Schwinn case study

Education

Schwinn’s strengths are they have a wide variety of bikes to select from; bikes sell from $200 to $400 retail which offers lower prices; over 400, 000 redesigned bikes, they have a diverse customer base which allows products to reach a larger range of customers; they are price conscious because they have low to middle income; brand; experience in the market; longevity of 100 years of business; and new management.

Schwinn’s weaknesses are management facing difficulties after they almost went bankrupt; they are no longer on top of the crowded mountain bike market; they are now less than 5% of the retail bike market; they are at the lower end of the adult bike market; they cant become successful again until cyclists spend over $700 for its newer bikes; they have lost considerable market share with itsfailureto capitalize on the increasing popularity of mountain and road bikes; Schwinn doesn’t offer many different types/sorts of bikes like it’s competitors; they have lost their image and reputation because of almost bankrupt; and mostly Asian manufacturing.

The opportunities Schwinn face are that they have redesigned over 400, 000 bikes; rebuild the brand back to being synonymous with durability -rule the road; to regain “ Made in America” status; reinvent and innovate of retro style and bar style; product development such as new kinds in existing market; penetration meaning more of the same in the same markets; sponsor extreme sports functions, like Red Bull or Monster and create association between product and market.

The threats they face are Huffy, Murray, and Roadmaster, which dominate the market for low priced bikes; any negative impact in the economy will not only affect their customers but their company as well; manufacturers such as

Trek, Cannondale, and Specialized have become the standard; Trek maintains the mountain bike segment as their lone market, giving them a competitive advantage; competitors offer a wider range of different types of bikes to chose from; loss of innovation; and if Schwinn image doesn’t turn around.

It is important for mountain bikes to be made in America because this sport is more of an America sport, making more sense for the company to produce good marketing and advertisements and manufacture their products in the United States. Schwinn could produce a premium quality product taking into consideration it’s engineering and competitive production costing, which would heavily rely on their marketing department and public relations department to successfully sell the product. Also read M ountain Dewcase study

To evaluate Schwinn’s strategy of selling bikes for process from $100 to $2, 500 I would say that in order for them to grow their market share, they must appeal more to the different segments of the bicycle market. These segments include sport bikes, mountain bikes, children bikes, retro and seasonal markets, however, these bikes have to be priced at the right price for their customers. Another factor that puts pressure on Schwinn to be price-competitive is that dealerships and manufactures are fading and smaller bike shops are now carrying a wider variety of brands, this is because the customers will be able to easily compare the bikes.

Zell/Chilmark’s decision to invest $50 million in Schwinn was good strategy because Zell/Chilmark got the Schwinn brand name and the opportunity to resurrect it. The retail bike market has 12 million bikes sold annually, 8. 5

million is mass market for low priced bikes, and 3. 5 million in others. The breakeven point and the payback period for this investment given the following assumptions: Schwinn has 4% of the retail bike market; Schwinn bikes are marked up an average of 20% at retail; Schwinn has 25% profit margin on its bikes.

The breakeven point and payback period equals 7. 5 months at $6. 63 million per month profit. Schwinn's market sells 480, 000 (4% of 12 million); 70% equals low end at 336, 000 sold; and 30% equaling high end bikes at 144, 000 sold. There is a $10-$500 markup at retail on bikes priced from $100-$2, 500. The profit margin is $22. 50 low end bikes versus $500 high end bikes ($7, 560, 000 versus $72, 000, 000 equals $79, 560, 000 total annual profit minus $6. 63 million per month profit).

Noting that 80% of Trek's sales are for bikes priced $400 and over, the amount of bikes that Schwinn sells in this category is 144, 000. Trek market equals 24% of 12 million which equals 2, 880, 000 bikes. At 80% equaling over $400 this totals 2, 304, 000.