

COMPANY PROFILE

Whirlpool Corporation

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COMPANY OVERVIEW

Whirlpool Corporation (Whirlpool or 'the company') manufactures and markets a full line of major home appliances and related products. The company's product portfolio comprises laundry appliances, refrigerators and freezers, cooking appliances, dishwashers, mixers, heating and cooling products, water filters, and other portable household appliances. It also offers hermetic compressors for refrigeration systems. Whirlpool operates in North America, Latin America, the Europe, Middle East and Africa (EMEA) and Asia. Major brands of the company include Maytag, Consul, Whirlpool, Bauknecht, Amana, Jenn-Air, Indesit, Brastemp and KitchenAid. It is headquartered in Benton Harbor, Michigan, the US.

The company reported revenues of (US Dollars) US\$20,718 million for the fiscal year ended December 2016 (FY2016), a decrease of 0.8% over FY2015. In FY2016, the company's operating margin was 6.5%, compared to an operating margin of 6.2% in FY2015. In FY2016, the company recorded a net margin of 4.3%, compared to a net margin of 3.7% in FY2015.

The company reported revenues of US\$4,786 million for the first quarter ended March 2017, a decrease of 15.4% over the previous quarter.

KEY FACTS

Head Office	Whirlpool Corporation 2000 North M-63 Benton Harbor Michigan Benton Harbor Michigan USA
Phone	1 269 9235000
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Web Address	www.whirlpoolcorp.com
Revenue / turnover (USD Mn)	20,718.0
Financial Year End	December
Employees	93,000
New York Stock Exchange Ticker	WHR

SWOT ANALYSIS

Whirlpool Corporation (Whirlpool) manufactures and markets a full line of major home appliances and related products. The company's dominant market position and a strong corporate reputation help in faster acceptance of its new product launches, and further strengthen its market position. However, volatility in the company's primary raw materials may result in higher cost of sales, which, in turn, will affect its profitability.

<p>Strength</p> <p>Strong brand portfolio Dominant market position and a strong corporate reputation Strong innovation focus is helping the company to develop award-winning designs and models</p>	<p>Weakness</p> <p>Excessive dependence on the matured US market could restrict Whirlpool's growth potential</p>
<p>Opportunity</p> <p>Steady growth in the US housing market to boost demand for home appliances Positive outlook for global household appliances market Growing Hispanic population</p>	<p>Threat</p> <p>Volatile raw material costs could impact operating profit Increasing labor wages in the US Intense competition</p>

Strength

Strong brand portfolio

The most significant strength of Whirlpool is its brand equity. The company's strong portfolio of brands renders a competitive strength and continued customer loyalty. The company owns a number of trademarks in the US and other countries including Whirlpool, Hotpoint, KitchenAid, Maytag, Consul, Brastemp, Amana, Bauknecht, Jenn-Air and Indesit. The Jenn-Air brand offers a complete line of major kitchen appliances including downdraft cooktops, wall ovens and professional style ranges to dishwashers, refrigerators and such entertaining essentials as warming drawers, built-in ice machines and wine cellars. KitchenAid brand offers almost all essentials for the well-equipped kitchen with a collection that includes everything from countertop appliances to cookware, ranges to refrigerators, and whisks to wine cellars. The company's Amana brand is a pioneer of tried, true and traditional home appliances. Gladiator is one of the leading brands in garage and household organization and storage systems. It offers pre-assembled and ready-to-assemble lines of modular workbenches, cabinets, wall systems, shelving, tool storage, appliances and flooring. Affresh brand of cleaning products offers a complete line of specialty appliance and surface cleaners that include washer cleaners, dishwasher cleaner and products. Whirlpool's portfolio of leading brands includes Whirlpool, Maytag, KitchenAid, Embraco, Brastemp, Consul and Indesit, each of which generates over \$1 billion in annual revenues.

These brands are well-recognized in their respective categories for their quality and performance, which, in turn, ensures a strong base of loyal consumers. For instance, the company's brands earned nine innovation awards at Consumer Electronics Show (CES) innovation awards 2016. A robust brand portfolio allows the company to leverage the strength of its brands by expanding into higher-margin, faster-growing product lines that complement its core appliance business.

Dominant market position and a strong corporate reputation

Whirlpool is one of the world's leading manufacturers of major home appliances with presence across the world. Whirlpool manufactures appliances in 14 countries under brand names such as Whirlpool, KitchenAid, Maytag, Consul, Brastemp, Amana, Bauknecht, Hotpoint, Jenn-Air and Indesit. The company markets products in nearly every country around the world. It is one of the leading producers of major home appliances in North America, Latin America and Europe. Furthermore, Whirlpool also has significant presence in China and India. Whirlpool also enjoys a strong corporate reputation globally. In April 2017, the company received the 2017 'Energy Star Partner of the Year Award' for manufacturing energy-efficient kitchen and laundry appliances. In February 2017, the company was named as 'one of the World's Most Admired Companies' by a major business magazine for the seventh consecutive year.

In May 2016, Whirlpool Canada received the 2016 Energy Star manufacturer of the year appliances award by an organization in Canada. In April 2016, the company was named as one of the 100 best corporate citizens globally for the 14th consecutive year by a leading publishing company. Additionally, Whirlpool was named as one of the most admired companies for the sixth consecutive year by a business magazine, in March 2016. As per this ranking, the company was ranked number one in the home equipment, furnishings industry and was recognized for attributes including: innovation, financial soundness, global competitiveness and quality of products and services. Such recognition also reaffirms its commitment to deliver customer satisfaction on a continued basis. A dominant market position and a strong corporate reputation of the company will help in sustaining its market share. Additionally, this will help in faster acceptance of its new product launches and further strengthen its market position.

Strong innovation focus is helping the company to develop award-winning designs and models

Whirlpool has been continuously investing on various research and development (R&D) initiatives to develop innovations that address specific consumer needs. The company follows a strategy of design excellence. Since 1998, Whirlpool has achieved several design awards in the areas of conceptual design, product design, interaction design and graphic design. For instance, in FY2016, the company launched more than 100 new products including KitchenAid brand counter-depth French door refrigerator and the new artisan mini stand mixer; Whirlpool brand radiant combination washer/dryer; and Maytag brand of kitchen appliances. Earlier in FY2015, in North America, it introduced a new configuration of the Whirlpool HybridCare heat pump dryer designed to fit seamlessly into more compact spaces while still handling family-sized loads. In EMEA, Whirlpool launched the new 6th Sense Supreme Care washing machine that delivers A+++ energy performance and 12 kilogram (kg) capacity. Additionally, the company launched the A+++ 6th Sense PowerDry dishwasher that uses only nine liters of water. In Latin America, the Brastemp brand introduced a full kitchen suite with a sleek, white glass finish.

In FY2016, the company's R&D spending for the development of new and innovative products and the improvement of existing products totaled approximately US\$604 million as compared to US\$579 million in

FY2015. In November 2016, the company opened a new R&D center for dishwashing and refrigeration in Wroclaw, Poland. Such strong innovation focus helps the company to create a robust pipeline of new products that address the changing consumer needs in a dynamic environment. This, in turn, will help the company generate higher revenues in future.

Weakness

Excessive dependence on the matured US market could restrict Whirlpool's growth potential

In FY2016, the company derived 53.3% of its revenues from the North American region. The company is especially dependent on the US market for a large proportion of its revenues. It generated 47.8% of its revenues from the US alone in FY2016. Whirlpool's excessive dependence on these mature markets could limit the company's future growth. Dependence on a particular market makes the company vulnerable to economic, social and climatic changes in the region. For instance, the economic crisis had a major impact on consumer spending in the US, which led to lower consumer spending. As a result, Whirlpool has witnessed decline in volume sales in the past few years. Therefore, any adverse changes in the economic condition in the US will impact the company's sales volumes and sales value in the region. The matured US market also presents no further opportunities for market penetration with its existing product portfolio. As a result, the company has to invest heavily in its research and development (R&D) initiatives to out beat its competitors in the market.

Opportunity

Steady growth in the US housing market to boost demand for home appliances

The US housing market is growing at a steady rate. According to the US Census Bureau of the Department of Commerce, the total construction spending in the US was at a seasonally adjusted annual rate of \$1,211.5 billion in July 2017, an increase of 1.8% over the same period last year. In July 2017, residential construction contributed \$517.5 billion to the total value. The residential construction spending grew by 11.2% in July 2017 compared to July 2016. Whirlpool is one of the leading manufacturers of major home appliances and related products. The company offers a wide range of laundry appliances, refrigerators and freezers, cooking appliances, dishwashers, mixers, other portable household appliances and hermetic compressors for refrigeration systems. Therefore, growing construction market will enable the company to further expand its revenues and market share.

Positive outlook for global household appliances market

The global household appliances market has seen strong growth in recent years. According to MarketLine, the global household appliances market grew by 7.8% in 2014 to reach a value of US\$327.7 billion. In 2014, major domestic appliances category was the largest segment of the global household appliances market, accounting for 81.2% of the market's total value. In 2019, the global household appliances market is forecast to reach a value of US\$443.7 billion, an increase of 35.4% since 2014. The company is one of the leading producers of major home appliances in North America, Latin America and Europe, and has a significant presence throughout China and India. Moreover, it manufactures and

markets a full line of major home appliances and related products. With its strong market position and broad product portfolio, Whirlpool can leverage the benefits of this growing global household appliances market.

Growing Hispanic population

The US is one of the most popular destinations for Hispanic population. The increasing Hispanic population in the US is likely to increase the level of consumer spending. According to the US Census Bureau, Hispanic population is expected to increase from 55 million in 2014 to 119 million in 2060. Hispanic population accounted for 17% of the country's overall population in 2014. The Hispanic population in the US is expected to account for 29% of the country's overall population by 2060. The economic influence of Hispanics is also expected to be profound in the future. Industry sources cite that the US Hispanic purchasing power is estimated to be around \$1.6 trillion annually. As a result of rising Hispanic population in the US, the demand for new homes is expected to rise benefiting home appliance manufacturers like Whirlpool.

Threat

Volatile raw material costs could impact operating profit

Whirlpool's primary raw materials used to produce home appliance products include steel, plastic resins, and base metals, such as aluminum, copper, zinc, and nickel. Any fluctuations in the prices of these raw materials will affect the margins of the company. On a global and regional basis, the sources and prices of these materials are sensitive to price fluctuations due to supply/demand trends, transportation costs, government regulations and price controls, among others. These inflationary costs will have a significant impact on the company, driven by increases in the cost of raw materials. Therefore, the price rise for the company's primary raw materials may result in higher cost of sales, which, in turn, will affect its profitability.

Increasing labor wages in the US

Labor costs are rising significantly in the US. The federal minimum wage provisions are contained in the Fair Labor Standards Act (FLSA). As of July 2017, the minimum wage rate in the US was US\$7.25 per hour. The 29 states and the District of Columbia have minimum wages more than federal rate. These wages range from US\$8.1 in Florida, US\$8.25 per hour in Illinois, US\$8.9 per hour in Michigan, US\$9.25 per hour in Maryland and Hawaii, US\$10.1 per hour in Connecticut and US\$10.5 in California. The minimum wage in Columbia reached US\$12.5 per hour. As of December 31, 2016, Whirlpool employed 93,000 people. It undertook several initiatives to expand its presence, which requires increasing its employee base. Therefore, increase in labor costs could increase the company's overall costs and affect its margins.

Intense competition

Home appliance industry is characterized by high degrees of competition. Whirlpool competes with several manufacturers in domestic and foreign markets, including Arcelik, BSH Hausgerate, Electrolux,

General Electric, Haier, Kenmore, LG, Mabe, Midea, Panasonic and Samsung, among others. Some of these competitors are significantly larger and have substantially greater resources than the company. The key competitive factors in the industry include selling price, product features and design, performance, innovation, energy efficiency, quality, cost, distribution and financial incentives. In addition, the company has to keep track of changing consumer preferences in order to be competitive within the market. The company's failure in adapting to changing trends could affect the retail and consumer acceptance of its products and could lead to loss of sales.

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