

# Baldwin bicycle company case



**ASSIGN  
BUSTER**

On the basis of Michael Porter's (1980) competitive strategies, how does Baldwin currently compete? Justify your answer. In this case, Baldwin currently competes on differentiation strategy. Baldwin had been making bicycles for almost 40 years and there are ten models in the company's line. The company only focuses on making bicycles ranging from a small beginner's model with training wheels to a deluxe 12 speeds adult's model. It creates own products and own services in the market.

Furthermore, most of Baldwin's sales were through specialty bicycle shops and never sale its products through department store chain such as Rebel Sport, K-Mart etc. on the other hands, Ms. Leister who is market director of Baldwin Bicycle Company make known that the products of Baldwin are above average in quality and price, but not a " top of the line" product. Therefore, I believe that Baldwin Bicycle Company competes on differentiation strategy. b. If Baldwin took up Hi-Value's offer, how might this change the way Baldwin competes?

In particular, think about the effect on Baldwin's costs and distribution channels (i. e. the retailers) If Baldwin took up hi-Value's offer, this will change the way Baldwin competes to market focus strategy as Hi-Value wanted to sell its Challenger bicycles (produced by Baldwin) at lower price than the well-known brand-name it carried. That means that Baldwin begins to focus the market which under average and price. Also, it is possible for Baldwin to change the strategy to cost leadership strategy since sales volume fall in the past two way and it is the way for them to develop technology for some products to reduce the cost and increase sales volume.

The on-time added cost will be increased around \$5, 000 when Ms. Leister accepts all the requirements (i. e. The mud-guards, seats, and handlebars need to be somewhere different to Baldwin model except the frame and mechanical and the tyres have to have the name logo onto them) expected by Hi-value. To meet these requirements Baldwin bicycle company have to increase Baldwin's purchasing, inventorying, and production cost over and above the added costs compare to Baldwin's regular products. Also, fixed manufacturing overhead will be increased to \$1470, 000. From the cost volume profit analysis, the contribution margin after tax is \$12. 47 after accepting all the requirements by Hi-value and it is profitable.

However, there are some costs increase during producing Challenger bike for Hi-value such as on-time added costs(\$0. 20 per units), increased working capital \$4. 33 and margin on lost sales (\$5. 22), finally totally incremental effect at \$2. 72, still profitable. If Baldwin accepts this agreement, Baldwin need to produce more than 87908 units in order to make profit from it for the next three years. For the next three year, this agreement will increase Baldwin's profit by 26. 7% when Hi-value estimate they will need 25, 000 bikes. c. Using Miles and Snow typology, speculate on Baldwin Bicycle Company's strategic positioning.

According to Miles and snow typology, Baldwin Bicycle Company ' s strategic would be positioning on “ Analyzer organization” which share characteristics prospector and defender organization and thus they face entrepreneurial problems of how to maintain their shares in existing market and how to find and exploit new market and product opportunities. In this case, Baldwin Bicycle Company needs to maintain their own business such sell their

products through speciality bicycle shops. On the other side, the “ bicycle boom” had flattened out and plus poor economy had caused Baldwin’s volume to fall in the past two years.

Therefore, it is important for Baldwin to find and exploit a new market such as distributed its products through department store chain to increase the sales volume at lower price. Furthermore, organization need to maintain the efficiency of establish product and services while remaining flexible enough to pursue new business activities. Consequently, organization needs to seek technology development and technical efficiency to maintain at lower costs. For the administrative problem is how to manage these two aspects— products production for themselves and distributed enough production to Hi-Value.