# Science technology case study

Technology

The failure to consider these issues led the SCOFF to assume a large sales growth from 1985 to 1989. These assumptions would further hurt the financial session of the company because It would tend to hedge on the forecast by needlessly expanding capacity and increasing inventory in anticipation of strong sales. 1 . Projections for Sales Growth of an additional 30% per year are too optimistic considering that competition in the market was intensifying.

Other than the strong presence of Fairchild and Tektronix, the SCOFF missed to consider that from 1985, the company will be facing tougher competition with the entry of Terabyte, Take Risen, And, Negates and L TX. Based on 1984 Sales alone Terabyte and Fluke performed utter at $389 million and Simulation compared to $227 Million of SST. 2. Future price competition brought about by new market competitors were not taken into consideration.

Without a very solid technological edge Sect's prices would soon find stiff competition if other competitors could find an efficient way to manufacture the products. 3. Projections for Profit after Tax (or profit margin on sales) are also too optimistic. The 1980 to 1984 data shows an average Profit after tax of just 9. 2 million or an Average Return on Sales at 4. 25% but projections for 1 985 to 1989 shows a very optimistic average profit projection of 39. 8 Million or an Average Return on Sales of 7. 54%.

The SCOFF failed to take into account the impact of Cost of Goods Sold (COGS), R Expenses and General Administrative Expenses which takes out the lion's share of the Sales Revenue. 4. The assumptions made for Cost of Goods Sold at flat rate of 41% of Sales failed to consider the 1980-84 performance at 45. 8%. The company is not performing well with expensive product recalls and divisional losses due to major manufacturing losses. These major operational efficiency issues affect so much the cost for it not to e considered. Recommendations.