FLY HIGH

Marketing Plan

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EXECUTIVE SUMMARY

This report provides an analysis and evaluation of the current and prospective marketing strategy and profitability of FLY HIGH.

FLY HIGH offers high-quality bikes at affordable prices. Our team expects to catch the interest of the public who are seeking affordable bikes with slightly different.

We offer bikes ranging from youth to speed segments, while mainly focusing on the recreation segment. We will focus on creating bikes with even higher quality for different segments at affordable prices.

We focused on the EUROPE region since the beginning. We chose Nantes and Amsterdam as our target cities. In the next quarter, we will expand our market to APAC, LATAM, and MEA by opening stores in Bangalore, Melbourne, Buenos Aires, and Marrakech.

While there are other companies in different regions, there are none that focus on low prices. Thus to be our primary selling-point. Additionally, none of our competitors focus on the youth segment, which we will focus on in the next quarter.

Our sales projections for the next quarter are $2,824,195. We project our revenue will be doubled after the store expansion in other regions.

OVERVIEW OF MARKETING STRATEGY

a) Company Mission

As one of the companies goes first into the industry, FLY HIGH focuses the early adopter customers that we plan to take the lead in the market and keep it all the way with the company growing. We focus on Recreation and Speed segments as our primary and second priority; and geographic markets which are in the middle of the cost/size continuum. For achieving the goal, we opened our first two stores in Amsterdam and Nantes in the European market considering the possibility of market expansion. FLY HIGH aims as being the market share leader and the low price provider in the market.

b) Company Strengths and Weaknesses

FLY HIGH is following a growing trend in the introduction phase of the products in the market. Our biggest strength is the low price compared to all other competitors in the market. According to the data, we have the lowest average price in the market.

This has brought us good marketing effectiveness, and certain market shares. Especially in the Recreation segment, which is our main priority segment.

While after the first four quarters, we found some weaknesses that FLY HIGH needs to improve. The two most serious weaknesses are advertising and future investments. According to the marketing research, we've spent the least on advertising, and owned the fewest local ads.

We are facing constraints by the limited demand of customers that ads bring us. If we cannot make the advertising more useful, we might lose the market shares we have now. Also, our expense in the future is the least in the market. FLY HIGH needs to keep and expand the market only if we consider it more for the future.

c) Marketing Objectives

Our objective is to sell as many bikes as possible, we do not focus much on the margin. We care about low-price in order to beat our competitors, our margin is pretty low because the price is our most important selling point and we want to have the biggest market share in each continent (but we start in Europe then spread to other continents). Concerning the brand image, we chose to emphasize on our low prices and yet still good quality of our bikes. In terms of profit, we are looking to be profitable in the later quarters (Q7/Q8). We have some operating profits in Q4 finally after having negative scores in Q3 but overall we are still with minus 688k dollar for cumulative net profit for division.

d) Planned strategy to achieve objectives

The way we want to achieve a high market share is to sell similar bikes but at a lower price than our competitors. We want to be the lowest-cost producer, hence produce a lot of units all around the world to sell them at a lower price thanks to economy of scale. Therefore, we always purchased all marketing research to know what's going on in each continent in order to see what kind of bikes are performing well and which prices are they being sold at. First, we started with a price just above the breakeven point, in which we set the price around 20% above the cost of production for 100 units. In Q4, we slightly increased the prices of all our bikes by around 4%. We plan to continue increasing price but we also need to check the competitor responses and adjust further.

Concerning the tech sector, we decided to focus on research and development that will benefit the demand of our comfort bike. We chose to develop features that enhance the comfort, better handlebar and tires, and we chose puncture-resistant slime in tires because it improves all bikes. It's more of an all-round choice.

We also want to adjust which segment we are targeting to try to get a good mix of how much demand there is and how much these customers care about the price. We started with the speed segment but apparently, they are not attracted by much lower costing bike so we are thinking about switching segment. We also see several other teams making speed their specific segment, therefore, it might be a good idea to drop it. Youth could be a good replacement, there were the low price are what matter heavily. However, after further discussion, we decided to keep the speed segment as our second most important segment because most of the profit margin comes from it. We are open to adjust it in Q6 or Q7 depending on the attractiveness of our speed bikes compared to competitors. As they might invest heavily in speed segment type of R&D.

TARGET MARKET SELECTION

a) Implications of Marketing Research

Marketing research is important for us to analyze ourselves and our competitors. We own the most brands of bikes at first. Marketing research helped us discover the viability over segments; especially our primary priority: Recreation segment. Because of the different geographic markets of different companies chose, we got a position in Europe at first. Starting with Recreation and expanding into work and youth segments, the demand report made us decide to focus and invest R&D in our “comfort max +” and “urban +” brands for their highest and keep increasing demand.

Also, the marketing research helped us eliminate the high cost but low return investment in the Mountain segment. Since the demand for high-requested functions would increase the cost of the products much higher than we are offering, we decided to eliminate mountain segment from the market in order to not against our “low-cost provider” company mission.

b) Rationale for Target Market Selection

In the first quarter, we focused on the European market. We choose Nantes and Amsterdam as our target region. In the next quarter, we chose Bangalore, Melbourne from the APAC region, Buenos Aires from the LATAM region and Marrakech from the MEA region.

After analyzing the market research and while choosing the target market we first focused on what product type we want to produce, and which segment do those match the consumer needs. Then we focused on our target customers and the geographic region we will be aiming towards. Our production of priority was of recreation, speed and mountain, then in the later stage youth. Our mission was to focus on geographic markets that do not have a high cost of setup and have a high-profit margin. Keeping in mind the customer needs, their willingness to pay and demand since these segments had higher preference by the targeted customers in the respective regions with a relatively lesser cost of setup, we choose them as our target regions.

We wanted to focus on geographic markets that are in the middle of the cost/size continuum and where we can minimize the distribution costs at the same time focus on high margin segments as our goal is to be the market share leader and profit margin leader. We wanted to be in those regions where there is relatively less competition so that we can have an attractive market which can draw more attention from the customers. We wanted to be a brand that cost-wise can be appealed to our targeted segments. The constraints of our company would be not having enough information and emerging new companies. The data on hand and the market research information are the only sources through which we chose our targeted segments which are appropriate for the firm.

TACTICAL DETAIL BY SEGMENT

a) Recreation

Overview of Products in Line

The products under this are "Comfort Max+" and "Comfort Max".

Benefits Delivered to Segment

We want to offer customers a comfortable and easy to ride bike. The tire and the seat are made of materials that make the ride easy without any discomfort. These products are targeted towards those who want to have a comfortable ride and for their recreational activities.

"Comfort Max +" is a more upgraded version of "Comfort Max" and costs more than the standard version because it offers greater speed, has better materials used and the seat is made up of more comfortable material. This is targeted towards those who want to have a high-end comfortable bike.

Pricing Strategy

We chose low pricing, especially because we found out we would be competing with FLY BIKES on this same segment in Europe. Our pricing is a little different between our two models, the cheapest one gives around 35% profit margin, while our higher range of recreation bike is 37.5% profit margin. However, in the beginning, our prices were even lower with a smaller profit margin as we were trying to make sure to earn the precious market share in the beginning. We plan to adjust prices higher continuously while still being lower than our competitors. We will also open in new continents and be as aggressive as possible on the pricing.

Sales force needs and promotions

So far we have seven salespeople per shop, and since recreation is one of our two main segments, we have two specialized people in selling recreation bikes.

b) Speed

Overview of Products in Line

The products under this are “Mad Flash” and “Flash +”.

Benefits Delivered to Segment

We want to offer customers a bike with high speed which is easy and light for racing and is made of enriched materials. This has safety gears and brakes for protection, and the accessories suitable for racing.

“Flash +” is a higher graded version of the flash series. The cost, materials, and parts used for this bike are more eminent and of superior quality when compared to the standard one.

Pricing Strategy

We chose to set a low price on speed bikes with 43% margin on our mad flash bike and 51% for our flash + bike. These prices were lower before as we didn’t know the competitor prices, which ended up higher than our initial estimations. However, we realize also that setting low price isn’t really a good strategy with speed bikes since the customers don’t value the low price of these, it might even be an indicator that stops them from buying it. We are thinking about changing this segment to simply changing our pricing strategy here.

Sales force needs and promotions

Among the seven salespeople per shop, we have two specialized trained sellers in the speed segment.

c) Youth

Product Line

“Kidz” is the new segment we are trying to extend to.

Benefits Delivered to Segment

This product is targeted towards youth and kids. The bike offers full protection accessories, is very child-friendly and easy to use.

Pricing strategy

We chose low pricing because this segment really cares about low prices. However, our margin is still pretty comfortable with the gross profit of around 37.4% [(489 – 306) /489]. (number based on most expensive COP with 100 units only) We only sold in Europe so far and we plan to open in MEA, LATAM, and APAC with adjusted prices in order to fit the willingness to pay of new customers while staying aggressive on the pricing to shut down eventual competition

Sales force needs and promotions.

So far we have seven salespeople per shop, and since recreation is one of our two main segments, we have two specialized people in selling recreation bikes.

Advertising

1. “Comfort +” and “Comfort Max +” - Get comfy

   This ad focuses on letting the customers know that the bike is comfortable, and the material used i.e. carbon fiber has got cheaper. It says that the bike is so comfortable that you will not find any excuses to nor rise it as it is so easy and comfortable to ride.

2. “Flash”, “Flash +” - BOLT

   This ad emphasizes the speed of the bike. The aim of it is to attract the customers who are interested in bike racing on a comfortable and lightest bike.

3. Media used (local and/or regional)

   Both print ads and web page are used as our advertising medium.

   Billboards, Posters, Radio, SEO, paid ads and Newspapers including the online website.

Marketing Mix

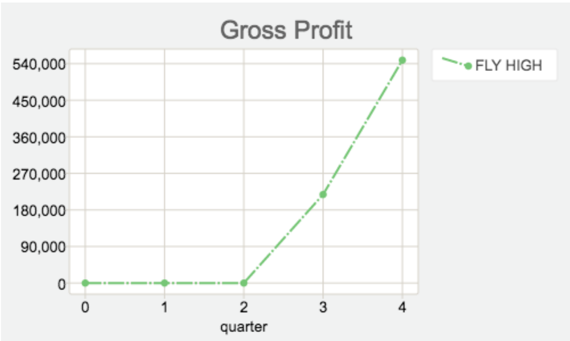
Our company targets each segment with different attributes. After doing the market research, according to the demand in the market we chose the regions. Each product has a different product line which serves as an upgraded version of the standard one. This is to target both low-end and high-end customers. Since we wanted to attract more market, even though our products are of superior quality, the price of the products is comparatively less to our competitors. We used both print ads and our web page as our promotion medium. These decisions have been taken after analysing the market and our competitors and are by far the most suitable strategies for our company.

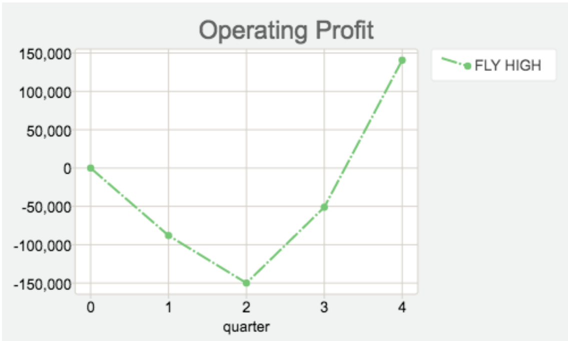
EXPECTED RESULTS

a) Profitability Analysis

Comparing Q4 with Q3, the company's revenue doubled with a slight decrease in the average cost of goods sold, which our gross profit increased by nearly 60 percent.

On the other hand, the company's operating profit became positive in Q4 even the operating expenses increased by nearly 50 percent.





The following will divide into two parts, which are profitability ratios and break-even analysis by comparing Q4 with Q3.

Profitability Ratios

	Q4	**Q3**	**Delta**
Gross Profit Margin Ratio	548,626/1,129,678 = **48.56%**	217,939/559,259 = **38.97%**	Increased 10 points
Operating Profit Margin Ratio	140,718/1,129,678 = **12.46%**	-51,045/559,259 = **-9.13%**	Increased 21 points
Net Profit Margin Ratio	-187,282/1,129,678 = **-16.58%**	-51,045/559,259 = **-9.13%**	Decreased 7 points

From the above, both gross profit margin ration and operating profit margin ratio increased in Q4.

The net profit margin ratio decreased in Q4, the main reason is the setup costs for new stores. Our company planned to open four stores to expand, which one store in LATAM, one store in MEA, and two stores in APAC. As a result, the net profit margin ratio decreased by seven points in Q4.

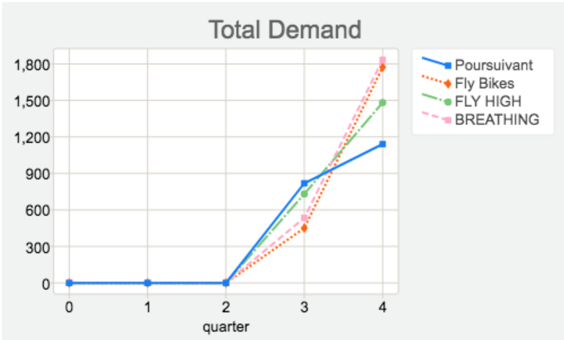
Break-even Analysis

	Q4	Q3	Delta
Fixed Expenses	735,908	268,984	173.59%
Variable Cost per unit	388	452	-14.16%
Price per unit	805	845	-4.73%
Break-even point	1,765	684	157.84%
Break-even Revenue	1,420,638	578,350	145.64%
Actual Revenue	1,129,678	559,259	102.00%
Break-even vs. Actual Revenue	-20.48%	-3.30%	Decreased 17 points

From the above, the variable cost per unit decreased more than the price per unit. which the unit margin increased in Q4. However, the fixed expenses increased by 174 percent in Q4 due to the store expansion. As a result, the difference between actual and break-even increased in Q4 by seventeen points.

b) Other Marketing Objectives

We aimed to use a lower price to gain a higher market share. Comparing with "Fly Bikes", another company in Europe, our average price is $805 while "Fly Bikes" is $898. This strategy helps us to gain higher demand in Q3, however, our demand is lower than our competitors when we adopted the same strategy.



As mentioned above, our company planned to open 4 stores to expand, which will be located in Buenos Aires, Marrakech, Bangalore, and Melbourne. This will help us to expand our market to LATAM, MEA, and APAC. We expect this will double our revenue while keeping the cost of goods sold the same, as a result, this will help to increase our gross profit and higher in gross profit margin ratio.

c) Anticipated Problems and Planned Responses

Since we will open four stores in other regions, which none of our competitors has market share in those regions in the past four quarters. There might be some risks on having competitions in those regions, as others might also invest in store expansion in Q4 and launch in Q5. However, as our company goal is to provide products in a lower price, which has the lowest average price among all the competitors, we are confident to build a strong market position when we entry new regions.

EXHIBIT: PROFITABILITY ANALYSIS

▣ FLY HIGH - Profitability

(Unit : 1USD)

Profit	Quarter 3	%	Quarter 4	%	Quarter 5 (Est)	%
1. Revenues	**559,259**	100.0%	**1,129,678**	100.0%	**2,824,195**	100.0%
- Rebates	10,555	1.9%	5,580	0.5%	10,000	0.4%
- Cost of Goods Sold	330,765	59.1%	575,472	50.9%	1,440,000	51.0%
2. Gross Profit	**217,939**	39.0%	**548,626**	48.6%	**1,374,195**	48.7%
Store Leases	60,000	10.7%	60,000	5.3%	180,000	6.4%
+ Sales and Service Personnel Expense	69,254	12.4%	90,077	8.0%	180,154	6.4%
+ Brand Promotions	0	0.0%	0	0.0%		0.0%
+ Special Programs	0	0.0%	0	0.0%		0.0%
+ Ad Creation/Revision	18,000	3.2%	12,000	1.1%	24,000	0.8%
+ Point of Purchase Display Expenses	800	0.1%	1,600	0.1%	3,200	0.1%
+ Advertising Expenses	17,330	3.1%	20,631	1.8%	41,262	1.5%
+ Internet Marketing Expenses	3,600	0.6%	3,600	0.3%	7,200	0.3%
+ Engineering Cost for New Brands	0	0.0%	120,000	10.6%	0	0.0%
+ Market Research	100,000	17.9%	100,000	8.9%	100,000	3.5%
= Operating Expenses	**268,984**	48.1%	**407,908**	36.1%	535,816	19.0%
3. Operating Profit	**-51,045**	-9.1%	**140,718**	12.5%	**838,379**	29.7%
+ Other Income	-		-			
- Other Expenses	-		-			
- Research and Development Costs	-		-		150,000	
- Set Up Costs for New Stores	-		328,000		-	
= Net Profit for Division	-51,045		-187,282		688,379	
4. Cumulative Net Profit for Division	**-501,045**		**-688,328**		**51**	

▣ Brand Profitability in Q4

Report Item	Comfort Max +	flash+	mad flash	kidz	moutain +	urban +	Comfort Max
Segment	Recreation	Speed	Speed	Youth	Moutain	Work	Recreation
Units Sold	426	197	185	344	106	143	81
1.Brand Revenues	**276,474**	**255,903**	**203,315**	**168,216**	**105,894**	**71,357**	**48,519**
- Rebates	-	2,940	1,840	-	-	-	800
- Cost of Goods Sold	141,159	113,613	105,359	85,796	61,906	39,281	28,356
2. Gross Profit	**135,315**	**139,350**	**96,116**	**82,420**	**43,988**	**32,076**	**19,363**
Brand Design	-	-	30,000	30,000	-	30,000	30,000
+ Ad Design	-	-	-	-	-	6,000	-
+ Brand Advertising	-	-	8,652	-	-	7,343	-
+ Point of Purchase Display	400	400	400	-	-	-	400
+ Internet Marketing	-	-	1,200	-	-	1,200	-
= Expenses	**400**	**400**	**40,252**	**30,000**	-	**44,543**	**30,400**
3. Brand Profit	**134,915**	**138,950**	**55,864**	**52,420**	**43,988**	**-12,467**	**-11,037**
4. Profit per Unit	**317**	**705**	**302**	**152**	**415**	**-87**	**-136**
% from Brand Revenues	48.8%	54.3%	27.5%	31.2%	41.5%	-17.5%	-22.7%