



# EarlyRiders Toy Horse

MSMA Team 8

Hector Abreu Geng Luo Hairong Wang Ying Wang Yunjiao Liu

# Agenda

- Executive Summary
- Key Insights
- Benefit Segments & Ideal Products
- Profit Analysis: Current Market
- Profit Analysis: Simulated Product Lines

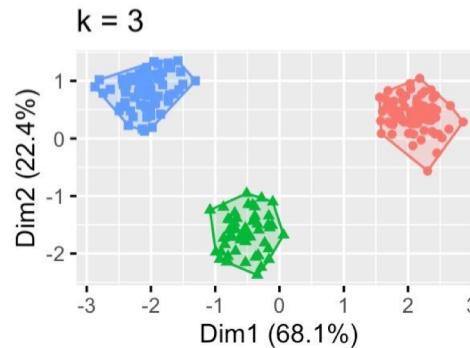
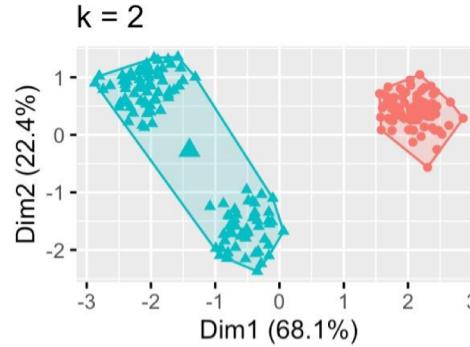
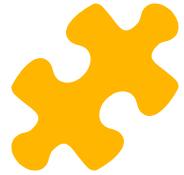


# Executive Summary



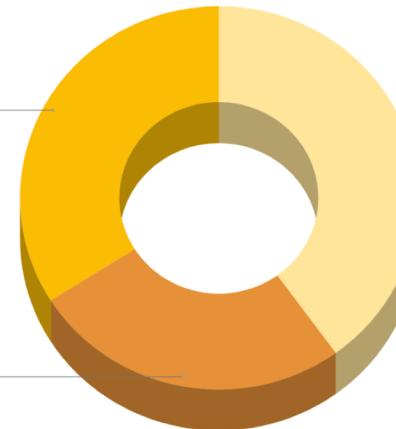
- Key Insights:
  - Segment consumers into three groups, Younger Children, Older Boys, and Girls
  - Robust segmentation forces competitor to lower prices regardless of product line scenario
  - Neglect Amazon Marketplace, sales occur in retail channel, products require physical senses for accurate valuation of quality
- Recommendation:
  - Provide product line of 3 products
  - Retailer hesitation, shrink to 2 products
  - Long term product offering only has two scenarios regardless of initial product line
  - Simple to implement

# Benefit Segmentation: why 3 not 2?



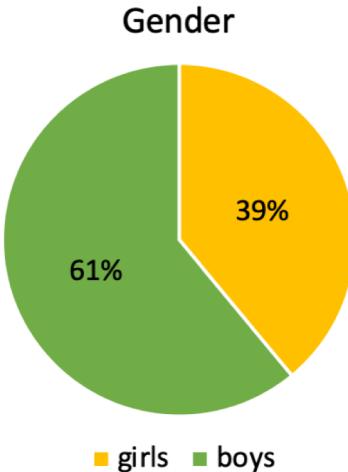
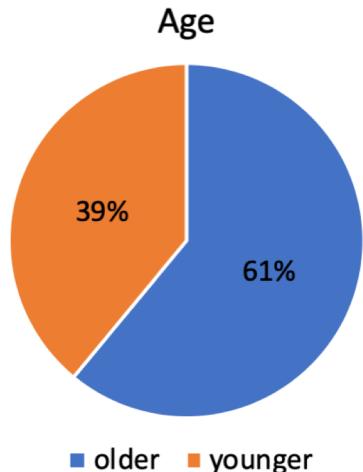
Segment 3: Girls  
34.0%

Segment 2: Younger Children  
26.0%

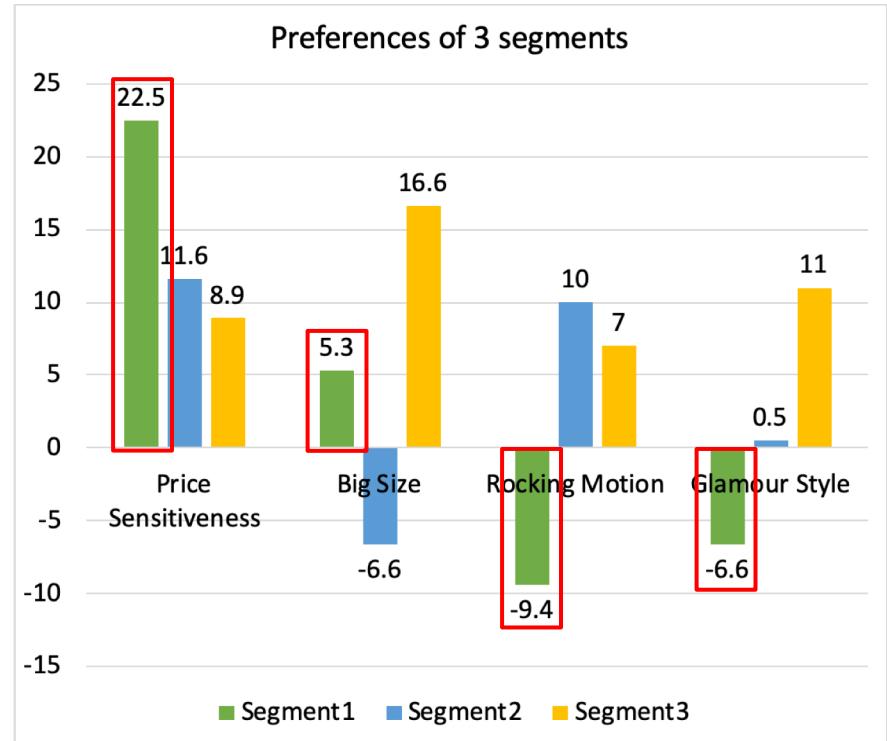


Segment 1: Older boys  
40.0%

# Benefit Segment 1: Older boys



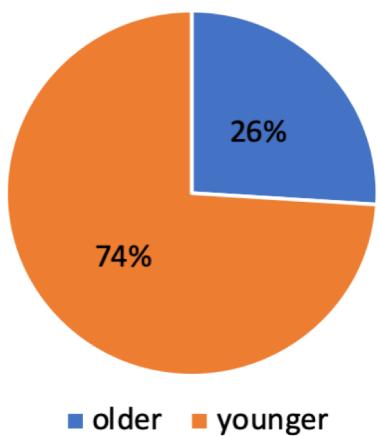
18" Bouncing Racing(Low price)  
26" Bouncing Racing(Low price)



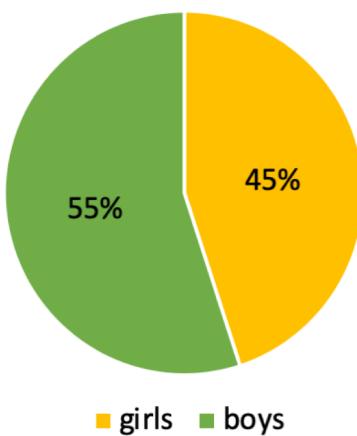
# Benefit Segment 2: Younger Children



Age

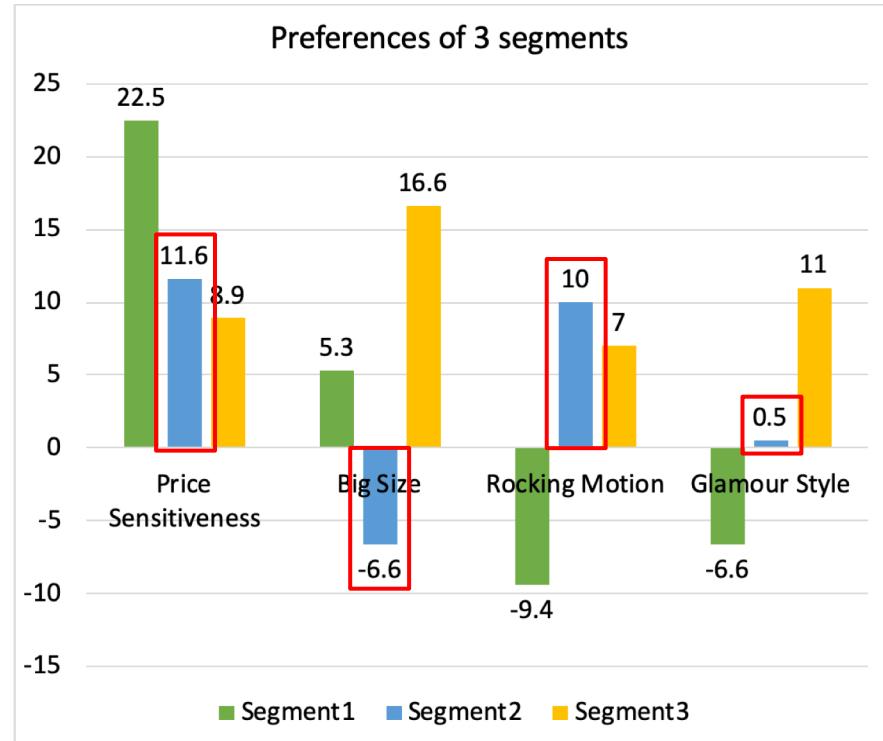


Gender

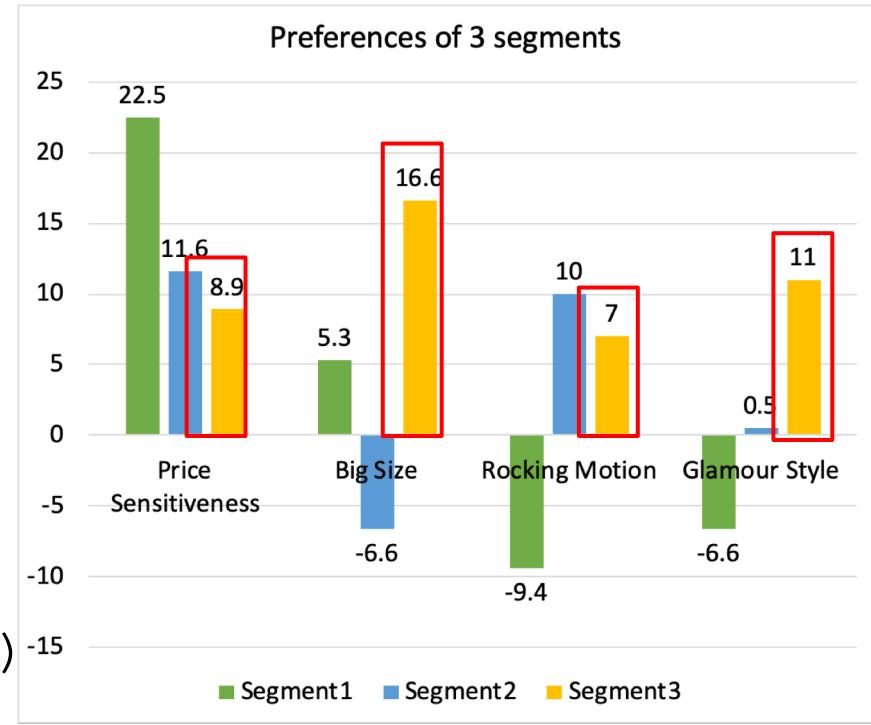
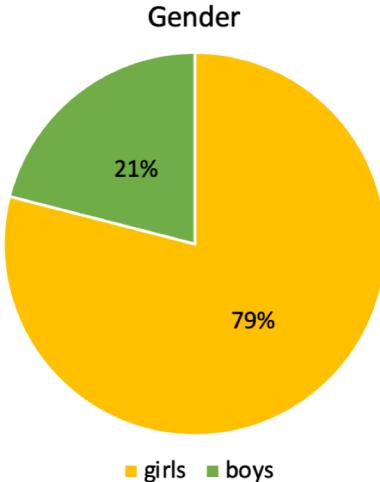
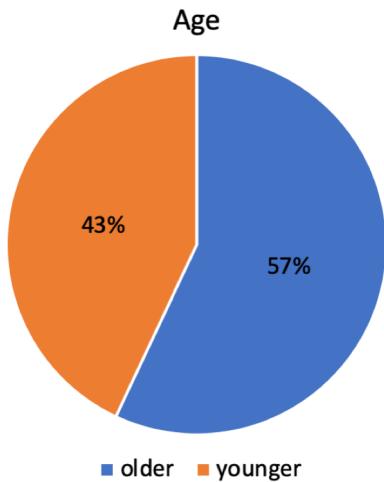
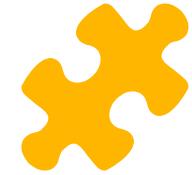


18" Rocking Racing (Low Price)  
18" Rocking Glamour (Low Price)

Preferences of 3 segments

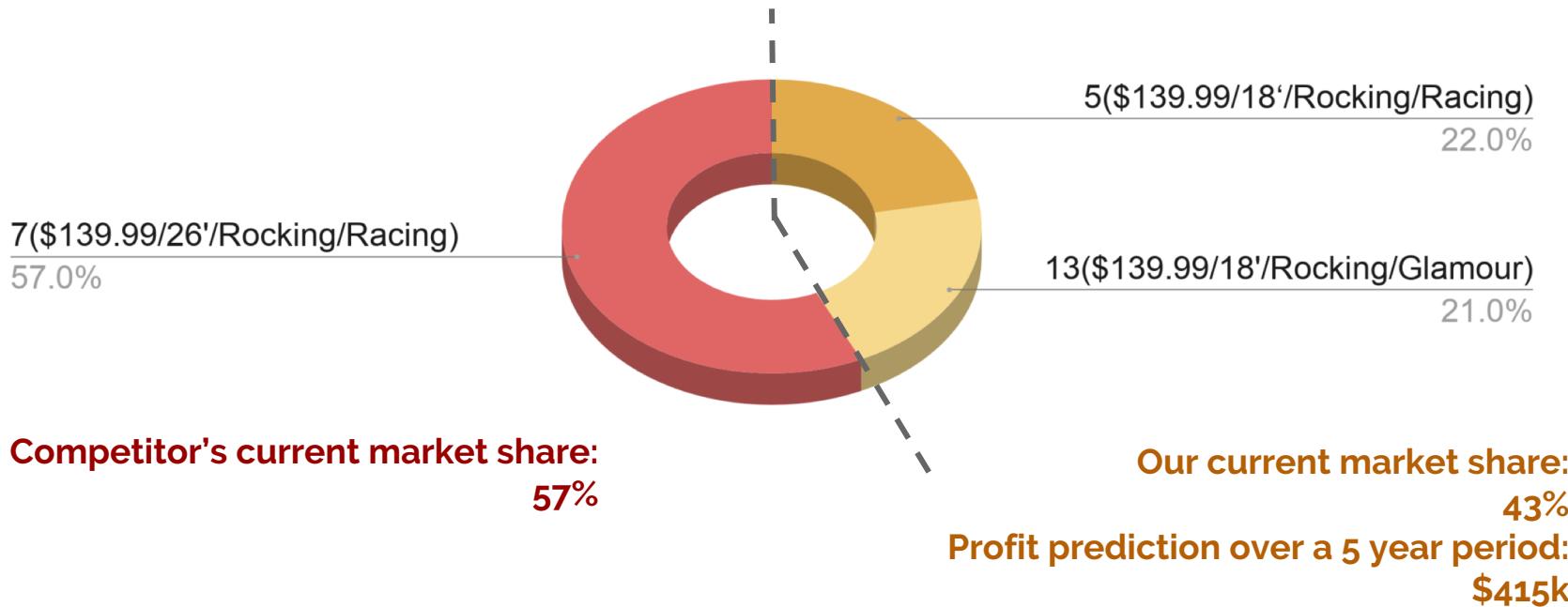


# Benefit Segment 3: Girls

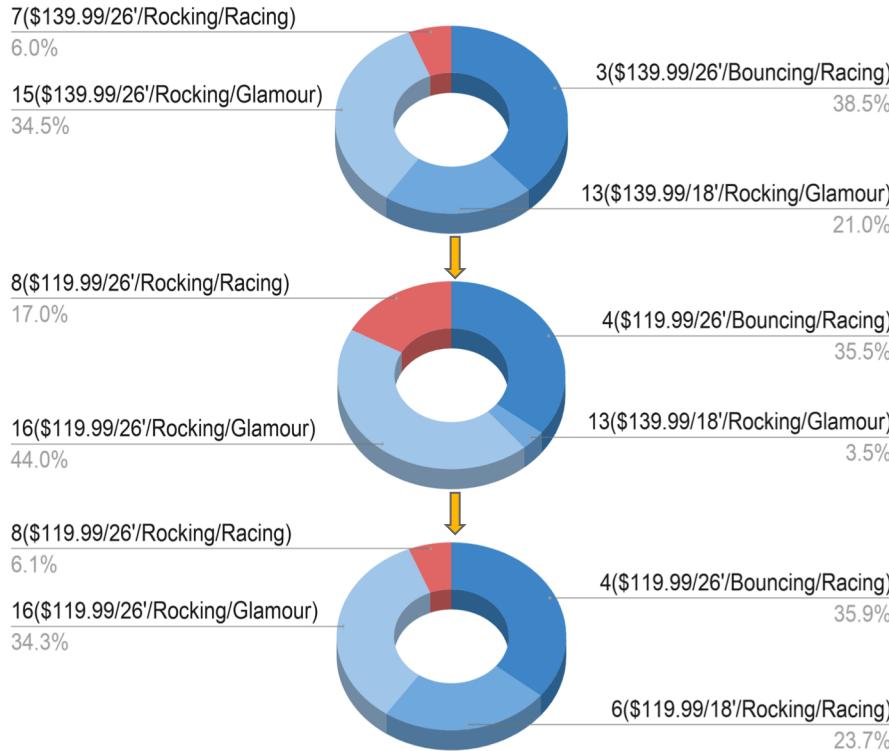


26" Rocking Glamour (Low Price)  
26" Bouncing Glamour (Low Price)

# Market Simulation (Current Market)

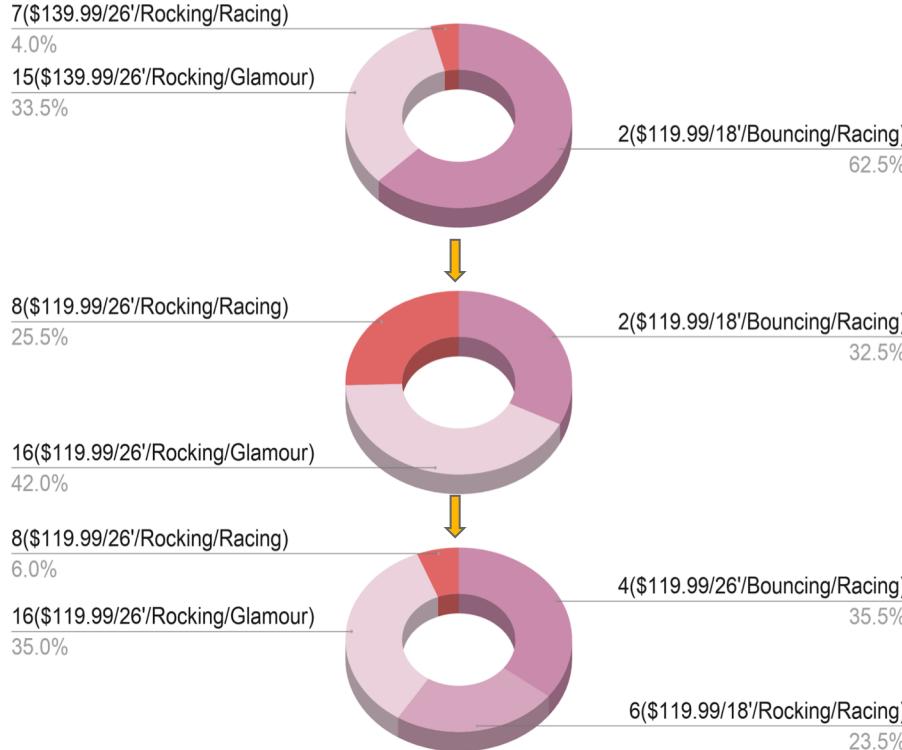


# Market Simulation (PL 3 to PL3)



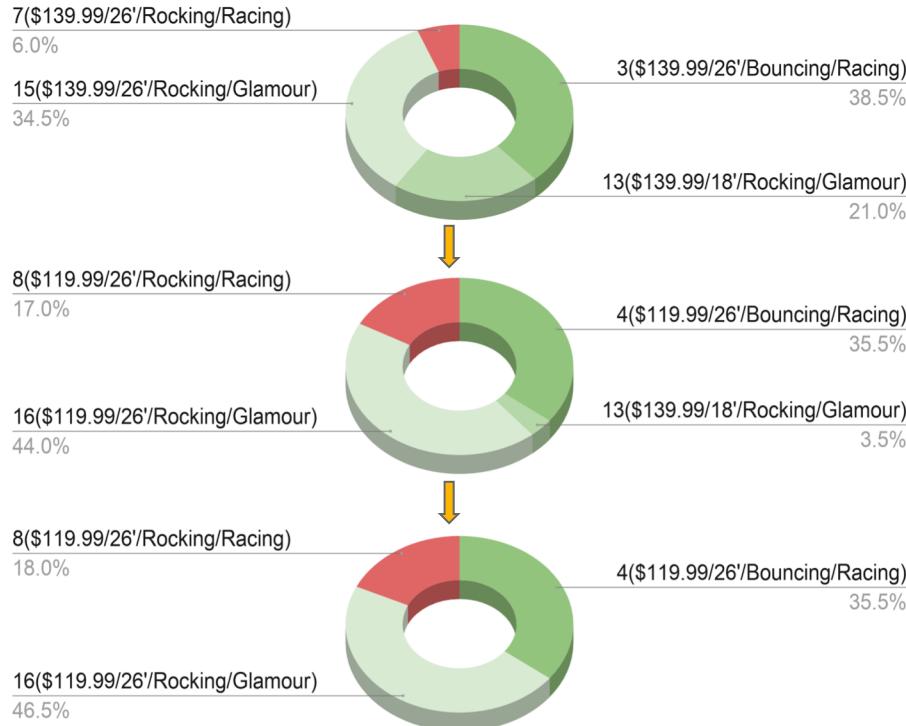
- Switching to product lines of 3
- All prices at \$139.99 at first, lower depending on competitor response
- Change product line in the year after
- Expected Profits:
  - Increase by 75%
  - \$313K

# Market Simulation (PL 2 to PL 3)



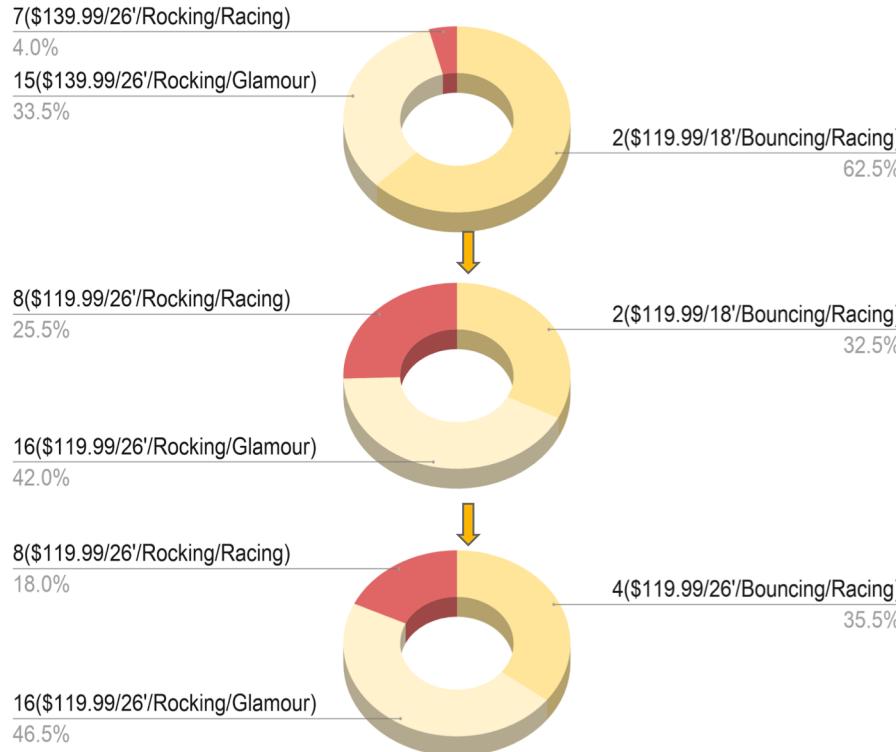
- Switch to 2 new products
- Competitor lowers its price in response
- Add 1 more product in the second year to win more market share
- Expected profit
  - Increase by 72%
  - \$299K

# Market Simulation (PL 3 to PL 2)



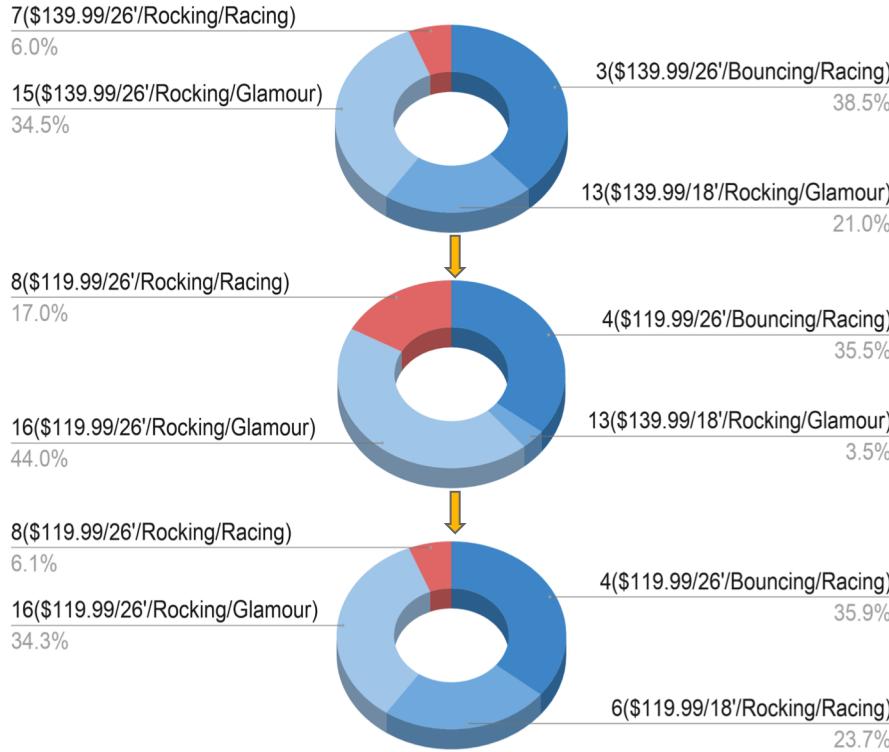
- Add 2 new products and drop 1 product
- Drop 1 product in the second year to reduce the cost but maintain the same market share
- Expected Profits:
  - Increase by 70%
  - \$289K

# Market Simulation (PL 2 to PL 2)



- **Switch to 2 new products**
- **Lower our price, switch one product**
- **Keep product lines of 2 to avoid extra cost**
- **Expected Profit:**
  - Increase by 66%
  - **\$275K**

# Recommendation: PL 3 to PL3



- Switching to product lines of 3
- All prices at \$139.99 at first, lower depending on competitor response
- Change product line in the year after
- Expected Profits:
  - Increase by 75%
  - \$313K



# EarlyRiders Toy Horse

MSMA Team 8

Hector Abreu Geng Luo Hairong Wang Ying Wang Yunjiao Liu

# Appendix

Profit calculation for current market in Excel



|             |         |          |      |           |
|-------------|---------|----------|------|-----------|
| Price       | 111.99  | 95.99    |      |           |
| Cost:       | 18      | rocking  | 33   | 5/6/13/14 |
|             | 26      | rocking  | 41   | 7/8/15/16 |
|             | 18      | bouncing | 21   | 1/2/9/10  |
|             | 26      | bouncing | 29   | 3/4/11/12 |
| Current Mkt |         |          |      |           |
| Profile     | 5       | 13       | 7    | 95862.8   |
| MKT Share   | 0.22    | 0.21     | 0.57 |           |
| Profit      | 49511.2 | 46351.6  | /    |           |

# Appendix

Profit calculation based on market share simulation in Excel



| PL3 to PL3 |           |          |          |           |           |  |
|------------|-----------|----------|----------|-----------|-----------|--|
| Profile    | 3         | 13       | 15       | 7         | 218789.07 |  |
| MKT Share  | 0.385     | 0.210    | 0.345    | 0.060     |           |  |
| Profit     | 101137.93 | 46351.60 | 71299.53 | /         |           |  |
| Profile    | 4         | 13       | 16       | 8         | 142966.80 |  |
| MKT Share  | 0.355     | 0.035    | 0.440    | 0.170     |           |  |
| Profit     | 75125.80  | -8941.40 | 76782.40 |           |           |  |
| Profile    | 4         | 6        | 16       | 8         | 164655.73 |  |
| MKT Share  | 0.355     | 0.235    | 0.350    | 0.060     |           |  |
| Profit     | 75125.80  | 32543.93 | 56986.00 | /         |           |  |
| PL2 to PL3 |           |          |          |           |           |  |
| Profile    | 2         | 15       | 7        | 229268.27 |           |  |
| MKT Share  | 0.625     | 0.335    | 0.040    |           |           |  |
| Profit     | 160808.33 | 68459.93 | /        |           |           |  |
| Profile    | 2         | 16       | 8        | 149870.20 |           |  |
| MKT Share  | 0.325     | 0.420    | 0.255    |           |           |  |
| Profit     | 77487.00  | 72383.20 | /        |           |           |  |
| Profile    | 4         | 6        | 16       | 8         | 157989.07 |  |
| MKT Share  | 0.355     | 0.235    | 0.340    | 0.060     |           |  |
| Profit     | 68459.13  | 32543.93 | 56986.00 | /         |           |  |

| PL3 to PL2 |           |          |          |           |           |  |
|------------|-----------|----------|----------|-----------|-----------|--|
| Profile    | 3         | 13       | 15       | 7         | 205349.07 |  |
| MKT Share  | 0.385     | 0.210    | 0.345    | 0.060     |           |  |
| Profit     | 101137.93 | 32911.60 | 71299.53 | /         |           |  |
| Profile    | 4         | 13       | 16       | 8         | 142966.80 |  |
| MKT Share  | 0.355     | 0.035    | 0.440    | 0.170     |           |  |
| Profit     | 75125.80  | -8941.40 | 76782.40 | /         |           |  |
| Profile    | 4         | 16       | 8        | 157407.20 |           |  |
| MKT Share  | 0.355     | 0.465    | 0.180    |           |           |  |
| Profit     | 75125.80  | 82281.40 | /        |           |           |  |
| PL2 to PL2 |           |          |          |           |           |  |
| Profile    | 2         | 15       | 7        | 229268.27 |           |  |
| MKT Share  | 0.625     | 0.335    | 0.040    |           |           |  |
| Profit     | 160808.33 | 68459.93 | /        |           |           |  |
| Profile    | 2         | 16       | 8        | 149870.20 |           |  |
| MKT Share  | 0.325     | 0.420    | 0.255    |           |           |  |
| Profit     | 77487.00  | 72383.20 | /        |           |           |  |
| Profile    | 4         | 16       | 8        | 150740.53 |           |  |
| MKT Share  | 0.355     | 0.465    | 0.180    |           |           |  |
| Profit     | 68459.13  | 82281.40 | /        |           |           |  |

# Appendix



Profit calculation based on market share simulation in Excel

|         | 1st year first six months                  | 1st year last six months  | 2nd year- 5th year  | Total Profit<br>(No discount) | NPV<br>(i = 5%) | Increase<br>(Compare to<br>current) |
|---------|--|---|---|-------------------------------|-----------------|-------------------------------------|
|         | we make the initial change in product line | competitor changes price as the response to our decision, and we change some prices accordingly | we change product line according to competitor's response, and assume competitor will not change any more |                               |                 |                                     |
| 2-2     | \$ 229,268.27                              | \$ 149,870.20   | \$ 150,740.53   | \$ 792,531.37                 | \$ 689,607.34   | 66.2%                               |
| 2-3     | \$ 229,268.27                              | \$ 149,870.20   | \$ 157,989.07   | \$ 821,525.50                 | \$ 714,086.33   | 72.1%                               |
| 3-3     | \$ 218,789.07                              | \$ 142,966.80   | \$ 164,655.73   | \$ 839,500.87                 | \$ 728,322.87   | 75.5%                               |
| 3-2     | \$ 218,789.07                              | \$ 142,966.80   | \$ 157,407.20   | \$ 810,506.73                 | \$ 703,843.88   | 69.6%                               |
| Current | \$ 95,862.80                               | \$ 95,862.80  | \$ 95,862.80  | \$ 479,314.00                 | \$ 415,035.76   |                                     |