Group 1 – 3nDless Footwear

Footwear Manufacturing Business

Friday, September 4, 2020 1:47 PM

Topic: 31621 - Footwear Manufacturing

Name of the company: *3nDless Footwear*

Mission statement: *"Bringing together creativity and style to fill special needs with the aid of the latest technologies."*

Main stakeholders:

- Employees
  - Graphic designers
  - Computer programmer
  - 3D printers technician
- Customers
  - People with special necesities (disability, need of perosnal insoles).
  - People with creativity or original ideas who want to design their own shoes.
  - People who want their shoes to be unique.
- Shareholders
  - People that came up with the idea and owners (3 people)
- Supplies
  - Material for 3D printing (different kinds of plastics)
  - 3D printers (first one, and as we keep growing we will buy more)
- Local communities
  - Ecofiendly (pushes cicular economy by recycling)
  - Provide a service to people with sepacial necesities which is actually not covered.

Top-4 Concentration Ratio (TASK 2):

Top 4 concentration companies:

Joma Sport SA: Market Share (7.17%)

Pikolino's Intercontinental: Market Share (4.69%)

Antonio Moron de Blas: Market Share (1.72%)

Flunchos SL: Market Share (1.59%)

7.17%+ 4.69% + 1.72% + 1.59% = **15.17 %**

15.17%. This means that the footwear industry is highly competitive, as the top 4 companies share a small percentage of the total revenue. Because of this, a startup company might be able to succeed, since there is no monopoly which can manipulate the market in order to make it fail.

Legal forms of business (TASK 3):

As told before, our main competitors are:

- Joma Sport SA, which is a public limited company (PLC)
- Pikolino's Intercontinental PLC
- Antonio Moron de Blas private public company (LTD)
- Flunchos SL LTD
- Pikolino's Intercontinental

- Antonio Moron de Blas: Market Share (1.72%)
- Flunchos SL: Market Share (1.59%)

For 3nDless Footwear we have thought that the best legal form of business is Private limited companion or plc, because as a start up it would be a very small business and we, the 3 owners would still be in charge and have complete control over the business. One of the most important advantages of this form of business over non-corporate business is the limited liability, so that we don't risk our own assets in case of bankrupcy. In addition, despite not being able to recieve funding from the share exchange as a plc, we could still receive money from other sources: such as professional investors or other entities. This legal form of business, still allows us to become public after growing up in case we need more funding (with a good IPO), but from the beginning makes it easier for us to just start out.

SWOT (TASK 4):

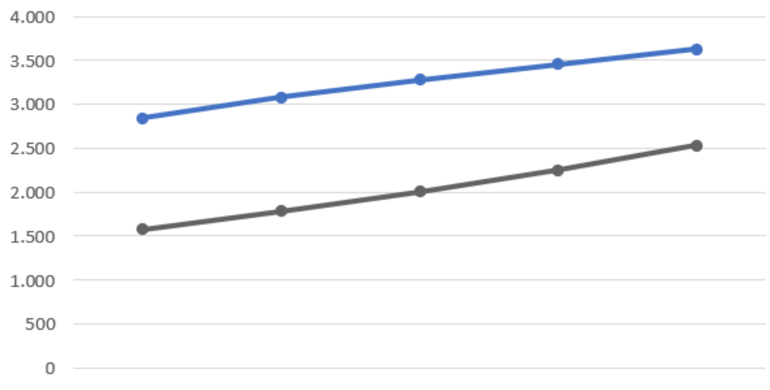
Opportunities: There are very few options to get personalized shoes nowadays. Our direct competitors (handmade personalized shoes) have bigger costs as they need to pay their workforce and materials 3D printing is kind of "trendy" (an opportunity in the footwear fashion world that works by trends) The Footwear Industry is highly competitive (15.17%), this is an opportunity to succeed.	Threats: Competition against big companies (adidas) We don't know if people are really demanding it Some people may not trust the quality of 3D printed shoes We don't know if people are ready to invest
Strenghs: Innovative product No need of a huge investment in the beginning No need to employee anyone by the moment We don't accumualate stock (produce by demand) Manufacturing (3D printing) process reduces workforce costs No need for headquarters	Weaknesses: We depend on demand Long / Slow manufacturing process

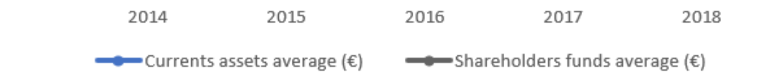
Business strategy:

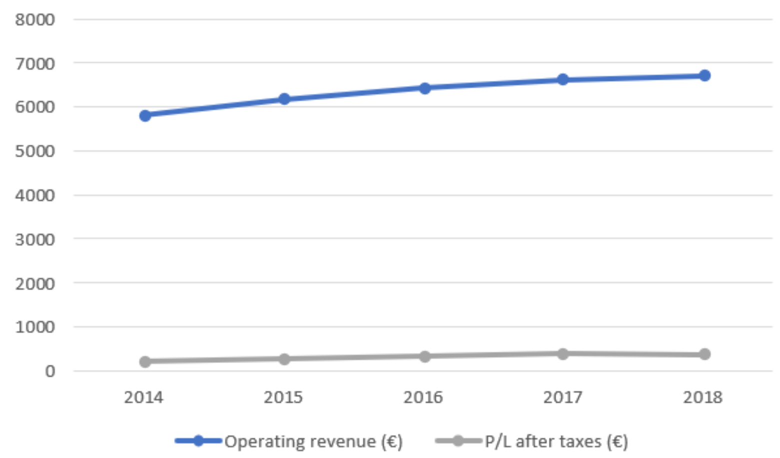
As we intend to make a unique product (personalized for each individual), we think we should follow a Product Differentation Strategy. Here the final price will not be affected by the workforce-cost, but by the exclusiveness and uniqueness of our product. Thanks to the 3D printing technology that makes manufacturing almost autonomous , we can cut down in labour and work-force costs and have a margin to spend in other things, such as marketing, design, etc. And we can keep the initial investment small, because we can buy more prints as demand grows. However, we have to bare in mind our threats, suchs as big competitors (Adidas) and the time factor (whether the market is ready or not for our product) and our weaknesses (3D printing is a slow manufacturin process and working on demand can be risky).

In the following two graphs we can see that the industry in which 3ndless Footwear is going to be included has increased its average operating revenue and current assets per company for the past years (data only updated up to 2018) uninterruptedly.

INDUSTRY´S BALANCE SHEET OVER TIME (TASK 5):







COMPETITOR´S RATIOS (TASK 6):

Now we are going to analyze the company Joma trhough out its ratios:

<u>Current ratio:</u> currents assets / current liabilities = 158,781,622 / 97,292,754 = 1.632.
This means that Joma owns €1.632 of current assets for every euro of current liabilities.

<u>Acid test ratio:</u> (current assets - stock) / current liabilities = (158,781,622 - 13,091,550) / 97,282,754 = 1.498.
This ratio means that the company has €1.498 of the most liquid assets (as stock sometimes is not that easy to convert into money, it is removed to the current assets) for every euro of current liabilities

<u>Receivables turnover:</u> operating revenue / account receivable = 176,664,343 / 60,041,521 = 2.942.
This means that this company collects its receivables (money owed by customers to Joma) 2.92 times per year.

<u>Debt to total assets ratio</u>: total debts / total assets = (672,133 + 97,292,754) / 204,441,095 = 0,479
This ratio indicates the leverage (risk) of the company. Since it is not over 1, the company is not at a high financial risk. So each euro of total assets is financed by 0.479 of debt.

<u>Times interest earned</u>: operating p/l / financial expenses (interesests) = 176,664,343 / 64,385,043 = 2,743
Interest are covered 2,753 times by the operating proffits (Earnings before Interest and taxes).

<u>ROA (Return on assets)</u>: profits for the period / total assets = 15,374,725 / 204,441,095 = 0,075
This means that the company earned €0,075 on every euro of total assets.

<u>ROE (Return on equity):</u> profits for the period / shareholders funds = 15,374,725 / 111,476,207 = 0,137

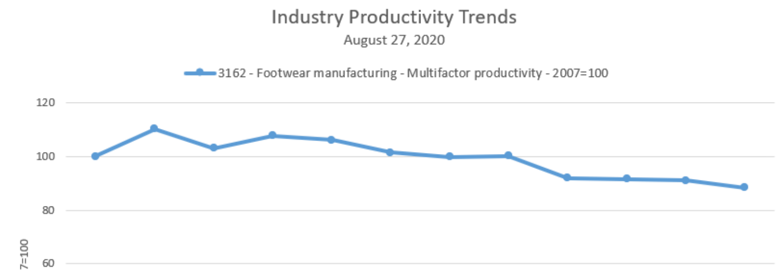
This means the company earned €0.137 on every euro invested by its onwers (shareholders).

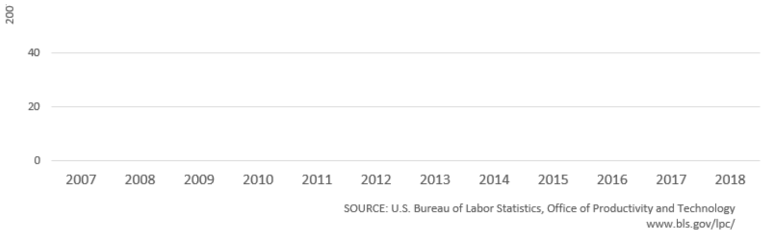
<u>Conclusion:</u> We can see that Joma has its finance quite healthy because:

- Its current ratio is between 1.5 and 2, and most of its assets are not stock,
- Its debt to total assets ratio is 0.479, really below 1
- It covers its interesets without any problem
- Its profitability ratios are okey

MULTIFACTOR PRODUCTIVITY (TASK 7):

Multifactor productivity in the US in our industry





Comment:

Over these last 11 years of analysis, we can see a pretty stable tendency. However, there is a peak around 2008 and from there the multifactor productivity has been slowly decreasing over time, being in 2018 at its lowest point. We could say that this is due to the resentment of the economy caused by the 2008 crisis. Because of the results shown by this graphic, we can say that the footwear industry has reduced its ability to process inputs and turn them into outputs in an efficient way. In other words, the footwear industry has become worse at its production process, by not being able to manage inputs, such as labor, materials, technology, money or enegy, and transforming them into outputs, the final product.

TASK 8: