2017

Annual Financial Report

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Koln Muesli
7/5/2017

€ 19,340,173.84

Total Sales

€ 3,229,891.02

Net Income

24 Percent

Market Share

Koln **Muesli** 2017 Financial Report

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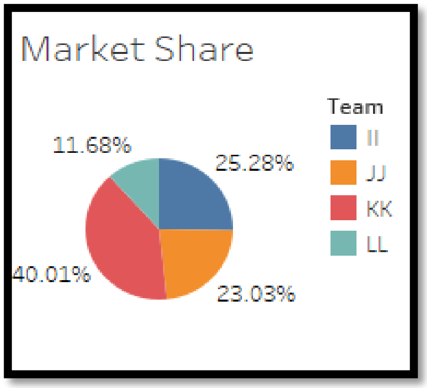
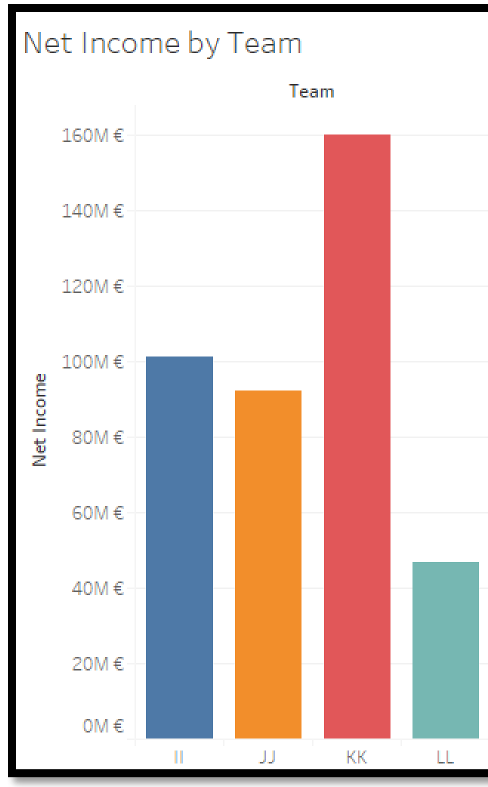
Financial Standing

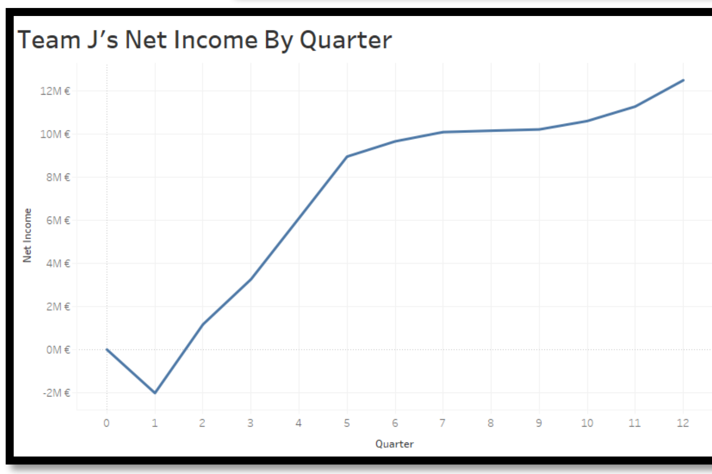
As a team, we finished third out of four teams in cumulative net income. We grew the company to a net income of 92,041,976 euros which put us far ahead of the competitor finishing last, and within a small distance of the team that finished second. With more time and a few adjustments, our team is positioned competitively in the current market. Koln Muesli maintained a roughly 25% share through all quarters.





Profitability

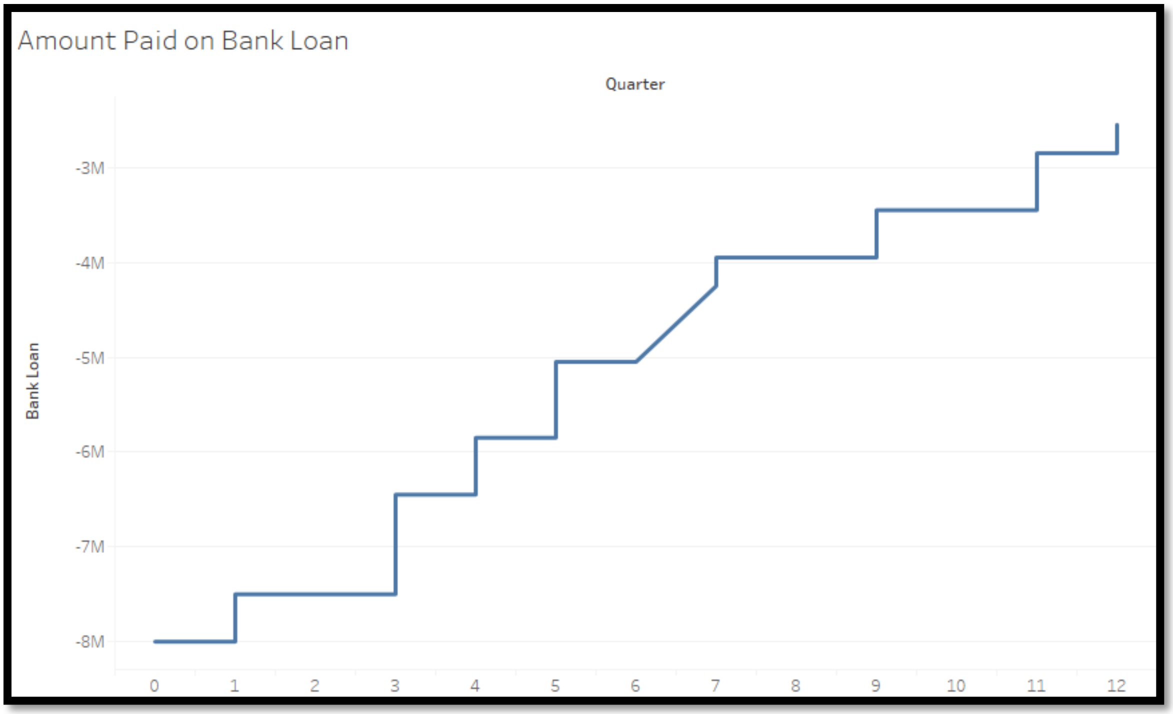
Team J grew increase their net income each quarter. The net income grew from a deficit of two million to thirteen million over twelve quarters. There were no quarters where we saw loss. We were able to grow despite fluctuating prices and a volatile market.



Investments

Loan Repayment

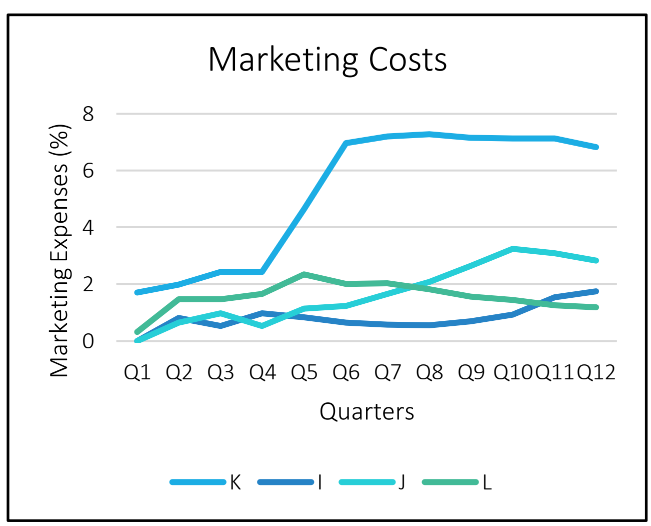
After receiving the $8M bank note at the beginning of this year, we made it our mission to incur the least amount of interest as possible by paying off as much as we could when our disposable funds would allow. We did not have a set schedule at which we would pay it because our on-hand cash fluctuated so rapidly, and we could not immediately use the sales revenue that we generated due to the delay from our customers' accounts. We decided that we would pay as much as we could afford, when we could afford it. Ultimately this amounted to an average of $450K per month. We managed to pay the loan down to an impressive $2.55M while achieving a final credit rating of AAA+.



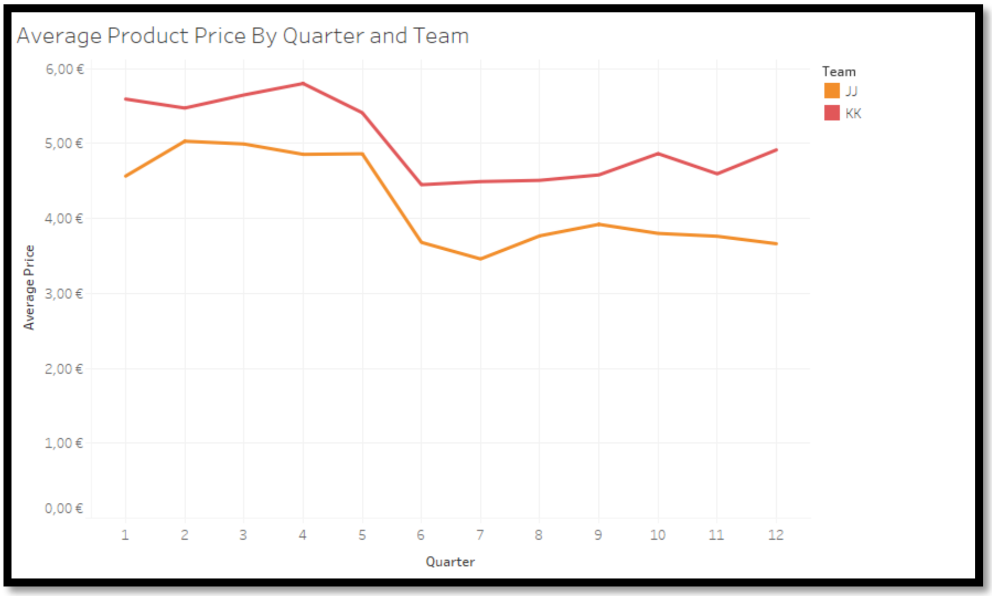
Production Capacity Increases

At the beginning of this production year, we decided that we would pursue a high-volume sales model. To achieve this goal, we invested $500,000 right off the bat to reduce the setup time on our sales floor so that we could save an extra 4 hours of production time. Over the course of the year this amounted to a staggering 960 hours of production time regained to apply to increasing the volume that we produced. This extra time netted us an additional 960K products that we were able to produce had we not made the investment. The extra units that we were able to produce rather than allowing our factory to incur downtime allowed us to sell products at lower prices giving us a competitive advantage.

Advertising



At first we spent little on advertising however, in quarter 4, as a team, we decided to raise our marketing costs to raise our sales. Sales did not increase when we were spending more on marketing. Once it was established advertising was not helping, we dropped advertising all together. In making this change, sales stayed the same. Our company implemented the Walmart model. Advertising was not as effective and subsequently not worth the cost. The data suggests that we should not invest in marketing. This can be seen in the success of team I with their low marketing costs and high volume of



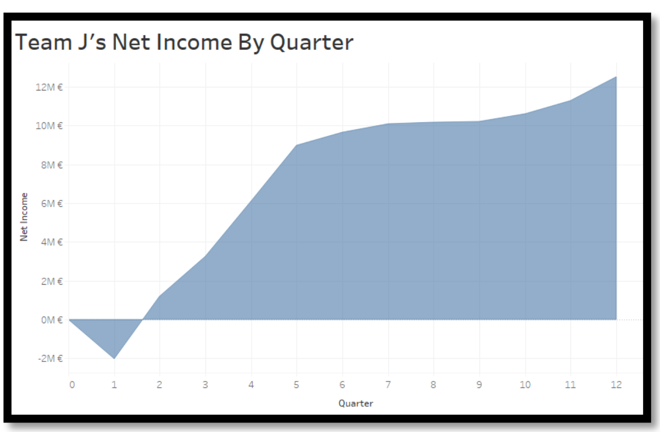
sales. Team K was able to spend a significant amount more than us on marketing because they went with a more boutique model. This model implored a high cost product as well as large investments in marketing.

Strategic Implementations

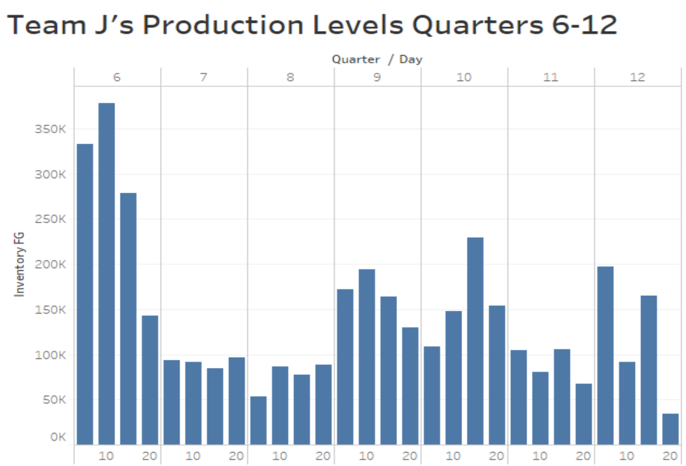
Strategies Employed

- Focus on 1 kilogram boxes
- Keep both prices and the cost of the product as low as possible.
- Keep advertising cost low in markets that are not as susceptible to its use.
- Keep an eye on products that have high sales so that production of those products can be increased and the cost of those products reduced.
- Maximize production so that we can implement a high volume, low price strategy.

Revisions to the Plan

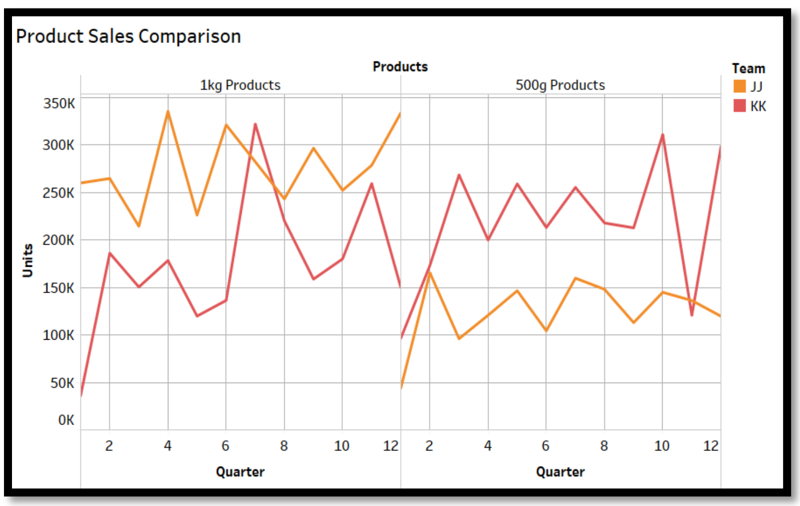


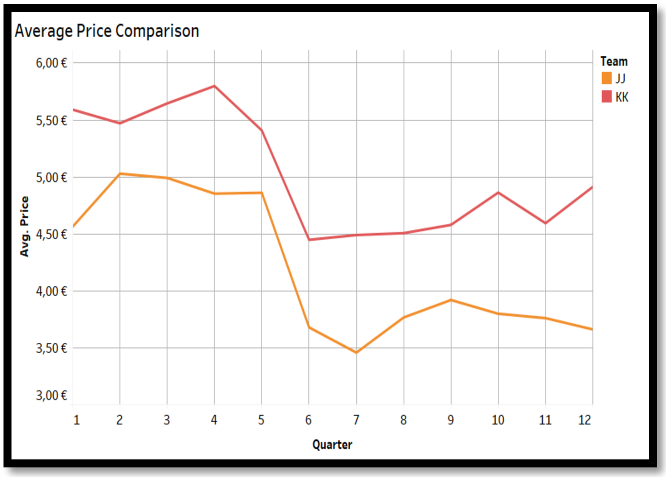
Some revisions were necessary due to costs incurred through warehousing. These costs were observed in quarter six and then remedied in the subsequent quarters. This can be seen in the slowdown of growth at quarter six and the picking up of growth in the following quarters. Once there was some time to recoup some of the costs growth picked up to normal levels. Any time that the level of finished goods reached above 250,000 extra warehousing costs were incurred. Those costs cut into our net profits. Once changes were made to the production levels we were able to recoup some of the money that we lost.



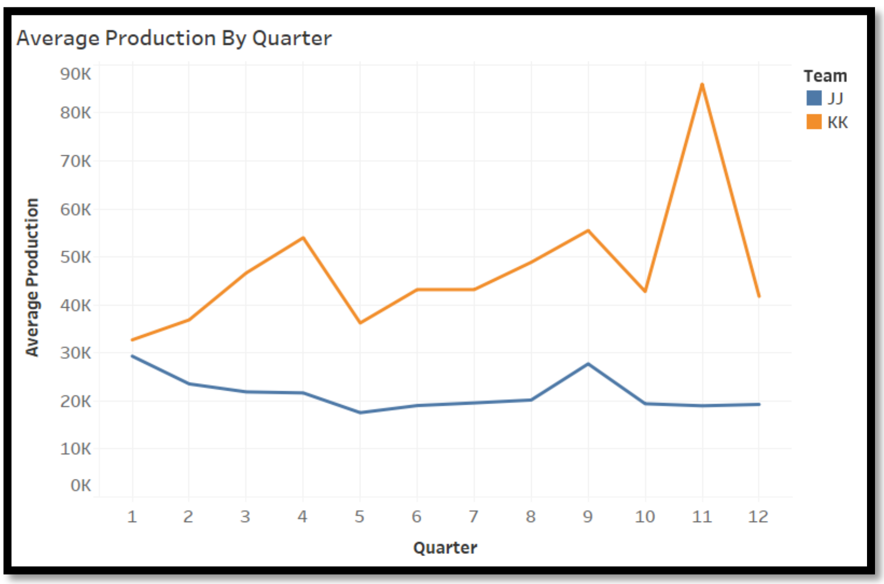
Comparisons with a better performing team

Team K nearly doubled our sales of 500g Muesli because they followed a more boutique model which was to target the independent grocers and grocery store chains instead of the hypermarkets like our model tried to target. On the inverse, our sales of 1kg Muesli nearly doubled theirs because of our business model of targeting the grocery stores and hypermarkets.



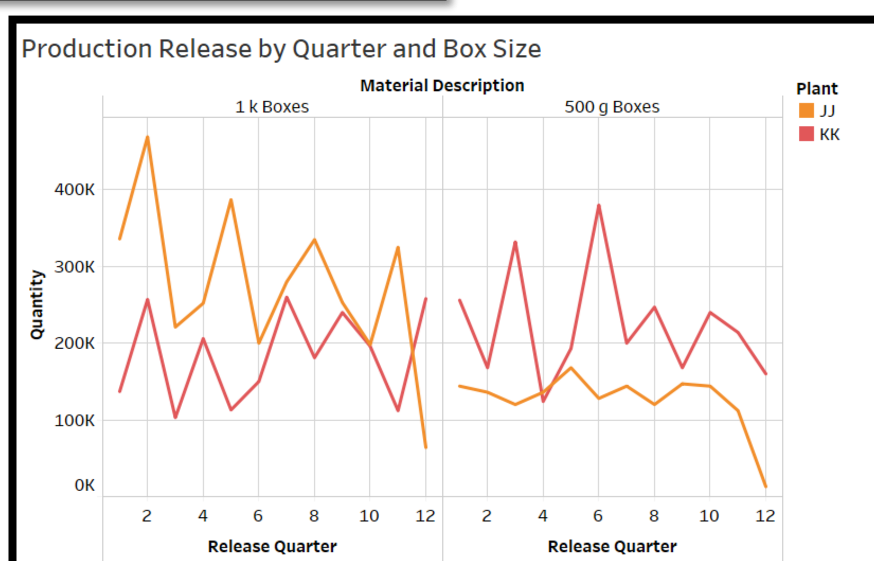


Our business model was to have an incredibly high sales volume while offering products at a massive discount. The problem with this model became apparent with regards to the amount of merchandise we could have on hand at any given time. The warehousing costs associated with maintaining a large inventory ate into the smaller margins we were taking on our discounted merchandise which yielded us a lower net income. Team K on the other hand was relying on higher margins with lower sales which is indicated in the left chart.

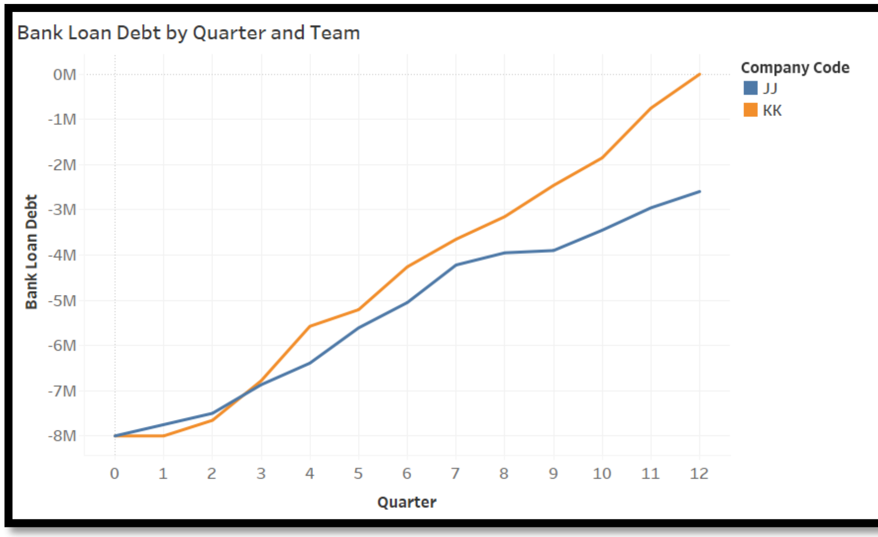


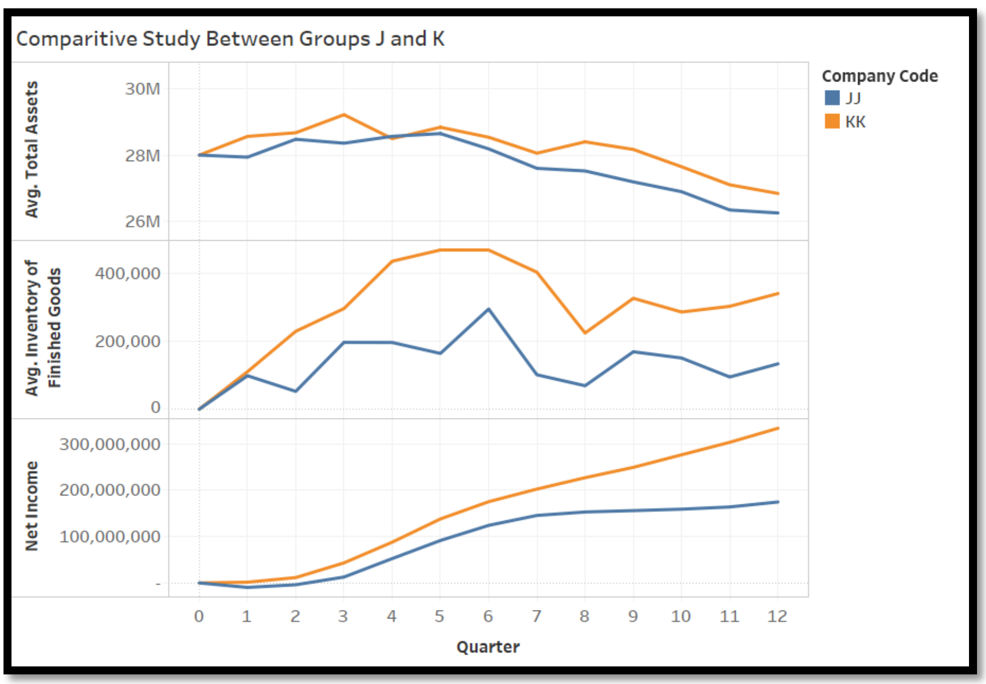
Throughout all the quarters we felt that it was important to keep our warehousing costs at a minimum. The amount that we spent on warehousing could not be recouped because of the low margins on our goods sold. In contrast to this, Team K could incur these costs because of their high margins. The high production high margins model served them well.

Although our production levels were far lower than those of the of team k, our production levels for one kilogram goods were consistently higher throughout all quarters. Team K focused their attention on production of five hundred gram boxes. They could keep their margins high enough to justify incurring warehousing costs as overhead. Their margins were so good that they could also justify the high marketing prices as well.

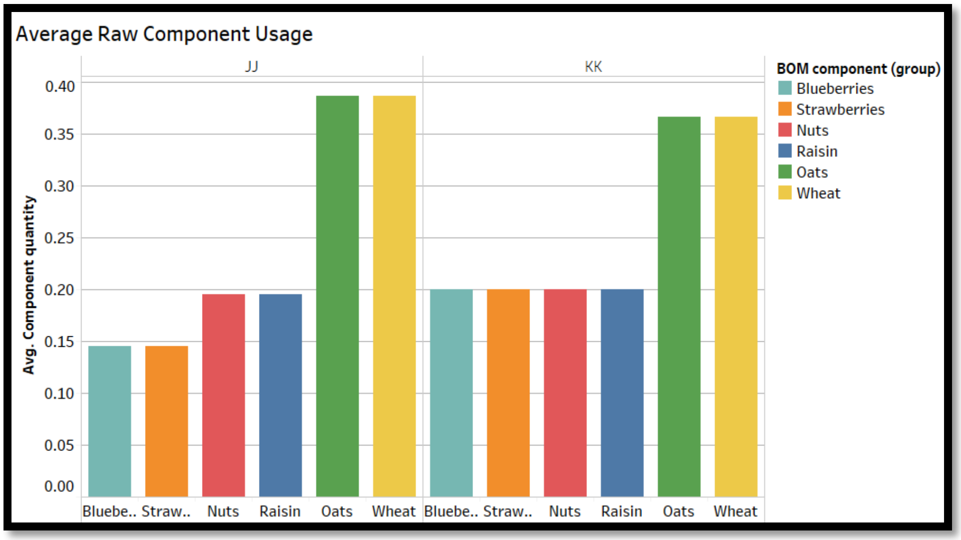


Another benefit of high margins was the team's ability to pay off their bank loan at a faster rate. With a higher credit rating, they set themselves up to pay far less in interest over the course of the term. We took a more conservative approach to paying our loan back. We kept our production under the warehousing threshold so we did not have to pay our loan back at such a rapid rate. With production levels, low we did not have to worry about our borrowing rate for new infrastructure.





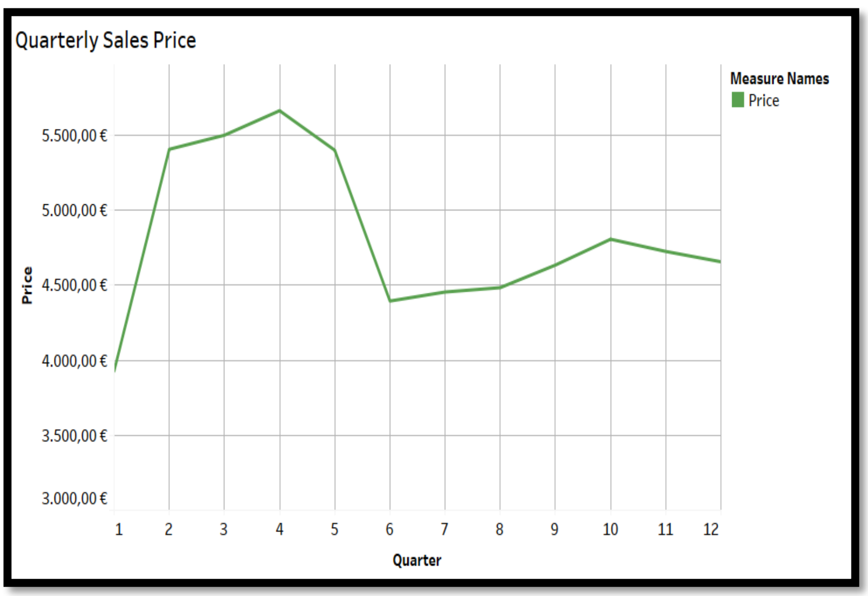
While our average total assets were very close in line with team K's, their average finished good's inventory was much higher than ours at all times. Their net income grew proportionally to their inventory as it scaled upward.



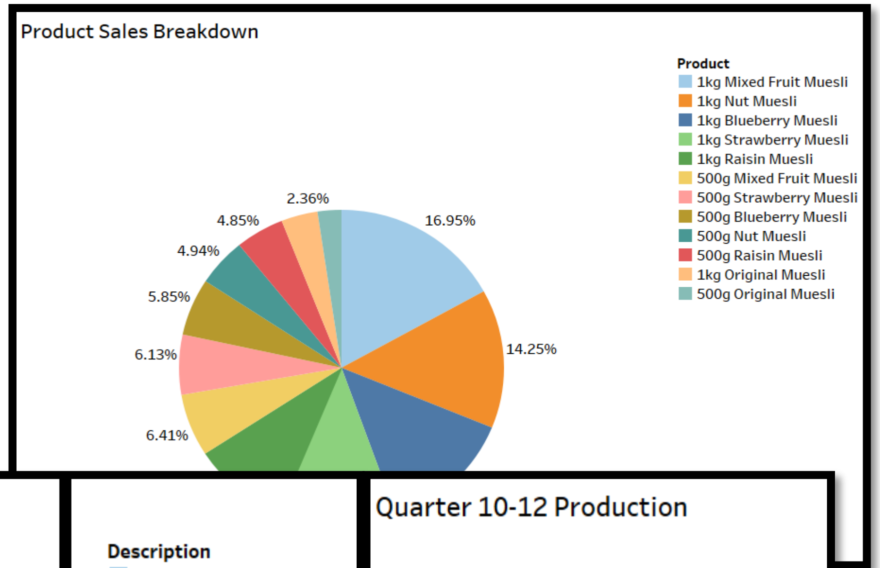
In order to save money on the cost of materials our group took an approach that team K did not, we reduced the amount expensive ingredients in the product and replaced them with less expensive ingredients.

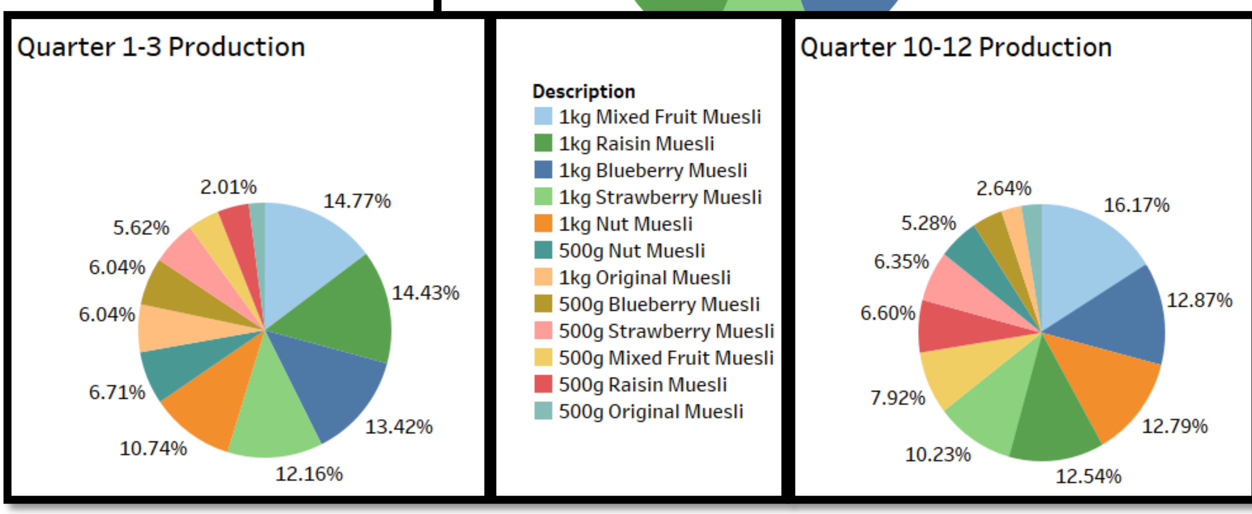
Market Analysis

An interesting market trend that all companies experienced was found in quarters 4 through 9. During the first few quarters, all companies had to build their inventory from nothing to match the market demand for products. This immediate demand drove prices up to accommodate for the surge of sales. Once the market prices topped out in quarter 4, all teams experienced a decrease in sales. This caused all teams to decrease their prices to meet the demands of the market, and when that happened, it sparked a fire sale that caused all teams to race their prices lower and lower to try to generate more sales than the competition. Once the prices bottomed out, all teams very quickly sold all their on-hand merchandise. This caused a widespread market shortage of merchandise which drove prices back up once more, to accommodate for the shortage.

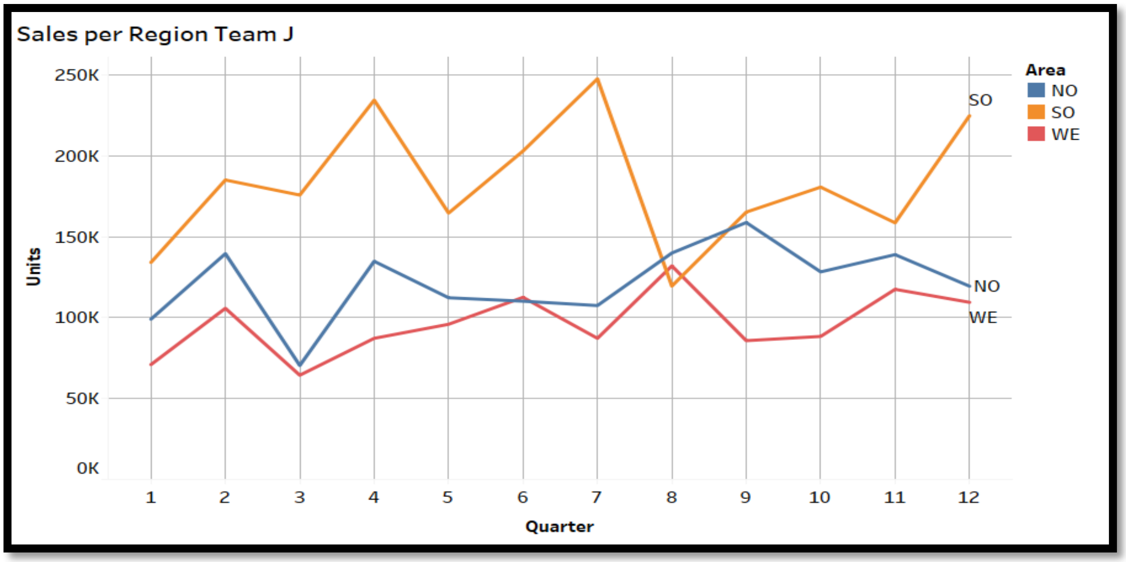


The bulk of our customers ordered large quantities of the 1kg units therefore most of our sales revenue was generated from the large boxes. Based on market demand we adjusted the production of these products to make sure we always had them on hand.

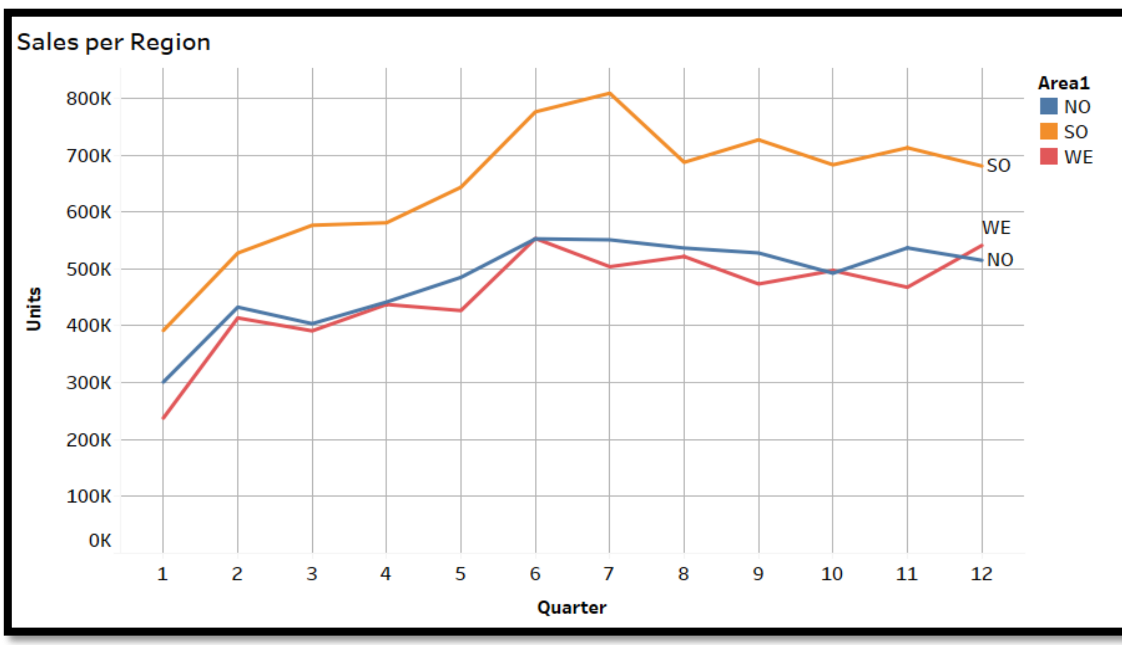




Through market analysis our team was able to make adjustments to the goods that we chose to produce. The sales of the original product in both 1K and 500g boxes did not do as well as other products. In later quarters we made adjustments to our production to match demand. Sales of mixed fruit proved to be very popular and again we made adjustments to our production in order to match this trend. Throughout all quarters our team held true to the large scale sale of 1K boxes of cereal and smaller scale production of 500g boxes in order to target the hyper markets. In this way we would be able to charge less and sell more of the products in these markets without having to make large investments in marketing.



The success that we experienced in each region mirrored those successes felt by all groups in the competition. There were times when we did better than other groups in the North. It is our assessment that there are more hyper markets in the North as compared to other regions accounting for our greater success. Given more time we could experiment with greater marketing in the North to capitalize on the higher than normal levels of hyper markets in this area.



Conclusion

Although we finished third in the competition we were far ahead of the group in fourth position and right at the heels of the team in second. Given the implementation of a few changes we are confident that we can raise our standings in the market. These changes include increasing capacity so that we can produce more items without having to incur warehousing costs, being more strategic as to when we produce our large-scale items, reduce setup time, and increase production of those goods that we can sell at a higher price. We will also increase marketing to the North. This could function to increase our sales in a market that has more hyper markets available to the consumers. In addition, we will increase our production of those items that are selling at a greater rate and drastically reduce the production of those goods that are not selling as well. At this point the independent grocers are cornered by another team. This leaves our team with the opportunity to take over the chain grocers and hyper markets. With the right marketing and production rates we are poised to corner these markets and increase our position in the current market.