Cool moose creamery case study essay sample

Finance

Competition:

The competition for Cool Moose Creamery consists of the popular Dairy Queen ice cream parlor. Dairy Queen was made popular for their soft-serve ice cream and backs up that product with multiple other ice cream products along with lunch and dinner options. The company focuses on customer service and their pricing model is higher than industry. The quality of their product and service has allowed then to keep their pricing model above industry and be successful doing so. Location:

The Cool Moose Creamery stores are placed far enough away from Toronto that they avoid and competition within the city. Aliston, Ontario is home to a popular tourist attraction (South Simcoe Railway steam train); this brings in possible customers that correlate with the operating seasons of the parlor. Also in the community, a Potato festival takes place that brings in thousands of people, which while visiting have an opportunity to pass the ice cream parlor and stop in. Cool Moose Creamery is also located on the corner of a popular downtown street, which attracts frequent shoppers. Internal Analysis:

SWOT Analysis

Strengths

-prides itself in customer service

-strong brand recognition

-loyal customer base

-involved in helping community

-inspired employees

-exceed customers' expectations

Weaknesses

-small available capital

-inexperienced

-seasonal business

-small population size

Opportunities

-new soft-serve ice cream product

Threats

-Dairy Queen, well established company

-Store bought ice cream

-other entrants to market

-Fast food ice cream (McDonalds, Wendy's, etc.)

Issue Identification and alternatives

Qualitative Analysis

The main issue at hand is whether the purchasing decision of a soft-serve ice cream machine will prove to be profitable. There are two options for this purchase; new machine with triple-head, used machine single-head. They both their pros and cons: Machine

Price

Useful Life

Sales

New Triple

$12000

7 years

4000

Used Single

$2000

3 years

2800

Although the used single machine provides a low cost initial fund, its useful life is shorter in comparison at only 3 years. Another drawback is the high cost of maintenance of the used machine if it becomes faulty, as research has shown great success with used machines but also great disappointment and losses in lieu of repair costs. But comparing the price we see the used single head machine to be a great place to start in an experimenting product launch.

From this graph we can see that in the first three years of sales the company will have a positive net income from the soft-serve ice cream sales with the used single-head machine. While sales from the new triple-head machine will not show a profitable year until after the initial 3 years, if the equipment is depreciated over 3 years.

And clearly if the net incomes for the first 3 years are negative for the new triple-head machine, the IRR will be negative but on a positive note, the used machine produced an 85% IRR proving it to be the correct decision choice.
Recommendations

Based on the above information, the choice is easy that the used single-head machine should be bought and put into production. For the reasoning that it has a lower initial investment, higher net income, higher IRR and subsequently would have a higher return on equity.