**Executive Summary:**

After an interesting first three quarters, our company must make a few key changes in quarters 4-6 in order to maintain success going forward. After the practice rounds, we maxed out the number of salespeople in each of our three stores (7 in each) as well as our web sales center (7) in order to increase sales. After also improving our advertising by highlighting key aspects of our bikes, we saw a significant increase in our ad and price judgement, further increasing demand. Because of this rapid increase, we struggled to keep up with demand due to not acquiring an adequate amount of fixed capacity in quarter 2. Although we are in a good spot in terms of market share, we know that we must make a few changes in future quarters. Looking forward, we will be opening up a fourth store in Bangalore, and continuing sales in our other three stores as well as online. After experiencing a 33% stock out in quarter 3, we are making some adjustments in quarter 4 to avoid additional stockouts before our fixed capacity increases in quarter 5. In order to control product demand, we have slightly increased prices in our bikes that had price judgements over 95, as well as decreased the number of salespeople across the board. With the hopes that we can keep sales at a sustainable level in quarter 4, we will be going back to our normal staffing levels in quarter 5, once we are able to acquire more fixed capacity. In terms of competitive advantages, we are staying in line with our start up plan but making some small adjustments. We are still providing high quality bikes at low prices, excluding our adjustments for quarter 4. Because we entered into several markets early in the company’s life, we were able to establish impressive market shares in each segment. Internally, we also have a competitive advantage because we compensate our employees at above industry average in all but one area. Our pension compensation area was 1% below industry average in quarter 3, so we increased it to industry average in our quarter 4 decisions. Overall, we are happy with our results from the first 3 quarters and are hopeful that our adjustments in quarter 4 will set us up to continue being successful in quarters 5 and 6.

**Industry and Market Analysis:**

**Company Performance:**

Overall, Cycologist performed extremely well compared to competitors in our industry. Appendix A compares our performance metrics to the second best performing company in our industry, Bikez. We achieved the top performance metrics in many areas including total performance, financial performance, market performance, marketing effectiveness, wealth, asset management and financial risk. Three areas we struggled in were manufacturing productivity, human resource management and investment in future. In manufacturing productivity we placed second in our industry with a score of .875 compared to the high score in our industry of 1. This can be explained by our need to authorize overtime in response to underestimating quarter 3 demand and not acquiring enough fixed capacity in quarter 2. In human resource management we placed third in our industry with a score of .724 compared to the high score in our industry of .771. This can be explained by our low production worker productivity which is also attributable to authorizing overtime because we did not have enough fixed capacity in quarter 3. In the investment in future category, we placed 3rd in our industry with a score of 3.694 compared to the high score of 4.63. As explained in the balanced scorecard, a score greater than 3.0 is considered a good score so we are not very concerned about placing third in our industry. However, this score can be explained by having the highest revenues in our industry, so as a percentage of revenues, our cumulative expenses that benefit our firm’s future came out to be low.

**Porter’s 5 Forces Analysis for Primary Segments:**

Appendices C and D identify and explain the threat of rivalry, new entrants, substitutes, buyer power and supplier power in our two primary segments, recreation and mountain. In our recreation segment, the threat of rivalry, buyer power and supplier power are high, the threat of new entrants is medium and the threat of substitutes is low. In our mountain segment, the threat of rivalry, buyer power and supplier power is high, the threat of new entrants is medium and the threat of substitutes is low.

**Competitor Resources and Capabilities Analysis:**

Appendix B identifies the resources and capabilities of our company, Cycologist, compared to each of the competitors in our industry. Our key advantages, in regards to resources and capabilities, compared to our competitors are our number of brands, market share and sales personnel productivity. We have a product offering of 5 bikes including 2 recreation bikes, 2 mountain bikes and 1 speed bike. Our closest competitor in this regard, Cycle of Life, has a product offering of 4 bikes including 2 recreation bikes, 1 mountain bike and 1 speed bike. By having a larger product offering than our competitors, we have been able to capture a high market share. Our global market share in quarter 3 was 2,051 bikes (31%), the second highest market share in the industry, behind Cycle of Life which had a market share of 2,323 (35%). While we did not have the highest market share in the industry in quarter 3, we did have the highest actual sales of 1,374 bikes or 34% of actual bikes sold, the highest in the industry. This is attributable to Cycle of Life having a stock-out percentage of 59% while ours was 33%. In quarters 1 through 3 we set the precedent of paying our sales personnel well over industry averages and will continue to do so in quarters 4 through 6. Maintaining higher than average sales personnel compensation allowed our sales personnel productivity to be the second highest in the industry at 74%. In quarter 3 our firm and Bikez had fixed capacity of 24 units/day which was the highest in the industry. One area our firm struggled in quarter 3 was production worker productivity. Our production worker productivity in quarter 3 was the lowest in the industry, at 71%, which was due to having lower compensation than our competitors as well as needing to authorize overtime due to our demand exceeding our fixed capacity. In quarters 4-6 we plan to increase production worker compensation as well as acquire 2 new printers to be available in quarter 4 and an additional 4 printers to be available in quarters 5 and 6 which was made possible by our great ending cash flow position in quarter 3. Once we acquire additional printers, our fixed capacity will be 72 units per day, available in quarter 5 and 6. Acquiring additional printers will solve our stock-out issue (33% in quarter 3) and allow us to increase demand and production worker productivity in quarters 5 and 6. In quarters 1 through 3 we maxed out the number of sales personnel in our stores and our competition, Bikez and Cycle of Life, did as well. In quarter 4, we plan to keep our number of salespeople the same in order to address our stock-out and fixed capacity issue however, once we acquire additional fixed capacity in quarters 5 and 6, we plan to increase our number of sales personnel. In quarter 3 our firm had 12 advertisement inserts, the second lowest in our industry, however our ads were received well by our customers and had high ad judgement scores. In quarters 4-6 we plan to increase the number of advertising inserts for each of our bikes. We believe that our market share will be a sustainable competitive advantage for us long term. Despite not having the highest market share in quarter 3, we did have the highest overall sales and this will continue to increase once we acquire more fixed capacity. Acquiring more fixed capacity will also solve our stock-out issue and we will be able to regain lost customers. We also plan to open stores in every market by quarter 5 which will give us broader customer reach and increase demand. Continuing to increase all of these factors quickly and efficiently will push us past our competitors in the race to gain market share.

**SWOT Analysis:** From looking at our SWOT analysis, we have concluded that there are several factors that we need to be mindful of in upcoming quarters. There are several key threats that could harm our business in the future, all of which result in lost sales and a lower market share. Although these threats are all possible, we hope to use our strengths to minimize the chances of them happening. Through providing our employees with above average benefits and increasing our fixed capacity, something that we have been struggling with, we believe that we can continue to be successful and grow our market share both overall and within specific segments.

|  |  |
| --- | --- |
| **Strengths:**  -High market share  -Biggest product offering  -Over 70% worker productivity  -Located in cities with highest overall demand  -Best overall performance, financial performance | **Opportunities:**  -Open stores in Rio de Janeiro and Bangalore  -Invest in R&D to differentiate our bikes  -Increase employee benefits in order to improve productivity levels |
| **Weaknesses:**  -Not enough fixed capacity  -33% stock-out  -Low production worker productivity | **Threats:**  -Lost sales in future quarters due to stock outs  -Low profit margins due to low prices on high quality bikes  -Competition increasing number of bikes they produce in our segments |

**Summary of Key Changes and Improvements Required:**

We have chosen not to make any key changes to our Mission Statement/Strategic Decisions. When looking back on how we prioritized the selling of our different bikes, our strategy remains the same. We have continued to put recreation as our top priority, followed by mountain and speed. In terms of the market size that we had originally planned to target, we are still in line with focusing on large, highly competitive markets. It is because of those strategies that we have been entering into several new markets over the last quarter, hoping to gain first mover advantage as we take our company global. Within the geographic markets that we will be targeting, we are still planning on focusing on markets that fall in the middle of the cost/size continuum. In terms of competitive postures, we are still working on building a market position and defending it. This strategy comes from our second competitive posture, which is to attack the competition on their home ground by providing a less expensive product with similar quality. After extensive R&D, we have produced high quality bikes, then priced them relatively low in order to capture a large market share. Lastly, we have continued to keep up with our distinctive competency, which is to be the technology leader. We have done this by conducting extensive R&D, analyzing competitors’ decisions, and doing in depth analysis of previous quarters results in order to ensure that we can respond quickly and make changes for future quarters.

**Financing:**

Our company has decided that in quarter 4, we will be taking out a $1,000,000 loan. We have decided to take this course of action because it gives us the freedom to pay the loan back when we have the funds available. This was favorable to us over seeking Venture Capital investments because we feel as though we will have more control over our finances, being able to create our own timeline of when we wish to pay back the loan. After our performance in quarters 1-3, we are now able to take out a loan of up to $3,850,015. Though we do not anticipate needing that full amount, it is greater than the $2,500,000 that would be available to use through Venture Capital investments. We are including the quarterly interest charges of $22,695 in our financial planning, and will update accordingly as we pay back the loan or take out additional funds.

**Appendix:**

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   6. **Article 6: Bangalore: Cycling to Work: How to Get Started?**
7. **Ansoff Matrix (+ 2 points)**
8. **Pestel Analysis (+ 2 points)**
9. **Balanced Scorecard Report Quarter 3**

|  |  |  |  |
| --- | --- | --- | --- |
|  | Cycologist | Bikez | Top Industry Leader |
| Total performance | 10.696 (1st in industry) | 6.559 | 10.696 |
| Financial Performance | 34.819 (1st in industry) | 27.748 | 34.819 |
| Market Performance | 0.218 (1st in industry) | .188 | 0.218 |
| Marketing Effectiveness | .768 (1st in industry) | .720 | .768 |
| Investment in Future | 3.694 (3rd in industry), we had very high net revenues so our expenses that benefit the firm’s future seem very small | 4.058 | 4.639 |
| Wealth | 1.027 (1st in industry) | .976 | 1.027 |
| Human Resource Mgmt | .724 (3rd in industry), production worker productivity was low this quarter due to overtime because we underestimated demand and didn’t have enough fixed capacity | .731 | .771 |
| Asset Mgmt | .764 (1st in industry) | .605 | .764 |
| Manufacturing Productivity | .875 (2nd in industry) | 1 | 1 |
| Financial Risk | 1 (1st in industry) | 1 | 1 |

1. **Competitor Resources and Capabilities Analysis**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Cycologist | Bikez | ExoCycle | Cycle of Life |
| Number of Brands on the Market | 5 | 3 | 2 | 4 |
| Market Share in Units | 2,051 (31%) | 1,629 (25%) | 606 (9%) | 2,323 (35%) |
| Stock-Out % | 33% | 33% | 0% | 59% |
| Actual Sales | 1,374 (34%) | 1,091 (27%) | 606 (15%) | 952 (24%) |
| Advertisement Inserts | 12 | 15 | 4 | 14 |
| Number of Sales Personnel | 14 | 14 | 10 | 14 |
| Number of Stores | 2 (NY, Amsterdam) | 2 (Amsterdam, Bangalore) | 2 (NY, Rio) | 2 (NY, Amsterdam) |
| Sales Personnel total compensation | 25,208 | 24,213 | 22,024 | 27,416 |
| Sales Personnel Productivity | 74 | 73 | 68 | 77 |
| Production Worker Total Compensation | 20,889 | 21,215 | 22,024 | 25,480 |
| Production Worker Productivity | 71 | 73 | 72 | 78 |
| Fixed Manufacturing Capacity | 24 units/day | 24 units/day | 16 units/day | 16 units/day |
| Operating Capacity | 24 units/day | 23 units/day | 15 units/day | 15 units/day |

1. **Recreation Porter’s 5 Forces**

|  |  |  |
| --- | --- | --- |
| **Force** | **Level** | **Explanation** |
| **Rivalry** | High | In the recreation segment we have two main competitors, Bikez and Cycle of Life. We currently have the highest market share in this segment (35%), but Bikez and Cycle of life are close behind, with 32% and 31%, respectively. |
| **New Entrants** | Medium | Within the recreation segment, our company and Cycle of Life both have two different bikes. Bikez has one recreation bike, so there is potential for them to introduce another bike into the segment. Our largest threat of new entrants at this point would be Exocycle, as they do not have any bikes in the recreation segment. |
| **Substitutes** | Low | No substitutes |
| **Buyer Power** | High | Buyer power is very significant, especially in the recreation segment. Within this segment, buyers are extremely price sensitive. This means that we have to be very modest in any price changes in order to avoid lowering demand. We received price judgements of 92 and 100 for our two recreation bikes, with our competitors receiving judgements of 92, 100, and 100. This shows how competitive the prices are in this segment, further emphasizing the importance of keeping prices low. |
| **Supplier Power** | High | Our net demand for recreation bikes was 553, but we lost 182 of those sales due to stock outs. This clearly had a huge impact on sales, proving that paying attention to manufacturing and fixed capacity is an area that needs to be constantly monitored. |

1. **Mountain Porter’s 5 Forces**

|  |  |  |
| --- | --- | --- |
| **Force** | **Level** | **Explanation** |
| **Rivalry** | High | In the mountain segment, we have the second largest market share (30%) behind Cycle of Life (38%). The two other companies, Bikez and ExoCycle still have a solid market share with 19% and 13% respectively. With all companies offering mountain bikes, being competitive and performing well in this segment is vital to any company's success. |
| **New Entrants** | Medium | With our company being the only company offering two different mountain bikes, there is a high chance that the other companies will start introducing more mountain bikes in the near future.This will increase the threat that market share will start to become more evenly spread out across the industry |
| **Substitutes** | Low | No substitutes |
| **Buyer Power** | High | While the mountain segment has lower price sensitivity than the recreation segment, it is still important that we pay close attention to how our customers react to our prices. Our two mountain bikes received price judgements of 100 (lower end bike) and 91 (higher end bike), while our competitors received scores of 100, 93, and 97. These scores show that companies are fairly even in terms of the prices that they are offering paired with the quality of bikes that they have produced. Buyer power will continue to be a huge factor in the mountain segment as companies expand stores and introduce new bikes. |
| **Supplier Power** | High | Our net demand for mountain bikes in quarter 3 was 768, with 253 of those sales being lost due to stock outs. While this is a huge problem for our company, we are hoping to fix it in future quarters by increasing our fixed capacity. As fixed capacity increases, we hope to gain more market share and eventually surpass Cycle of Life to dominate the market. |

1. **Goals and Strategies**

**Mission Statement**

To deliver an affordable, innovative and high quality biking experience in the global marketplace.

|  |  |
| --- | --- |
| **Target Segments** | -1st priority Recreation  -2nd priority Mountain  -3rd priority Speed |
| **Market Size** | -Focus on large, highly competitive segment |
| **Geographic Market** | -Focus on geographic markets which are in middle of the cost/size continuum |
| **Competitive posture** | -Build a market position and defend it  -Attack the competition on their home ground by providing a less expensive product with similar qualities |
| **Distinctive Competencies** | -Be the technology leader |

1. **Outside Research Information**
   1. **Article 1: Why bicycling in Bengaluru is a cruel joke on cyclists**

The article touches on how the shrinking road space, the lack of rider safety, and absence of cycling infrastructure is killing biking in modern day Bangalore. Cycling is becoming a recreational activity for the citizens of Bangalore, but is struggling as a reliable means of transportation. There is a lack of dedicated bicycle lanes in Bangalore, leaving riders under constant pressure to move faster on roads. The absence of infrastructure and traffic is limited biking as a means of transportation, and bike rental companies in Bangalore are facing the challenge of a high rate of theft and vandalism.

**Source:** Menezes, Naveen. “Why Bicycling in Bengaluru Is a Cruel Joke on Cyclists.” *The Economic Times*, Economic Times, 3 May 2019, economictimes.indiatimes.com/news/politics-and-nation/why-bicycling-in-bengaluru-is-a-cruel-joke-on-cyclists/articleshow/69157348.cms?from=mdr.

* 1. **Article 2: Bangalore’s Best Biking Trails**

Last year the Directorate of Urban Land Transport (DULT) announced the plans to build a 125 km track across the city of Bangalore. In addition to this, DULT also hoped to have an app-based system of 10,000 cycles that will be issued for rent and keyless bike docks at convenient points across the city in hopes to increase bicycling use in Bangalore. The city currently struggles with bike use as there are a lack of bike lanes and cyclists face the constant fear of being knocked down by hurried motorists.

**Source:** “Bangalore's Best Cycling Trails.” *Stories by Cleartrip*, 14 Nov. 2018, www.cleartrip.com/stories/bangalores-best-cycling-trails/.

* 1. **Article 3: The Pros & Cons of Taking Out a Loan vs. Venture Capital**

The article discusses the benefits and drawbacks of taking out a loan vs venture capital. The following charts summarize the article’s key points:

**Venture Capital**

|  |  |
| --- | --- |
| **Pro** | **Con** |
| Might be the only way to get large amounts of money | Investors will often become a part of an individual’s board of directors |
| Can get helpful advice from investors, as they are also financially invested in the success of your business | If you and your investors have a disagreement, the business might experience difficulties until the problem is resolved. |
| Investors tend to have vast business experience, extensive networks and can mentor entrepreneurs. | Small businesses might have a difficult time obtaining access to venture capital. |

* 1. **Loan**

|  |  |
| --- | --- |
| **Pro** | **Con** |
| Business owners retain full ownership | New business owners may not be able to turn a profit |
| Profits will not have to be shared with investors | Interest will accrue on the amount borrowed, and interest rates might be high |
| Loan can be used in anyway without the advice of the investors | Business owners will be responsible for the loan even if the business fails |

**Source:** Andy. “The Pros & Cons of Taking Out a Loan vs. Venture Capital.” *Saving to Invest*, 17 Oct. 2016, www.savingtoinvest.com/taking-out-a-loan-vs-venture-capital-the-pros-cons-of-both/.

* 1. **Article 4: How Much Does a Bike Cost?**

The article touches on the average price you should expect to pay for a bicycle depending on the quality and features you want. For a low-end bike you should expect to pay anywhere from $80-$300. These bikes are typically just basic metal frames and are functional. Mid-range bikes are usually made out of aluminum or are a lighter metal than low-end bikes and can cost anywhere from $300-$1000. High end bikes are usually made out of extremely light metals, including carbon and titanium, and start at $1000.

**Source:** “How Much Does a Bike Cost?” *CostHelper*, fitness.costhelper.com/bike.html.

* 1. **Article 5: Guide for Determining Keywords to Bid On**

The article explains pay-per-click (PPC) advertising and guides the reader through the keyword bidding process. It is important to start by brainstorming a list of generic, related, brand, and competitor terms that might be useful keywords for your business. Additionally, the article states that it is important to choose local search keywords, think about the relevance to your business, and consider the cost and competition. You should analyze the cost and competitive data and eliminate the overly competitive and over budget keywords from your list. This information will help determine which terms are worth spending your advertising budget on and which keywords are unrealistic to bid on.

**Source:** “A Step-by-Step Guide for Determining Keywords to Bid On.” *Neil Patel*, 23 Jan. 2020, neilpatel.com/blog/determining-keywords-to-bid-on/.

* 1. **Article 6: Bangalore: Cycling to Work: How to Get Started?**

In India, bicycles outsell cars by an 8-1 ratio and they outsell motorcycles by a 2-1 ratio. Although their sales are impressive, nothing has been done towards improving cycling infrastructure in the cities. Most cities in India have very poor cycling infrastructure and some cities have even gone so far to ban cycling altogether. For example, Kolkata has the largest number of daily cycling commuters in the world, but the city has banned cycling on many of its roads. The article accounts this issue to being that a bicycle is often regarded as a “poor man’s vehicle and people aspire to move on to ‘better things’ like motorcycles or cars”.

**Source:** Sreekantan, Ramesh. “Cycling to Work: How to Get Started?:” *Citizen Matters, Bengaluru*, Citizen Matters, Bengaluru, 27 Feb. 2020, bengaluru.citizenmatters.in/cycling-to-work-how-to-get-started-5913.

1. **Ansoff Matrix (+ 2 additional points)**

|  |  |  |
| --- | --- | --- |
|  | **Existing Products** | **New Products** |
| **Existing Markets** | 1. Increase prices for speed and mountain bike  2. Offer product rebates  3. Increase marketing spend | 1. Offer a higher end mountain bikes with additional features  2. Offer a new speed bike at a lower price point |
| **New Markets** | 1. Enter Bangalore with The Cyclologist’s five existing brands | 1. Enter Bangalore and capture market share with a more economical versions of our mountain and recreation bikes  2. Enter Bangalore with a budget friendly speed bike |

1. **Pestel Analysis (+ 2 additional points)**

|  |  |
| --- | --- |
| **P**olitical | As the Cycologist expands globally, they will face different government regulations in each country they enter. This could affect the physical storefronts and the webstore sales. |
| **E**conomic | The Cycologist sells bicycles across the globe. Due to this, the company will have to factor in the current exchange rates into their income statements. |
| **S**ocial | As biking becomes increasingly popular in certain parts of the world, the Cycologist could see an increase in sales in these areas. |
| **T**echnology | As technology advances, there might be a better alternative to the Cycologist’s carbon fiber bikes. This advancement would be a difficult adjustment for the high-end bike brand and could damage their sales and their current pricing strategy. |
| **E**nvironment | Biking is an alternate means of transportation that has a significant less of an impact on the environment than cars and other motorized vehicles. Additionally, carbon fiber takes 14 times more energy than steel to produce, and the creation produces a large amount of greenhouse gases. Contrarily, carbon fiber lasts a lot longer than steel as it doesn’t rust or corrode. |
| **L**egal | The Cycologist could face lawsuits from false advertising claims and legal action if any bike parts are defective. |