**"CYCLES DE L'AUBE" (CDA)**

The company "CYCLES DE L'AUBE" (CdA) is a French manufacturer of cycles and products derived from the cycle (scooters, tricycles and vehicles for the disabled). It has been manufacturing cycles since the end of the 19th century under its own brand in the county of Aube, France.

In 1972, the company more or less abandoned its brand, which wasn’t very well known nationally, and signed a 10-year partnership and exclusivity agreement with a major French mechanical engineering group to manufacture the cycles for the Vigie brand, the then leader in the cycle market in France. The agreement allowed for manufacturing the entire Vigie range, as well as sharing and exchange agreements on research and development programmes. The partnership agreement was to be renewed 3 times. In 2002, the Auberge company, which employs 500 people, achieved a turnover of 76.22 million euros. Production for the Vigie brand represents 90% of CdA's annual production (400,000 cycles per year).

Until 2002, the partnership agreement between CdA and Vigie enabled the company to benefit from the explosion in the cycling and leisure market. However, with the expected lifting of import duties imposed by the European Union on cycles manufactured in China for 2010, Vigie decided to terminate its partnership with the company CdA, and to relocate its production to a country with low labour costs in 2005. In doing so Vigie sought to anticipate the significant arrival of cycles manufactured in China.

Since 2004, CdA has been looking for alternatives. However, CdA suffers from a lack of brand awareness, but also from the lack of cost competitiveness of its products compared to private label cycles (manufactured by subcontractors in Eastern Europe and Asia).

In September 2007, Mr. DUPUIS, the Chairman and Chief Executive Officer of CdA, decided to convene his Management Board to examine the threats facing the company's future and decide on the means to be implemented to effectively resist changes in its competitive environment.

He asked each of the company's key managers:

Mr. FANTASIO, Industrial Director

Miss JEANNE, Director of Marketing and Sales

Mr. GASTON, Director of Research & Development

Mr. BOULIER, Director of Finance and Management Control

to take stock of the current functioning of the CoA, to assess the problems involved in lifting import duties on products manufactured in China from 2010, and to propose measures that they consider appropriate to address them.

Until 2010 he industrial sector of the cycle benefits from European import duty protection on bicycles produced in China up to 48.5%.

*General Management*

Mr DUPUIS, before the meeting of the Governing Council, put forward his own thoughts. In this way, he intends to be able to make the best possible decision among the options offered to him by his close collaborators.

Its first concern is to adapt the VéloCDA range to demand. Competitors often renew their range: every year, with even modifications every six months. He is sensitive to the emergence of electronics in the world of the cycle and the potential of Internet sales. But he is perplexed about the speed of development of this e-cycle market.

In any case, if CDA is not able to offer more attractive products, it will be difficult to resist competition from imported cycles that sell for 20 to 30% cheaper.

Even today, while import quotas limit the entry of Chinese manufactured cycles into European markets, imports are already very present on the local market.

While CdA's sales volumes have so far held up well, this new competition is exerting strong pressure on retail selling prices, as well as on demand for product functionality and reliability.

Thus, the Marketing Department is constantly raising the spectre of the invasion of imported products; at the same time, the Finance Department is alarmed by the deterioration in profitability....

General Management is constantly called upon to decide in the face of differences of opinion between the various functions of the company: the Industrial Department and the Marketing-Sales Department are opposed to production planning and range renewal; the Marketing Department and the Research & Development Department cannot agree on the most useful developments (changes in functionality and design or a complete overhaul of the technologies and components used, etc.); the Finance Department is concerned that the other Departments are asking for increasingly heavy investments while the company's profitability does not allow this...

For his part, Mr. DUPUIS believes that his company will only survive the changes in the competitive environment if it is able either to do better than its competitors in terms of cost or to offer its customers something "different". He is not very clear today on the strategy that CDA must follow, and expects a lot from what can be proposed to the Governing Council.