electric data interchange (EDI) for its suppliers beginning in 1982, used EDI routinely by 1984 to improve efficiency. By 1990 Caterpillar communicated via EDI with over 1,500 suppliers, processing 17M documents annually. The networks required for EDI are called Value Added Networks (VANs), which are very expensive to set up.

With the advent of the Internet, Caterpillar transferred most of this electronic data interchange to the much less expensive Internet.
3.2 Determination of relative success

Caterpillar’s position as the world-wide leader in the industry is proof-positive of its success. Table 2 presents the company Balance Sheet for 2005.

Table 2. Caterpillar Inc. Balance Sheet 2005

<table>
<thead>
<tr>
<th>Balance Sheet 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
</tr>
<tr>
<td>Cash &amp; Equivalents</td>
</tr>
<tr>
<td>Receivables</td>
</tr>
<tr>
<td>Inventories</td>
</tr>
<tr>
<td>Other Current Assets</td>
</tr>
<tr>
<td>Total Current Assets</td>
</tr>
<tr>
<td><strong>Non-Current Assets</strong></td>
</tr>
<tr>
<td>Gross Fixed Assets (Plant, Property, and Equipment)</td>
</tr>
<tr>
<td>Accumulated, Depreciation, and Depletion</td>
</tr>
<tr>
<td>Net Fixed Assets (Net PPE&amp;E)</td>
</tr>
<tr>
<td>Intangibles</td>
</tr>
<tr>
<td>Other Non-Current Assets</td>
</tr>
<tr>
<td>Total Non-Current Assets</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
</tr>
<tr>
<td><strong>Current Liabilities</strong></td>
</tr>
<tr>
<td>Accounts Payable</td>
</tr>
<tr>
<td>Short Term Debt</td>
</tr>
<tr>
<td>Other Current Liabilities</td>
</tr>
<tr>
<td>Total Current Liabilities</td>
</tr>
<tr>
<td><strong>Non-Current Liabilities</strong></td>
</tr>
<tr>
<td>Long Term Debt</td>
</tr>
<tr>
<td>Deferred Income Taxes</td>
</tr>
<tr>
<td>Other Non-Current</td>
</tr>
<tr>
<td>Total Non-Current Liabilities</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
</tr>
</tbody>
</table>

3.3 Correlation of response with the marketing model employed

As is evident in the company history presented, and in the marketing model employed, Caterpillar’s innovations and innovative marketing has been successful in making the company successful.
4 Evaluation of Caterpillar Inc. using the Value Bubble model

4.1 Identify Value Bubble Components

Attracting: Caterpillar accomplishes this by capitalizing on its excellent product reputation, by international marketing efforts, and innovation in product development and product offerings.

Engaging (Building Loyalty): Caterpillar accomplishes this by offering quality innovative products and services.

Retaining (Strengthening the Relationship): Caterpillar does this by producing reliable products, and offering exemplary customer services.

Learning (Building the Database): Caterpillar has invested in increasing efficiency and facilitating customer experience by combining databases for services, parts, and products.

Relating (Data-Driven Interactions): Caterpillar’s linked databases increase efficiency, and improve customer experience by facilitating product purchase, support, and financing.

4.2 Identify technologies used for each Components

Caterpillar utilizes cutting edge manufacturing and communication technologies to compete favorably with domestic and international.

4.3 Identify missed opportunities

None identified.
4.4 Identify failed implementations

None identified.

5 Customerization model

Customerization defines the exchange process of marketing in the context of complete customer-control. Caterpillar’s centralized customer offerings have followed this model.

6 Questions

Do you feel that Caterpillar’s hard-ball stance with labor has negatively affected its business?

Do you believe that Caterpillar’s success will continue into the foreseeable future?

What, if any, are international threats to Caterpillar’s ability to do business internationally?
7 References

"Cat is Purring, But They're Hissing on the Floor." Business Week, 16 May, 1994: 33.


http://web27.epnet.com.prxy6.ursus.maine.edu/externalframe.asp?tb=1&_ug=sid+9F0D D8CF%2D252A%2D4637%2DACBB%2D61B20A5F284D%40sessionmgr5+dbs+buh+ A3D0&_us=frn+1+hs+True+cst+0%3B1%3B3+or+Date+ss+SO+sm+KS+sl+0+mh+1+r i+KAAAACBXC00082702+C858&_uso=hd+False+tg%5B0+%2D+st%5B0+%2D+Caterpil lar++e%2Dcommerce+db%5B0+%2Dbuh+ex%5B0+%2Dproximity+op%5B0+%2D+4 45F&fi=buh_9071404_AN&lpdf=true&pdfs=1.0MB&bk=C&tn=5&tp=CP&es=cs%5Fcl ient%2Easp%3FT%3DP%2D6P%3DAN%26K%3D9071404%26m%3D1%26db%3Dbuh %26is%3D00958948%26sc%3D%3D%2D%3Dbuh%26title%3DE%250256MJ %253A%2BEngineering%2B%2526%2B%2526%2B%2526%2BMin%2526%2BJournal%2526%2B%2526%2B%2526%2B2003%26bk% 3D&C&fn=1&rn=1&

“Research and Insights by Industry” eCommerce Innovation, 2005. 
http://www.accenture.com/Global/Research_and_Insights/By_Industry/Industrial_Equip ment/eCommerceInnovation.htm

Various company documents via Internet sites including:
www.cat.com
www.cataccessaccount.com
http://www.cat.com/cda/components/fullArticle?m=38280&x=7&id=281131