Budget; week 3

cf Billot case

N.Market (Before canibalization) will raise about 10%

Canibalization effect = 30% ( means that 30% go to another product)

→ 1666x1,1 = 1832,6

→ 30%x1832,6=549,78

UK Billards Market = Canibalization effect x2

→ 549,78x2 = 1099,56

US Billards Market = 70% of the N.Market (before canibalization)

→ 70%x1832,6 = 1282,82

# Powerpoint :

Strategy of domination ⇒ dominate market with a price. Same product as the others, but cheaper.

After management assumption, you have to think about different scenarios (simulation).

You have to adapt your means in function of your goals.

3/ Final budget allocation

Starting point : general policy

⇒ functional policies

⇒ commercial, production, hr, financial, r&d, etc…

⇒ strategic and tactical decisions

⇒ programs

⇒ budget

It’s important to know how to produce, but also how to sell nowadays.

Mixed marketing : target & positioning

⇒ where am I compared to my competitors?

⇒ and where am I positioned in the mind of my customers compared to my competitors?

Once I defined this therms, I can build a :

* Product
* Price
* Place
* Promotion

This means that for my current offer, I need cohenre between this 4 Ps.

if you have a low market growth and goal, you have to spend a lot on marketing and value volume.

# Radio Corporation

Sales budget : (150+70)x160K = 35 200K

Production program : produce the new products and liquidate the stock

⇒ 220 - 100 units = 120 units

Production budget :

⇒ 120units\*(60K+40K) + 3000K=15 000K€.

⇒ (raw mat + dir labour) + depreciation

Unitary production cost : 15000K/120units = 125K/unit

100 K \* 220 units

Ending book of inventory value (EBI)

150 unsold radios x 95K + 120 radios x 125K

EBI = (150+120-220)x108,3K€ (108,3€K ⇒ ponderated average)

Final EBI = 5 417K€

-sales220xselling price

production stocked - 100x production costs)

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production 120

|  |  |
| --- | --- |
| sales | 100 |
| Δ expenses | 30% |
| Δ margin | 70% |
| Fixed costs MKG | 1000 |
| Contribution margin |  |

Sales : 35,2 K

Production :

Inventory of :

Income statement :

We have here a problem in the next year where we have a negative final balance of - 5 635K

In order to do that :

Decrease working capital requirement

Increase working capital by :

* short term : increase sales with discounts or others
* negotiate loan
* long term : increase the capital