

Solar feeder essay sample

[Business](#), [Marketing](#)



Bo Haeberle, with his friends invented an innovative bird feeder that worked on solar power. The feeder used a small solar panel in its roof to build an electric charge. The Solar feeder's purpose is to use the mild electric shock it generates to repel the squirrels, preventing them from stealing the bird seed or damaging the feeder itself. In a typical product-driven approach, Bo and his friends started SDI, Inc. to produce and promote the solar feeder without having done any marketing plan. After several years of perseverance and some recognition & rewards, however the company finds itself running out of money. And the company also realizes the need to develop a marketing plan in order to attack the \$843 million market for bird feeders, baths and nesting boxes.

Although there are numerous problems in this case, the case revolves around the basic requirements that are must for the survival of a company but which are absent in case of SDI; such issues include company's vision, mission, business/ marketing plan, financial/ strategic objectives etc. Without these, SDI had failed to sustain and is losing its market position. Though it has the most advantageous position of being the innovator, it has not been able to embrace its opportunities but is lost somewhere without any motive and direction.

Identification of problems:

Manufacturing & Production: The cost of production of the solar feeders is high and the process is quite time consuming. Though orders are accumulating, SDI is unable to fulfill these orders. The prices of solar feeder

are not competitive as compared to the rivals. The Cost of Production is too high; it needs some re-engineering to be done.

Marketing: The little market research done was not enough for such a potential market of bird feeders. SDI has still to develop a marketing strategy in order to gain the major portion of the \$843 million market. SDI had not gone for effective advertising. Being the innovator and holding 2 awards for the Best Product, there are many opportunities for SDI to use this reputation for its product's exposure and marketing.

Financial: The Company is not profitable and is running out of cash because sales volume is not high enough to cover the company's fixed costs. Hence, the company needs to increase production in order to reduce costs and therefore break even. The Company is also highly dependant on long-term debts and also in need of outside investors. Hence, SDI is urgently in need of some outside investors who need to be convinced with a promising business plan.

SDI's financial situation.

Squirrel Defense, Inc. is a company that manufactures and sells "Solar feeders". It was started with an objective of manufacturing and selling solar feeders, which were the innovative invention of Bo and his several friends. SDI lacked a plan how to initiate this project and how to move towards achieving its goal. Initially it did not have a proper goal. Hence it just moved with the wave. The feeders were very expensive and time consuming to make. Further more, the production capabilities could not catch up with the

incoming orders. So the inefficient production resulted in delivery delays and feeders that were very expensive for the market. The company did not have a marketing strategy, advertisements also failed to perform well in the market. Moreover pricing strategy was not based on the market's prices. Without a defined vision, SDI just remained in the market but was not even able to break even.

As the financial statement indicates, the company does not operated profitably and is running out of cash. SDI's Balance sheet shows a negative balance in checking/saving account. The income statement for the year 1999 shows Net loss amount of \$ 26, 607. The company is not making money. It is not being to sell enough units to cover its fixed costs. There is a long way to go before the company breaks even. Bo reported that SDI had skid altogether 446 solar feeders (including both Town-style and Country Style). Hence, we can roughly calculate the break-even point.

Revenue for 1999 \$ 56, 071

Number of solar feeders 446

Average Selling price $56, 071/446$

i. e. 125. 72

Variable Cost per unit $(22, 715+19, 285)/446$

or $42, 000/446$

94. 17

Contribution Margin per unit 35. 55

Other Costs 40, 000

Break-even point $40,000/35.55$

i. e. 1, 125 units

With a contribution margin of \$35.55 per unit and other costs 40,000, SDI can break even at sales of 1,125 units. So we can see that SDI is lagging far behind, hence it needs to straighten up to set some financial targets and achieve them. And they should start from attaining this target of 1,125 solar feeders.

The company is not in control of their expenses which we can observe from its Income Statement. The total expenses in the year 1998 were \$18,912 which rapidly increased to \$59,963 (317% of 18,912). The Income Statement of 1999 shows the item “ Payroll taxes twice” with amount of 1,574. And the total of expenses is also miscalculated. These mistakes reveal the management’s negligence on financial matters.

Another important observation to be made from the balance sheet is the company’s high dependence on debt to finance the business, with long term debt growing from \$ 9,500 in year 1998 to \$ 26,993 in year 1999; whereas equity investment has just increased from \$ 9,473 to \$ 10,473. Hence we can clearly feel the need for outside investors. Therefore, if SDI works towards setting up new objectives and a promising business plan, it surely can succeed in winning the confidence of potential investors.

SDI's market situation.

This case fairly reflects management's lack of vision, lack of business & marketing knowledge and lack of strategic direction. There are few driving forces from which SDI can benefit from, such as: growing number of bird watchers, concentration of bird watchers in certain areas, technological advancement in bird feeder design. The growing number of bird watchers is an indication to the growth in potential market for bird feeders. Moreover the students from a local university had done some research and had found a 1996 survey which had an estimate of 50.4 million birdwatchers in USA. In 1993 U. S. Department of Interior Study also estimated that consumers spent \$843 million per year on feeders, bath and nesting boxes. Hence the marketing strategy should comprise of a target to attain a major portion of this potential market of \$843 million.

The potential market for bird feeders calls for in depth study and research which was avoided by SDI. SDI failed to do sufficient market research before launching the product in the market. Being a product-driven market, SDI should have first studied more about the market, the competitors, their products and their prices. That could have helped it in improvising its product, its quality and price. In order to gain competitive advantage over other products, SDI needs to attain the most superior quality and best price. It can be seen that the prospects of SDI in the market can be better if it is successful in implementing a marketing strategy appropriate enough to win even 1% of the whole USA market.

SWOT Analysis on the SDI.

Strengths:

Great reputation

Award winning product innovation- won " The Best Product" award for 2 years.

Aesthetically appealing product relative to its competition

Weaknesses:

Lack of management know-how and vision; Lack of Marketing plan

Weak Cash Flow- negative balance of 7, 304 in checking/savings account.

Inefficient and Negligent Management- unable to control the costs, undermined the importance of financial calculations, inappropriate pricing strategy used

Inappropriate pricing strategy- based on management's estimate of expected profit

Inefficient production- had to slow down sales to allow production to catch up with the demand

Ineffective marketing- low product awareness, inefficient advertising

Absence of potential investors

Product development without an engineer

Opportunities:

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To enhance its production capability

To advertise effectively

To produce more in order to benefits from economies in scale

To attract investors with sufficient capital interested in investing in SDI

Untapped distribution channels which can be explored to reach more potential customers

To use the awards/recognition (" the best new product" award) for product's exposure and sales

Threats:

Better prices of competitors

Demand of product is seasonal

Low barrier to entry

Sensitive issues about squirrels getting hurt

Being short of cash for a long time can lead to Bankruptcy

Major " issues" facing this firm

Squirrel Defense, Inc. (SDI) is facing many issues that need to be addressed:

The company does not have a vision. The company has not such goals or objectives. Hence it has no focused direction to follow. SDI needs a business

plan, a vision which can be further transformed to a strategic plan as well as strategic & financial objectives. Further these objectives have to be implemented and executed by set of actions.

The company is short of cash. The Balance Sheet shows a negative checking/saving balance of \$7, 308 with a negative balance of total current assets also. SDI is not able to sell enough units to cover its fixed costs which can be obvious from the amount of Net loss (\$26, 607) the company has incurred in the year 1999.

The inefficiency in Production is reflected in the huge costs and amount of time consumed in producing the feeders. Sales had to be slowed down so that the production could catch up with the demand.

SDI's marketing was very poor. The product was named on the basis of technology instead of its prime function and its benefit. The advertising of such an innovative product has an old fashioned look. The video in the website does not download easily. The company should have explored all the possibilities in the marketplace but it just set the target group as an older crowd of retired men and women. And only little market research was conducted at the beginning.

Prices were very high as compared to that of the competitors. SDI did not use an appropriated pricing policy. Instead of using the competitor's price as the basis, it concentrated on the expected profit margins in order to set the selling price for the product. In general, prices were calculated using company's point of view rather than a market-view.

Due to the production problem SDI is facing, the production is too slow to catch up with the sales; hence the solar feeder distributors can not make deliveries on time. SDI has to ship the feeders directly to the retailers by using the much more expensive UPS service. This adds to the already high costs, thus lowering the profit margin.

However, the central problem/issue is to find a strategy to gain profitability and to break-even. With company running out of cash, the company's urgent need to gain some short-term relief from this financial stress.

Recommendations:

First of all the company should develop a well-conceived strategic vision and mission which gives an identity and purpose to the organization. It helps the company to stay in focus. It will also help to attract investors who will bring in capital to finance the business and ease SDI's financial conditions. A business plan is an important requirement for attracting investors, for controlling business activity and also for testing the business' financial feasibility. It seems SDI's management does not have adequate knowledge, so they could think of hiring outsiders to look into the management as well as the financial matters.

SDI should also look in depth into the prospect of the Bird feeders market. The study about the size and the characteristics of the product's market is also a necessary part. The students from a local university had done some research and had found a 1996 survey which had an estimate of 50. 40 million birdwatchers in USA. In 1993 U. S. Department of Interior Study also

estimated that consumers spent \$843 million per year on feeders, bath and nesting boxes. Hence a marketing strategy should be planned and a target determined as a defined portion of this potential market of \$843 million.

For a company like SDI that is not doing well financially, commitments to achieve certain performance targets by a certain time can be of great help. The target may be stated in quantifiable terms and may contain a deadline for achievement. For any company two types of objectives are required: financial and strategic. Financial objectives can help the firm improve its financial performance such as profit margin, sales volume etc, whereas strategic objectives strengthens a firm's competitiveness and long-term market position. Similarly, SDI also needs to set new financial as well as strategic objectives such as:

FINANCIAL OBJECTIVES STRATEGIC OBJECTIVES

Achieve break even point in 1 year

Increase production by 100%

Increase sales by 50%

Increase net profits margins by 5%

Higher product quality than rivals

Reduce costs of production

Make the solar feeder's price competitive with rivals

Better customer service

Recognition as leader in the market

Wider geographic coverage

As SDI is financially struggling, pressures for better short-term financial performance has become more pronounced. Hence it should set an objective of breaking even as soon as possible. In order to break even, SDI cannot afford to increase the selling price which is already high as compared to its competitors. But it should try to reduce costs of production through production in scale. By increasing production capacity and increasing the volume capacity, the objectives of both costs and quality can be achieved. Producing in higher volumes can lead to economies of scales and thus reduce costs. It can also think of outsourcing the entire manufacturing function but only if outsourcing is cheaper than producing feeders itself. After that SDI should concentrate on sales, marketing and distribution. Further SDI must be prepared to increase its sales with increase in production. It can also set a goal of becoming the market share leader, which can be achieved through expanded distribution channels. IT should gain access to new distributors in different locations in different states.

SDI needs to reposition its product image as a nature harmonious product instead of just a squirrel free solar feeder. It is not being able to explain the working process of the feeder and also to convince the people that the feeders do not hurt the squirrels. To increase the product's viability and to appeal to the growing bird watchers and lovers SDI must

communicate that it wants the bird's feed to reach the birds and they are not hurting the squirrels along the way when keeping them away.

SDI should also concentrate on advertisements, especially on the five states- California, Florida, Pennsylvania, Texas and Illinois with the most ABA (American Birding Association) members. They can join in hands with the distributors that are active in those areas. This can help them focus on these potential areas. They can even distribute flyers and brochures in order to communicate the product's benefits, how it works and also mentioning the fact that it does not hurt squirrels.

Advertisements should be informative and thus should educate people how the bird feeder functions; how it gives shocks to the squirrels without injuring them. Website is also an effective way of influencing people. The interactive tools can help people learn more about the product, and its qualities. So SDI can enhance the website by including more explanation and information about the solar feeder. It can also explore the e-commerce field by making the solar feeders available for purchase online. Hence there are many opportunities waiting for SDI, its all upon SDI how willing it is to take advantage of those opportunities.