

# [Mikes bikes report essay sample](https://assignbuster.com/mikes-bikes-report-essay-sample/)

JayHsquared is a corporation that was founded in September of 2003, located in Waterloo, Ontario, Canada. The company is the proud producer of mountain and youth bikes. The mission of the firm is to gain loyal customers by being the lead providers of medium quality bikes at moderate prices. Every year, the decisions made by the management of the firm lead to an increase in the company’s shareholder’s value. This value started at $8. 96 in 2004 and it increased to $37. 03 by 2011. The cumulative change in SHV was 313%. Our advertising for year 2004 was $1, 200, 000 and by year 2011 it was $4, 400, 000. The increases in advertising expenditure also lead to an increase of the firm’s awareness. Our mountain bikes started with an awareness of 0. 26 and ended with 0. 33. In year 2007, the firm had the choice to launch a new line of youth or road bikes. JayHsquared launched youth bikes as the management believed that there would be a larger market for youth bikes than road bikes. After this opportunity, the firm had the choice to introduce all three lines of bikes; our firm choose to continue focusing only on mountain and youth bikes.

Our entire competition introduced all three lines of bikes, however our management believed that it would be a wise strategy to place all focus on only the mountain and youth bike industry. Our strategy was effective as we ranked second place in our local industry. In year four we also had the option to give out dividends to our shareholders. JayHsquared was the only company that decided to give out $2 dividends per share in order to attract new investors and increase the shareholder’s value. Several challenges JayHsqaured faced were maximizing capacity and keeping a competitive edge over the other bike companies in the industry. The management plans to maintain a continual increase in SHV each year and to keep learning from all of the mistakes that our company makes, and also from the mistakes of our competition. In the future, our firm intends to keep errors at a minimum and to go forward keeping in close competition with other bike industries. Most importantly, our firm will continue to strive to achieve our mission to be the lead producers if medium quality bikes.

Affirmation Statement   
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Rollover 1: Year 2004

Introduction

As this was the first year of production for our corporation, our company’s shareholder’s value was consistent with all of the competitors in the bike industry with an amount of $8. 96 (Appendix 1A). In order to get the company started productively we aimed to make our product marketing, including brand awareness, public relations, distribution, and advertising at moderate values.

This year’s decisions   
Marketing Decisions

We focused our decisions mainly on marketing during this year. Our company decided to increase advertising in order to increase brand awareness and decrease public relations expenditures. Firstly, our advertising expenditures increased from $750, 000 to $1, 200, 000. However, we allocated the money differently than it was set up. We put $500, 000 towards television advertising, and $700, 000 towards magazine advertising. We assumed that newspaper advertising was unnecessary and less effective opposed to television and magazine advertising. Next, we decreased public relations expenditure from $500, 000 to $320, 000. Like advertising, we put more money towards magazines and television than newspaper. In television, we spent $125, 000 and $195, 000 in magazines. By following the scenario information, our company believed it was best to spend our money according to the suggestions and preferences that were stated in order to meet market demand.

Operations Financial Decisions

The company started off producing 20, 000 units of mountain bikes. We did not change the production quantity. Last year our forecast sales were 24, 000 when we only sold 19, 866; therefore we thought it would be best to leave production at 20, 000 bikes. Having excess inventory, we concluded that 20, 000 units should be enough considering our quality has not changed and our advertising will not increase the sales dramatically. Although we had the choice to produce as much as 30, 000 units, we felt as though we did not have sufficient money to increase production. We were interested in allocating the money towards marketing as opposed to production. We realized that without awareness, no matter how many units we make, sales would be inefficient.

Financial Decisions

We did not get the chance to give out dividends or bonds during the first founding year of the corporation. Financially, we were unable to make any changes. However, we planned to pay dividends as soon as we earned enough cash to improve the company and to attract investors to our company. Expected Results

For the first year of operations, we expected to surpass our competition by having the greatest shareholder’s value and market share. We hoped our decisions for the first year would help us gain an advantage on our competition and make our competitive footprint in the global bike market. Rollover 2: Year 2005

Basic Strategies

As a new company, JayHsquared’s original team strategy was to sell bikes at a medium cost, with a medium quality leading to modest advertising expenditures. Our strategy for year two was distribute advertising expenditures in the three different media sources efficiently. To achieve these goals, we increased our advertising, which also allowed us to increase our price. Overall, our main company strategy was to increase assets, keeping liabilities at a minimum, and therefore maximizing our shareholder’s value.

Review of the prior year results

As owners of JayHsquared, we were very pleased with the results from the year before. We increased our advertising by a large amount of $450, 000 and increased price by 5%, which proved to be an efficient idea since we brought our retail sales to a total of $11, 738, 122, the second highest sales level in our world. The increase in the price of our price also had a very positive effect on our total cash value. Because we were able to charge 5% more we ended with the highest level of cash. Our cash value of $5, 171, 183 was almost two million dollars higher than the cash value of 4Sizzle who were in last place. Although Team Delta Squad spent the most on advertising with a value of $1, 310, 000, they did not end up with the most net income. This could reveal that our advertising ideas were more accurate when deciding the appropriate amount to spend. Overall, with our strong company management, JayHsquared was able to be first in our world with the highest shareholder’s value at $10. 20. We have strong competitors behind us with Team Delta Squad staying strong at $10. 05, while 4Shizzle brought up the bottom of the world, with a share price of $8. 94.

This Year’s Decisions   
Marketing Decisions

As owners of JayHsquared we have decided to increase our advertising to a grand total of $1, 200, 000. We divided up the money into only television, and magazines because as a company we felt newspaper advertising was not as effective as the other two types. We also decided to increase our brand awareness to a total of $125, 000.

Operations Financial Decisions

At this point, we have not undergone any operating decisions.

Finance Decisions

This early in the game we were unable to receive bonds or distribute dividends but we plan to give out dividends in the future.

Expected Results

By increasing our advertising and brand awareness, we are hoping more customers will recognize our product line, which will allow us to continue to earn a profit despite also raising the price to $583. We also wanted to make sure our consumers felt they were getting more when paying a higher price so we also increased our quality to $150, 000.

Rollover 3: Year 2006   
Basic Strategies   
As the strategy for 2005 proved to be successful, our strategy for 2006 was to continue operating at a medium price, quality and awareness for our bikes. Review of Prior “ year” results

Examining the previous year’s market share of mountain bikes, we had 19, 906 out of a total possible 97, 542 sales, or 20. 41% of all sales   
(Appendix 3A). We had a lower market share compared to two of our competitors: Delta Squad had 22. 57% of all sales and SoLuHuWa had 22. 45% of all sales (Appendix 3B). We had the fourth lowest price of $583 per mountain bike (Appendix 3C) and the second highest awareness of 0. 28, while Delta Squad had the highest of 0. 31 (Appendix 3D). As noted in the basic strategy for this year, we applied a medium price and funding tactic in our operations; competitors in our industry also implemented a medium strategy. We failed to meet our forecasted sales revenue and gross margin by 20% and our net income was $954, 394 less than our forecasted net income (Appendix 3E). Fortunately, our shareholder’s value increased from $10. 32 per share to $14. 80 per share (Appendix 3F). As noted on the income statement, our gross margin increased by 36%, and our total expenses increased by 2%; as a result, our net income increased 80%. Comparing our previous year’s balance sheet, total assets increased by $2, 712, 494, total liabilities increased by $444, 522, and total equity increased by $2, 469, 494. Finally, net cash increased by a total of $1, 294, 020.

This year’s decisions   
Marketing Decisions   
We decided to reduce the price of our mountain bikes from $583 to $573. This decrease in price was a strategy to gain more market share and increase our revenue. We increased television advertising from $500, 000 to $550, 000 (+ $50, 000) and magazine advertising from $700, 000 to $850, 000 (+$150, 000). We increased advertising expenditure in hopes of promoting more awareness for our mountain bikes. For public relations, we sustained our current television funding of $125, 000 and decreased our magazine funding of $195, 000 to $150, 000 (-$45, 000). As well, we decreased our branding from $125, 000 to $100, 000 (-$25, 000). The decrease in funding for public relations and branding was the result of the increase in advertising expenditure. For distribution we sustained all our previous year’s funding and cost allocations, as it had proven to be sufficient in 2005 (Appendix). Operations Financial Decisions

JayHsquared did not alter the capacity or efficiency of producing bikes for year 2006. With a possible quality of 30, 000 bikes, we only produced 27, 000 bikes. There was approximately 20% wastage, 12% idle and a remainder of 68% to produce and store the mountain bikes. This uneconomical allocation of capacity, efficiency and production was the result of new management and insufficient training. Financial Decisions

In terms of financing, with a cash flow of $6, 465, 203 we did not reinvest in new bonds. Instead to keep our debts at a minimum, we optimized the firm’s cash flow by reinvesting money into the company through increased development of bikes and increased advertising. Expected Results

For 2007, JayHsquared expected to increase its overall market share dominance in the bike industry. With the increased expenditure in advertising and sustained funding in public relations, branding and distribution, we hoped to gain a higher sales volume, sales revenue and shareholder’s value. With increased awareness, we hoped to continue the expansion of our firm by developing strong relations with our distributors and maintaining loyal ties with our consumers. Rollover 4: Year 2007

Basic Strategies

Our strategy for this “ year” is unchanged as we are still operating at a medium pricing, advertising, and quality. The management of JayHsquared decided to keep the same strategy as it had proved to be successful for the first 3 years. Review of the prior “ year” results

Examining the previous year’s market share of mountain bikes we had 20, 696 out of 104, 506 sales, or 19. 80% of all sales. We had a lower market share compared to three of our competitors as Delta Squad had 24. 80% of all sales, 4Shizzle had 21. 76% of all sales, and SoLuHuWa had 20. 73% of all sales (Appendix 4A). We had the third lowest price for mountain bikes (Appendix 4B) and the second highest awareness of 0. 28, while Delta Squad had the highest of 0. 32. Compared with our competitors our quality of 0. 74 was the lowest as three of our competitors had 0. 75 and Delta Squad had 0. 76. We failed to meet our forecast wholesale sales revenue and gross margin by 17%. Our net income was $784, 606 less than our forecast. Our SHV increased from $14. 80 to $17. 03. Looking at our income statement, our gross margin increased by 2%, and our total expenses increased by 22%, ergo decreasing our net income by 13%. From our previous balance sheet we can determine that our total assets increased by more than $1. 5 million, our total liabilities decreased by over $100, 000, and our total equity increased by just over $1. 7 million. Our net cash change was of $787, 739.

This year’s decisions

Marketing Decisions

We decided to increase the price of our mountain bikes from $573 to $587. This was because we wanted to match our pricing with our medium quality and we were attempting to increase our revenue. We increased magazine advertising for mountain bikes by $50, 000 and left the advertising for T. V. and newspaper the same. For public relations we increased our spending by a total of $75, 000. We developed our mountain bikes for them to be more cost efficient in the future. This decision will have a long-term time horizon. This year we are also introducing the SuperB youth bike. We set our price at $288 and allocated $200, 000 of advertising in T. V. and $350, 000 in magazines. We also spent a total of $250, 000 on public relations for our new line of youth bikes. For distribution we doubled our support for bike shops, increased it for sport stores and discount stores. We also decreased the margin (%) for bike shops by 5% and sports stores by 2% (Appendix 4C).

Operations Financial Decisions

The management of JayHsquared did not change the capacity for our products. We reduced our efficiency expenditure by 135, 593, from $250, 000 to $114, 407; this changed our Max Efficiency from 75% to 73. 8%. The quality expenditure for our product was significantly increased by $387, 605, which changed our quality index from 74. 3% to 77. 0%. This increased in quality made us able to increase the price of our bikes. Dealing with production, JayHsquared produced 27, 000 mountain bikes and 4, 500 youth bikes. Our wastage was about 26%

Financial Decisions

Since we had over 7 million dollars in cash, JayHsquared did not need to raise any additional funds; ergo we did not issue bonds or shares. We also did not repurchase shares during the year. We decided to give out $2. 00 dividends per share while all of the other businesses that we were competing against decided to keep dividends at $0.

Expected Results

JayHsquared expected to increase its shareholder’s value, sales revenue, and market share after the year was over. We expected SHV to increase because our medium strategy proved to be successful from past experience, and we believed that giving our dividends would give it a boost as well. We expected our sales revenue to increase because we increased our quality, the price of our bikes, and the quantity produced. Rollover 5: Year 2008

Basic Strategies   
Once again, as the firm’s medium price and medium funding proved strong over the last four years; JayHsqaured continued to sustain this strategy into 2008. Review of Prior “ year” results

In the previous year, JayHsqaured sold 20, 338 mountain bikes, out of the possible 105, 272 mountain bikes demanded in the market and 4, 500 youth bikes out of a possible 87, 380 youth bikes demanded in the market (Appendix 5A). Overall, our company controlled 19. 32% of the total market share for mountain bikes, and 5. 15% of total market share for youth bikes (Appendix 5B). As we did not launch a road bike line, we had no market share for road bikes. We had the highest price of $587 per mountain bikes and the second lowest price of $288 per youth bike in our industry (Appendix 5C). Our awareness for mountain bikes was the second highest at 0. 29 for mountain bikes and the lowest awareness of 0. 08 for youth bikes in the industry (Appendix 5D). Unfortunately, we overproduced 6, 662 mountain bikes and under produced 15, 303 youth bikes. As a result, we failed to meet our profit forecasts, our actual whole sales revenue was $2, 817, 369 less than our forecast, as well our net income was $1, 247, 014 less than our forecast (Appendix 5E). Also, our total net assets, liabilities, and equity decreased by $1, 865, 519. Our cash decreased by $377, 228. Fortunately, our shareholder’s value increased from $17. 03 to $18. 93 (Appendix 5F). This year’s decisions

Marketing Decisions   
For mountain bikes, we increased television advertising from $550, 000 to $620, 000 (+$70, 000), increased newspaper advertising from zero to $280, 000 (+$280, 000) and decreased magazine advertising from $900, 000 to $700, 000 (-$200, 000). In terms of public relations, in the television sector, we decreased funding from $150, 000 to $42, 000 (-$108, 000). In the newspaper sector we increased funding from zero to $8, 000 (+$8, 000) and for public relations in the magazine sector, we decreased funding from $200, 000 to $50, 000 (-$150, 000). Funding allocation for advertising and public relations was guided by information presented in scenario information and reports presented on the industry. For mountain bikes, we decreased the price of our bikes from $587 to $570 to gain a more competitive market in the mountain bike industry.

For youth bikes, we increased television advertising from $200, 000 to $1, 050, 000 (+$825, 000), and increased magazine advertising from $350, 000 to $550, 000 (+$200, 000). In terms of public relations, in the television sector, we decreased funding from $100, 000 to $75, 000 (-$25, 000) and for public relations in the magazine sector, we decreased funding from $150, 000 to $25, 000 (-$125, 000). Funding allocation for advertising and public relations was once again guided by information presented in scenario information and reports presented on the industry. Likewise for youth bikes, we decreased the price of our bikes from $288 to $245 to complete in the youth bike industry and gain a greater competitive market share. In terms of distribution, we reduced our support for bikes shops from $300, 000 to zero dollars and reduced support for both sports stores (originally $400, 000) and discount stores (original $450, 000) to $150, 000. As well, margin percentage for bikes shops was reduced from 25% to 20% and for sport and discount stores, margin was increased to 24% from 23% and 20% respectively. Finally, branding was doubled from $150, 000 to $300, 000. Operations Financial Decisions

The management of JayHsquared did not alter the capacity for production, although efficiency was increased from $114, 407 to $228, 814 for this year to accommodate the efficiency needed for the excess production of bikes. As well, we maintained our quality expenditure at $462, 617, which increased our quality index to 79%. Financial Decisions

As we did not need additional external funds, to avoid having unnecessary liabilities we did not purchase new bonds. Instead, we repurchased a net value of $250, 000 outstanding shares in the market and paid out $3. 75 per share to attract potential investors. Expected Results

For 2009, JayHsquared hopes to once again gain greater dominance in the competitive bike industry. With increased expenditure in branding, advertising and public relations, we hoped our bikes would gain greater awareness and more consumers will consider representing our bikes. Moreover, with increased support and margin percentage, we hoped to continue good relations with distributors and retailers. As we are paying out dividends, we hope to attract more potential investors. Overall, we hoped to gain greater market share, higher sales revenue and a higher cash flow allowing us to invest into our firm to improve efficiency and production. Rollover 6: Year 2009

Basic Strategies

JayHsquared implemented closer to a low price and low quality strategy this year because from past experience we learned that our strategy was not good enough to stay competitive with our competitors, as two of them were doing better than JayHsquared. We also decided to continue with only mountain and youth bikes.

Review of Prior “ year” results

Considering the previous year’s market share for mountain bikes we had 21, 078 out of the possible 97, 314 sales (21. 66%). We were the company with the second highest market share after Delta Squad, who had 24% of all sales. The company who had the third highest market share was 4Shizzle, with 20. 55% of sales (Appendix 6A). We had no market share for road bikes, as we were the only company which did not launch road bikes. Delta Squad had about half of all sales for road bikes. For youth bikes, 4Shizzle had the most market share with 28. 02% of all sales. Our company had the second highest market share with 23. 47%. Delta Squad was second last for youth bikes and their market share was 14. 35% (Appendix 6A). Our price for both mountain and youth bikes was the cheapest compared to our competitors. Our awareness for mountain bikes was the second highest at 0. 29. Delta Squad had the highest awareness at 0. 40. For youth bikes our awareness was the highest at 0. 25. The average awareness for youth bikes was 0. 23 (Appendix 6B). Our wholesale sales revenue was $1, 012, 430 higher than our forecast and our net income was $318, 527 higher than our forecast net income. Our total net assets, liabilities, and equity decreased. Our cash also decreased by $768, 124. Our SHV increased from $18. 93 to $27. 25. This year’s decisions

Marketing Decisions

For mountain bikes, we left the price unchanged at $570. We believed our money allocated to advertising and public relations was correct, and we did not want to incur many more expenses, so we left our advertising and PR the same for both mountain and youth bikes. Our advertising for each type of bike (mountain and youth) was $1, 600, 000 and PR for each was $100, 000. We decided not to develop either type of bike during this year and our distribution and branding remained unchanged.

Operations Financial Decisions

The management of JayHsquared did not alter the capacity of our products. Our efficiency expenditure remained at $228, 814, but our max efficiency decreased from 73. 7% to 73. 5%. We were satisfied with our quality so our quality expenditure remained at $462, 617, but our quality index increased from 79. 2% to 81. 1%. This year we allocated 14, 416 products to mountain bikes and 28, 750 to youth bikes. Our wastage was 25. 9%.

Financial Decisions

We did not issue bonds, as we did not need additional funds and we did not want to increase our liabilities and pay interests. We did not issue or repurchase any additional shares this year, but we did decide to give out no dividends this year because we believed that it was a big expense for JayHsquared and we wanted to learn what the result would be if we did not pay out dividends this year. In 2008 we paid out $3. 75 dividends per share.

Expected Results

JayHsquared expected our shareholder’s value to continue increasing. We expected our market share to be greater for our youth and mountain bikes, as we concentrated on these two types of bikes while our competitors had road bikes to add to their equation. We also expected our revenue to increase as we were producing more youth and mountain bikes.

Rollover 7: Year 2010

Basic Strategies

As a fairly established successful company JayHsquared’s original strategy of maintaining the highest shareholder’s value is still the main goal. We are trying to establish this by trying to produce the perfect amount of both youth and mountain bikes without having wastage or underselling. We are also trying to maximize our shareholder’s value by repurchasing shares and giving out dividends when we have the extra cash to do so. We are also trying to find a balance between the amount of advertising expensed and the price of our bikes.

Review of Prior “ year” Results

Our decisions made last year made a large impact on our current financial position. Because we were able to maximum and predict an appropriate amount of bikes to manufacture for both youth and mountain we finished the fiscal period with only 1, 346 mountain bikes and 3, 408 youth bikes remaining. By maximizing our outputs we were able to generate the second highest wholesale sales revenue with a total of $17, 948, 288. This was a total increase of 29% for our company. Unfortunately, Team Delta Squad made the most sales revenue with a total of $32, 711, 387 (see appendix 7A). With the increase in our advertising expense we increased to spending $4, 000, 000 for both of the bike lines combined. This level was close in comparison to Team Delta Squad spending $4, 710, 000 and SoLoHuWa spending $4, 120, 000. Our shareholder’s value is at a solid amount of $31. 01 but we still only ended up third place in our world, a full $11. 00 behind Team Delta Squad in first place (see appendix 7B) for full results.

This year’s decisions   
Marketing Decisions

To create more brand awareness we allocated an extra $200, 000 worth of advertising to both bike lines. We maximized our advertising by also increasing public relations from $150, 000 to $200, 000 for the youth bike line, and to $320, 000 for the mountain bikes. With these adjustments we made the decision to raise our bike prices to match the lowest price of our competitors. We raised our youth bike to a price of $284, and our mountain to a price of $580. With the theme of increasing brand awareness, we decided to invest extra money into branding and raise it to $350, 000.

Operating Decisions

To produce the correct amount of bikes without having wastage or underselling, JayHsquared decided to set the production of mountain bikes at 24, 240, and youth bikes at 27, 591. We also changed efficiency to 1, 300, 000 and capacity to 26, 000. With this amount of production we figured we should have limited wastage and underselling. This was generated by our sales from last year and how this rollover’s decisions will affect sales.

Finance Decisions

To try and improve the shareholder’s value of our company, we maximized our shareholder’s value by repurchasing $121, 508 worth of common shares, and paid out the maximum amount of dividends at a total of $4. 25. We did not borrow any bonds this rollover, as no extra funds were needed.

Expected Results

By changing our advertising, we are hoping that more customers will recognize our bike company and purchase multiple products. By monitoring our capacity efficiently, we are hoping to grow our number of sales and gain a larger value of the market share. As a result of our financial decisions, we are hoping that our shares will be worth a larger amount and therefore help with the financial position of the company.

Rollover 8: Year 2011

Basic Strategies   
Our basic strategy remained the same as we were operating at a medium quality and medium pricing in year 2010.

Review of Prior “ year” Results   
Last rollover, we attempted to maximize the efficiency of our firm and to maximize our shareholder’s value. Because this was the company’s last rollover, we tried to maximize shareholder value by giving out dividends and repurchasing shares. The following were the results of the last rollover.

Marketing Decisions   
Although our company increased the price of the bikes, our sales for both bikes decreased. For mountain bikes, our price increased from $560 to $580 and sales decreased from $11, 210, 752 to $11, 122, 080. For youth bikes, our price increased from $260 to $284 and sales decreased from $6, 737, 536 to $6, 239, 821. As a result, the percentage increase from sales lost is greater than the price increase. We realized that our price increase was ineffective.

Operating Financial Decisions   
In decreasing efficiency from $1, 887, 064 to $1, 300, 000 and selling $6536 of capacity, our company reduced expenditures and increased the efficiency of our production. Doing so, the cost of goods sold decreased 3%, from $8, 724, 303 to $7, 317, 615. However, a mistake our company made this rollover involved overproduction of bikes. Last rollover, we produced an excess of 5152 units of bikes, including 3536 youth bikes and 1616 mountain bikes. While we did not lose any sales, we did not sell all of our bikes. Thus, we could have decreased capacity even more in the last rollover or allocate more money into other aspects of the company in order to sell more bikes. Financial Decisions

As for financing, the goal for our last rollover was to maximize shareholder’s value. Our company decided to pay the maximum amount of dividends in order to maximize awareness and shareholder relations. Meanwhile, we repurchased $115, 413 worth of shares back. Combined with improved marketing and more efficient operations, we succeeded in increasing our shareholder value this year by a total of 313% (Appendix 8A). Consistent with the other rollovers, our company did not use bonds to support the financing of the company. Having $37. 03 as the company’s final shareholder value, our company believed it was likely to be the highest value we could have obtained from repurchasing shares and paying out dividends (Appendix 8B).

Conclusion   
For the final results, JayHsquared achieved the second place position in AFM World Four. The firm began with a shareholder value of $8. 96 and it steadily increased each year, resulting in a final shareholder value of $37. 03.

First, there were several weak aspects of the firm that affected our competitiveness. Specifically, a weakness of ours was our inability to make capacity efficient. Our company had trouble managing the production capacity and efficiency elements. This caused us to either overproduce or under produce bikes, resulting in an excess of inventory or in the loss of tremendous amounts of sales. An additional drawback of our firm was the inability to meet market demand and correctly distribute funding towards media sources of expenditures. For instance, in the first founding years of the company, when advertising expense should have been 80% television and 20% magazine, we incorrectly allotted 40% of funding to television and 60% to magazine. In the beginning, the management of the company had difficulties understanding the global bike industry. While our competition, such as Team Delta Squad, took the initiative to understand most of the concepts in the industry from the beginning. As we were ranked the third most dominant corporation in the global market of bikes, we became overoptimistic that we had suitable insight of the industry.

In comparison to the other firms, we did not use our cash efficiently. Having an excess amount of cash each year, we could have allocated the cash differently. For instance, we could have increased advertising, provided more support to our distributors, paid out more dividends or invested in higher production efficiency. As a result of the unproductive use of excess cash, we received a low rate of return from letting the cash accumulate. On the contrary, cash was also a strength when used appropriately towards promotion and production. We used our cash productively through paying dividends in order to attract more investors and build a strong relationship by exhibiting positive returns. Also, cash was used to repurchase shares which in turn increased our shareholder’s value. Further, as management gained knowledge on the global bike industry, we gained the ability to operate efficiently with minimal use of liabilities, such as bonds, to support the company’s funding. The firm also had effective financial management through regular dividend payments and repurchasing of shares. As well in most years, our company’s performance values were closely matched to the forecasted values. For example, for the final year, we forecasted 24, 600 mountain bike sales and our actual sales units were 23, 970. For youth bikes, we forecasted 28, 000 sales and had actual sales of 27, 500 units.

In comparison with Team Delta Squad, we kept in close competition for the first three years. However, due to our focus on short-term decisions we had difficulties competing with their high market share and supremacy of sales. This was the result of our short-term decisions, in contrast with their focus on long-term decision making. Their consistent strategy was advantageous in terms of maintaining high sales and awareness, whereas we faced difficulties keeping a constant strategy. In turn, it was challenging for us to maintain a competitive market. Our strategy of producing two lines of bikes served well for our company in comparison to the other firms. Our competitors launched both the road and youth bike lines, while we only launched the youth line and developed our present mountain bike line. As a result of having two rather than three bike lines, our company was able to place more focus and funds to each individual bike market appropriately. As demonstrated in our performance values, including sales and shareholder’s value, we were able to surpass three of our four competitors.

The key determinants of our company’s performance were capacity, awareness, distribution, and meeting the market demand. Our production capacity was crucial to the company’s performance due to the large amount of money we spent in efficiency expenditure and increasing capacity. Awareness through advertising, public relations and branding were the core contributors of the company’s sales. By increasing funding in advertising, public relations and branding, the overall awareness of our products increased. This is a key determinant because the higher our awareness was, the more distributers would want to supply our bikes. With more distributors representing our line of bikes, the more costumers will be attracted to purchasing our bikes.

Consequently, the more consumers purchasing our bikes results in higher sales and increased revenue. Distribution was also a key determinant to our company’s performance. By increasing the margin percentage we also increased the number of bike stores that sold our bikes. If we increased the support provided to these stores, they would in turn advertise our product in their stores and more bikes would be bought. Our company had to base our decisions on the scenario information in order to meet the market demand of the year. After viewing the scenario information, we were able to adjust and allocate our resources accordingly. By doing this, our corporation was able to gain more sales, a greater gross margin percentage, and a larger market share.