

Swot analysis paper

[Finance](#), [Financial Analysis](#)



Introduction Capstone is a business simulation designed to teach strategy, competitive analysis, finance, cross-functional alignment, and the selection of tactics to build a successful and focused company. In each round, we have to meet the buying criteria for our customers in each segment. We have five different products: Traditional Segment, Low-End Segment, High-End Segment, Performance Segment, and Size Segment. Each round is a year in the company's life and decisions are made in research and development, production, marketing and finance. Critical thinking is a vital step in making decisions as to how each round will be implemented.

Capstone provides us with an opportunity to run a virtual business risk-free. Along with the business side, capsicum also teaches us about teamwork. In every effort put into this simulation, there is teamwork. You learn that everyone has different opinions about what should be done, but in the end it's not about who is right or wrong, but how we compromised on making decisions. You have an advantage by participating in capsicum, because you could learn if you are a risk-taker, team player, if you like the business setting, and if you can handle the pressure that comes with running a business.

This capstone stone has its many perks. It's not about who comes in first or last place, it's about team effort and making decisions that will benefit your company. We have seven rounds to play, let's see who will be the dominate team. Team Andrews. Team Dynamics Team Andrews worked well together. We met every Monday and Wednesday morning. We each had a specific area that we specialized in but the final decisions were always made as a team.

The collaboration of having all of the different ideas from different point of views to make the decision benefited us greatly.

We started off being very guarded towards one another but by the end that all went away and we ACH let it known what we wanted done. Team Andrews was composed of both introverts and extroverts which created a well balanced team. We had some people that were ready and willing to take the most risks and then we had people that were more cautious. So compromise was key to the success of our team's prosperity. We went in head first with our strategy and never looked back. If we were working in the real world as a group, we think that we would be successful as teammates.

SOOT Analysis Paper By Centric-Jones The beginning strategy we implemented for the Capstone Competition rounds is the High End Method. We will concentrate on making the high end, performance, and size markets up-to-date on size and performance. Our concentration of expenses will be on creating products, R&D, production, and marketing on these markets. We will try to take over the growing demand in these markets. We will aim to sell out in the Low and Traditional markets, so we are not left with excess capacity and more costs.

Though we will not have as much products in these markets, we plan to keep profitability by spending on marketing to ensure we sell our products. In the later rounds as we accrue revenues we plan to keep these markets more updated. We will do our best to keep our stock prices up, and leave every year with a positive increase in ROAR. Strategy Change The strategy we implemented for the Capstone Competition rounds is the High End Method.

We did not venture very far off from our beginning strategy; however, we did make some last minute decisions to boost our overall score in the competition in the later rounds.

Our strategy was a strong and long-term strategy, but not a strong enough short-term strategy to win the simulation. In the later rounds we decided to implement the \$4.99 above cost strategy to gain huge profitability in the last round cause the market didn't meet the demand the customers we generating. This was successful in the high end because the demand was not met and we gained an extra \$4.99 per unit we sold. However, we also implemented this strategy in the size market and had a huge loss due to us forgetting to compensate for the initial \$.0 drop in price, so our product was overpriced and did not sell a single unit. This was the only venture off of our strategy that we took a chance on. Overall, we did a great job sticking to our strategy Traditional Segment-Able Andrews used the high end strategy and introduce two new products to the market. Our product Able stayed about average through the overall competition. The company used ideal positioning, and age to control the Able products. The mean time before failure was moderate, and our pricing was average. The company did not use any Automation for these products.

The company could not compete on prices with our automation. The company adjusted the positioning in the traditional segment for our future demand. We tried to keep up our product up in the low end. We should have moved the product to get the best possible customer results, and added automation in the low end. The traditional segment had very high customer

wariness. This allowed us to spend less on promoting this product. The low end product Able sold average for the traditional segment did not have any affect on our instead of the low end.

The reason Andrew spent so much money on Research Development for our products is because our market was moving much faster than we anticipated. Many rounds were spent with the product being near moving but we had chosen to shift it so far that we did not get it moved for a couple of rounds. This would leave our Traditional segment tied up in research and development so that we could not move it. The main reason that our Able product sell out was because of high awareness. Our Low End segment product also sold to some of our customers in the Traditional segment.

While this was good for our Low End product because we were able to stock out, it left our Traditional segment with no inventory in many rounds. This became more as the circles in the segment chart began to spread out. Our awareness for the Traditional segment was quite high and allowed us to lessen the amount of promotion that was spent so that we could use it in another area this awareness can be contributed to the ethics questions that were answered as it eased awareness for all of our products. We did not anticipate having to get more capacity later on in the game for the Traditional segment.

Because of this we began to have 195% plant utilization and that caused us to have large variable costs that were out of control. It also raised our contribution margin really high. We should have purchased more capacity in later rounds when we thought of it, but we did not want to risk still having

debt that we were trying to erase. We also did not want to lower the amount in production because then we could lose out on market potential that we already had. Low-End Market Segment (Acre) The Low End segment was an important addition to Andrews portfolio, although our strategy was focus more on the demands of the High-End segment.

Acre was a well produced product that was stocked out five out of seven years. As well as the other market segments, the Low End segment made a gradual increase in its customer awareness topping out at 100% by year four. Many of the competition used the Low End segment to maximize profits with high levels of automation, Andrews took quite the opposite approach and purchased no automation and focused on the market segments with higher margins. Acre was consistently priced within the segment's price range that was weighted at 53% important.

Price being the most important buying criteria for these target consumers shows that higher price would have hurt sales and customer rating. The cost of more capacity was an option, but we chose to stick with our strategy and only buy more capacity in the High End and Size segments. Although the large variable cost associated in every unit produced, we decided to keep producing our forecasted demand until year six. Year six and Seven is where our competition had a considerable price advantage and we concluded that only producing first shift capacity was sufficient.

The second highest buying criterion for the Low End segment was the age of the product weighing in at 24 % consistently every year. The ideal age of Acre was at seven years old. Since Acre starts out in year one at the age of

5. 60, we did not spend any money on Research and Development until year four, allowing us to focus on the other segments. The reason we did not spend any money in creating a fresh new product is because every half, and the ideal age is seven based on the demand by the consumers. By year three Acre was at the age of 7. And since this was the closed we could get to being the idea age, we both increased our sales budget to have a better accessibility rate and our production of Acre. Even though we were at 98% customer awareness, this was the first year in which Acre did not stock out. During year four, we were forced to reposition our age of Acre which contributed to the second and last year in which we did not stock out, although the customer awareness was now at 100% and customer accessibility was at a all time high of 69%. We maintained a similar strategy related to our promotion and sales budgets as we did with our other strategies.

Andrews gradually increased both the promotion and sales budget until the 100% customer awareness was reached in year for Acre, where we then cut back our promotion to simply be more efficient and maintain the 100%. As Andrews approached year seven Acre's customer accessibility grew to 81% which was the highest on the market for the Low End segment. High End - Adam and Ace Our strategy in this simulation for High End was to keep the market entertained by our fresh, new designs and creating one new product to split market share.

Ideal positioning was the key to our strategy because it took up 43 percent of the market's emend. We kept our ideal positioning by looking at the

Industry Conditions Report and locating the center of the circle each round on the Perceptual Map. The Ideal Positioning was calculated by taking the center of the circle and subtracting the ideal positioning offset. We made sure that every revision in our ideal positioning was under a year because we wanted to be able to update it at the beginning of each round. Keeping our age as close to zero years old was imperative because it generated 29 percent of the market's demand.

The reliability of the High End market as determined by the Mean-Time-Before-Failure, or MATT, and it generated 19 percent of the market's demand. We planned to keep this at the highest end of the range at 25, 000 hours to keep our customer survey score up and generate more demand for our product. Finally, our price will be at the higher end of the range and will drop \$. 50 per round or year. In Round 1, we created Ace in the High End market with a size of 10. 0, a performance of 10. 0, and a MATT of 25, 000. We purchased 3. In Automation and 750 in Capacity for about \$9, 000, 000 because it takes a full year for the setup in order to start selling Ace. Our strategy was to keep our products in the ideal positioning and Adam was further than the drift rate away from it, so we began our strategy to get our ideal positioning for Adam over the next few rounds. Our MATT was set at 25, 000 hours because we wanted the highest quality product to generate demand. We priced our product over the range at \$42. 99 in the first round to gamble on demand not being met; unfortunately, it was met and we took a loss on unsold units.

We only put \$1, 500 in marketing and promotion for Adam in round 1 and our competitors put significantly more in those funds, so we ended up with early 500, 000 unsold units in our ending inventory for Adam because our customer awareness and accessibility were too low. Round 2, we spent heavy on Research and domination starts in year 2 with a 25 percent market share, followed by \$1. 2 million dollar profit between Adam and Ace. We split marketing and promotion costs between the two products; however, our marketing costs were still budgeted too low between the products.

We still had low customer awareness when compared to our competitors, but our customer accessibility had a great in percentage increase by splitting costs in promotion. Dam's price got adjusted to the highest end of the price range so we could sell out of our remaining inventory, and we did not produce as much to compensate for left over inventory. We expected our profits would be low this round; however, we knew they would increase as the rounds continued. Round 3, demand for our product increased from 25 percent to 33 percent which was more than we expected because we did not produce enough to meet the market's demand.

We spent money in Research and Development to get Adam and Ace closer to the High End market's ideal positioning. We moved the price down \$. 50 to meet the new market's standards. We produced around 700, 000 units in Adam which was right at the demand for it, but under produced in Ace because we did not consider the extra demand generated by having a product with the age closer to zero. We increased our marketing and promotion budget in Adam and Ace to boost our customer awareness and

accessibility to the level of the competition. Profits for this round approached \$3 million for the High End segment of the market.

Round 4, we were nearly at the ideal positioning for Adam and Ace and had the best products in the market. We produced more units to try and meet the 33 percent demand for our products; however, we only produced 30 percent of the market to compensate for any errors. Finally achieving 100 percent customer awareness allowed us to scale back our marketing budget to \$1.4 million a year, and we split cost in our promotion budget to \$1.75 million each for Adam and Ace to boost our customer accessibility. Adam and Ace achieved a nearly \$6 million dollar profit this round and continued to keep the highest market demand at 36 percent.

We decided to wait to purchase capacity or automation this round due to the company just seeing a positive profit of \$1.8 million. Round 5, we can finally achieve ideal positioning in Adam and Ace and spend about \$2 million for the last time to get it there. We produced 1 million units in Ace and 950,000 in Adam and sold nearly all of our units. We continued to spend \$1.4 million dollars in marketing for both products, and continued to split promotion costs at \$1.75 million each to keep our 33 percent market share. Adam and Ace brought in a combined \$8 million dollars in profit this round, and controlled the market yet again.

We purchased an extra 250,000 in capacity for Ace and 100,000 of capacity for Adam to help reduce our labor cost and increase our contribution margin. Round 6, we were finally at ideal positioning and only had to spend about \$1 million in research and development to maintain ideal

positioning for the year. We noticed that some of the teams were under producing for the market and produced an extra 3 percent of the market share to pick up sales. We maintained our \$1.4 million in marketing and \$1.75 for promotion, and the demand for our product had a huge increase.

We produced 36 percent of the market and sold all of our units, but we didn't expect the demand for our products to jump to 45 percent of the market so we lost sales we could have had. Our profits in the round for Adam and Ace were \$12 million enough to win the simulation. Round 7, we put another \$2 million dollars into research and development for ideal positioning to compensate for the drift rate in the High End segment. We took a gamble during the round to overprice Adam \$4.99 after the \$.50 drop in consumer demand price, and kept Ace at the normal price as a defense against the other teams over producing.

We continued to spend \$1.4 million in marketing to maintain our 100 percent awareness, and \$1.75 million in promotion. The \$4.99 gamble worked and we sold nearly all our overpriced product which led to over \$16 million dollar in profits for our High End segment. Our High End segment did really well in this competition. Performance Segment-After The performance of the product was extremely well considering a number of factors. Market segmentation allows someone to get the desires of a group. This ensures that at the end of the day all their needs have been met. That is the essence of market segmentation.

It enables a more scholarly, and technical approaches when studying different cases. It gives marketing a technical approach since it will need

some basic calculations to be done in determining certain issues. Gauging customers through performance is not so common when doing market segmentation, but it has happened in this case. The most common ways when doing segmentation might involve just a few variables. The variables can be time. There are clients who might be more time conscious than the others might. This means that their needs must be met within a given period.

According to the performance statistics at round zero, these were the findings. The total industry unit demand was 1.915, the actual industry unit sales were 1.915, and the segment percentage of the total industry stood at 8.4%. According to the reference customer buying criteria, reliability had expectations of 22000-27000, ideal position was at 16.0, price was \$25.00-35.00, and age had one. In terms of importance, in a similar order, the four variables had 43%, 29%, 19%, and 9% respectively. According to round one, the total industry unit demand, actual industry unit sales, segment percentage of total industry were 2.39, 2.239, and 8.7% respectively.

According to performance customer buying criteria, the expectations for reliability, ideal position, price, and age were 22000-27000, 15.3, \$24.50-34.5, and 1.0 respectively. In terms of importance, reliability, ideal position, price, and age had 43%, 29%, 19%, and 9% respectively. According to the performance statistics, the total industry unit demand, actual industry unit sales, and segment percentage of total industry had 3.945, 3.945, and 10.7% respectively. According to performance customer buying criteria, reliability, ideal position, price, and age had 22000-27000, 13., and 1.0 in terms of expectations. In terms of importance, in a similar order, were 43%,

29%, 19%, and 9% The statistics for the seventh day is as follows.

Expectation of age was 2. 0, and a percentage of 47% for importance. In terms of pricing, the expectations were \$17. 00-27. 00 with a percentage of 23%. The expectations of ideal position are 10. 8 with a percentage of 21%. In terms of reliability, the range is between 14000-1900. The following are the results as of the last round. The price expectations ranged between \$1 1. 50-21. 50, with a percentage importance of 53%.

When using age as the next variable, the expectations of the ideal age are 7. 0 with an importance percentage of 24%. The third variable (Ideal position) had an expectation of 14. 8. The percentage performance was 16%. On reliability, the expectation was 12000-17000, tit an expected performance of 7%. Gauging the buying patterns of both actual and prospective customers is quite an issue to solve. The buying criteria of customers depend on many factors. According to the representation that was issued, there are two classes of customers. The two groups are the low-end buyers and the high-end buyers.

The above statistics give a numeric account of buying criteria of various classes of customers. Performance customer buying criteria has four variables, namely: reliability, ideal position, price, age. The four variables are fixed throughout the balancing of the various statistical issues. They assist in giving a succinct explanation of what is happening. The variables help in giving a full account of what happens with the figures. Size Segment-Agape & Amy Our strategy for Size in the simulation, was to create an additional product to help increase our profits.

Our goal was to keep the price high, since the buying criteria was only 9 percent. Customers would be willing to pay the high price for a product, if the other factors and demand were met. The ideal position was the highest criteria with 43 percent, age with 29 percent, reliability with 19 percent and price with 9 percent. The most important factor for this segment was the ideal position, taking up majority of the buying criteria, with an importance of 43 percent. We relied heavily on making sure that our products met the requirements, however, at the beginning of the simulation, we failed to meet the expected ideal position.

By round 4 we managed to meet the criteria for Amy, but was unsuccessful to meet it for Agape, because we were so far behind in the first few rounds. It would've been very costly for us to meet the criteria for Agape since it was off by a few points. We mainly focused on Amy to make sure that we met the requirements. The second highest criteria for size was age. This was the hardest criteria to meet because the ideal position affected the age. If the ideal position was off, it would make the age either decrease or increase past the age or be too new for what the customers wanted. We never fully reached the ideal age for this segment.

By round 6, we still hadn't come close to the ideal age with Amy, whose highest age reached only 1. 11. The closest that Agape came to meeting the criteria was in round three with the age being 1. 37. In the first few rounds, Agape surpassed the criteria for the age segment, and caused us to have low sales. If Agape reached the criteria for the ideal position, it would've been closer to meeting the age the customers wanted. Reliability was the third

most important factor for size, with 19 percent of the criteria. The mean-time-before-failure or MATT determined how reliability would be affected.

MATT is measured by hours and the criteria, which remained the same throughout each round, was 16000-21000. In round two, Amy had an MATT of 2100. Agape reached MATT in round three. Since we had captured the MATT early, we didn't have to much was price. The strategy that we used for Agape was to keep it \$0. 0 below the maximum price except in the last round, which it remained the highest price that customers would pay. Amoy's strategy was a bit different. For each round we kept the price consistently at the maximum price range. We still managed to sell out in many round even with the price being so high.

However, in the last round, we forgot to change the price for Amy, making it fall out the range for what customers were willing to pay. This resulted in a ten million dollar loss. The consequence for this mistake caused us to lose out on many points and we probably could've beat Chester. Although our strategy was to focus on High End and Size, we made many mistakes in the size segment. As we look over the reports for each year, we realize that we made small errors that lead to major problems in the forthcoming years, especially for Agape. Despite the many faults made, we still managed to size one of our top selling products.

Successes and Setback While there were several challenges throughout the simulation, Andrews was an overall strong competitor throughout the competition. Andrew spent a lot of money in developing and launching Ace, High End segment, and Amy, Size segment, in order o have a dominance of

market share in the beginning for the two segments that had less price sensitive customers. The idea was that if we dominated the two segments, where price was not issue, it would compensate for not having high margins in the other segments. There were two emergency loans needed to fund our operations totaling \$26 Million.

Andrews strongest point was having every product in every segment at ideal position, except for the Low End segment. Acre, the Low End segment, requested for its product to be seven years old and it took three years of no expense in Research and Development to allow it to meet the markets desire. Starting in year two through year seven, Andrews controlled, obtained, and maintained the most market share in the High End segment. In years three through High End and Size segments. During year seven Andrew overpriced Amy, best Size Product, and the market rejected it causing a downsize in market share and very high inventory cost.

Since, Andrews invested heavy in new products and not in automation the income statement took a big hit on the Contribution Margin. Thinking more automation would in turn cost more, when changing our products to fit ideal position. Now we noticed the benefit of automation was far better than high sales tit a low contribution margin. The low rate of capacity in both the Traditional and Low End segments also hurt the bottom dollar on the income statement until the last two years, where we decided to only product first shift capacity.

We did have many opportunities to invest in automation, but decided to use that cash to start paying back long term debt instead. This in return helped

with our interest rate expense on the income statement. The opportunity in controlling the Low End and Traditional segments would only be early on, because of the competition gaining lower and lower variable cost each year. This also shows where we could have increased our contribution margin, but decided to spend the money based more on our strategy. Andrews did encounter many threats along the way over an eight year p.

The first was where Affairs and Ernie, our main competitors, issued a Low End strategy. Here they proceeded to acquire a large part of automation, which drove their variable cost very low. With this being said they were able to undercut us on price. In the long run we still remained well in the High End and Size segments, but it would not be hard for them to implement a plan that would result in Andrews being stuck with a large inventory and the cost that is attached to it. Competitors The competitions biggest competitors were Digit and Ferris because they simply managed their companies well for the short run.

Ferris would be our biggest competitor in the long run because we are working on two completely different strategies, High End versus Low End. For the competition Chester was our biggest competition because we could have ended up with a better company than them in two more rounds. We were approaching Chester in the last three rounds, but they ended up besting us. Chester had many strong and weak points during the competition. Future of Andrews Andrews has a future in the sensor industry as an integrated cost leader.

Our future strategy is to integrate the product lifestyle strategies of cost leader and differentiation to be the dominate force in the sensor industry. This would mean that our company would keep research and development, production, and material to a minimum. We would also increase our automation levels to improve our margins and to offset our second shift/overtime costs. However, we will also keep our designs fresh and exciting to consumers, especially in Traditional and High End. We would focus solely on the Traditional, Low-End, and High-End segments of the market.

Andrews would also make investment to capacity and automation ratings for the low the sensor market for the market segments mentioned above. In hind sight, material and labor costs were our major downfalls. Although we boasted overall market share of more than 20% for seven of the eight rounds, we were not able to profit like our competitors. We plan to gain even greater market share with our future strategy and potentially put some of our competitors out of business. What we Learned We learned that a high profit is not everything when evaluating the strength of a company, but other factors are also to be considered.

We had plenty of profit but our variable costs were too high and contribution margin is a big indicator of strength. Conclusion In the end of these rounds, we used many strategies and we learned how to we organized our works. So that's very important to do everything as organization with a right way. If any department does different strategies, we will lose our way. We learned if we did not start in right way, we would not arrive our point, which is the

highest profit can we earned. Finally, we hope that we did the best work in this competition. We learned from our mistakes and we learned that for other competition in future.