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Introduction to Marketing

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SteadFast Bikes: Quarter 3 Report

SteadFast Bikes is a cycling company dedicated to fulfilling specific customer needs with our new custom made carbon fiber bikes. With the development of new technology, our company is able to 3D print more personalized and unique carbon fiber bikes for our customers looking for a fun recreational experience, mountainous adventure, or high speed thrill. Our professional team consists of five department heads starting with Shannon Soh as President of Overall Leadership, Jae Cho as VP of Business Analytics, Alejandra Robles as VP of Advertising, Esha Patel as VP of Finance, and Mithil Katakam as VP of Sales and Brand Management. Since the end of Quarter 3, SteadFast Bikes has made a cumulative net profit of \$128,461 with a current \$349 profit per unit. Additionally, SteadFast Bikes has also been able to capture 28% of the total recreational market.

SteadFast Bikes originated as a company that would have strong name recognition and be appealing to the entire bike market. From there, we designed our first company logo that incorporated our idea of simplicity by giving the customer another variation of our name, SF bikes, with the entire company name written as an overlay on top. The first biggest decision we had to make as a team was determining our target segment and where to open our first retail store. Since this was our first time in the bike industry, we conducted market research on the overall market such as customer needs pertaining to the three segments, recreation, mountain, and speed. Across the four cities the recreation segment had 23,536 demand, the mountain

segment had 15,555 demand, and the speed segment had 14,374 demand. Next, we became more specific within each segment by researching potential demand and the final price the customer is willing to pay for each segment. Ultimately, we decided on targeting the recreational market because, although it was the segment that customers would be willing to pay the lowest amount, it was the market that contained the most customers, ranging from families who are looking to relax or to everyday people looking to have fun. Finally in hopes of lowering competition and saving money, we chose to open our first retail store in Bangalore instead of Amsterdam. As determined in the 12-month potential demand research, Bangalore ranked second in having the most recreational customers, with just an estimated difference of about 1,000 customers when compared to Amsterdam, the country with the highest recreation demand. However, we decided to open our stores in Bangalore as the quarterly lease cost at Amsterdam was more than three times (\$17,0000 to \$54,000) the cost of lease at Bangalore.

During Quarter 2, more choices were made regarding designing of the brand within the company, pricing, advertising method, and sales channel. We continued to work on the development of our company by designing our first brand, Model A. Using the Top 10 recreational customer wants and needs gathered last quarter, we decided to focus on giving the customer comfort. We chose features that would give the customer the most comfort and satisfaction when riding such as comfort straight handlebars and polymer gel comfort for the seat. Since we were targeting the recreational market who also wanted safety and to feel young at heart, we added reflectors and a plastic carrier basket. Next we had to decide on how to price our product. The recreational market can be seen as the most price sensitive because they lean more towards simple to use rather than premium features. With the bike we designed, we estimated our product cost per unit to be around \$300 that quarter. To stay closer to the price that consumers

were willing to pay while trying to motivate sales and generate profit, we decided to go for the retail price of \$900 and gave a price rebate of \$75. This has allowed us to incentivise customers to try our products, boost the company sales, increase our visibility, and help us cut down on excess inventory. Next we designed our advertisement where we focused on the customer needs and wants research we gathered in Quarter 2. As mentioned before, because “easy to ride” and “comfort” are the main needs for customers in the recreational market, we wanted our advertisement to reflect these ideals. Since branding is also an important aspect to our company, we wanted to establish a strong brand name in order to position ourselves into the customer’s lives therefore we had “mention brand name” as our number one priority. Following our brand name was “pictures of riders enjoying the greenway” and “easy riding on a comfort seat”. Because we were in such early stages of our company development, we devoted most of our finances, \$12,865 for 25 inserts, towards advertising to get the word out about our company. Our last major decision to finalize our brand before launching our product was hiring our salespeople. As suggested, we only hired a total of five sales people, four of them specializing in recreational sales and one service support. We allocated the majority of the team towards being recreation specialized since this was our primary market and one for service support since recreational customers won’t require frequent tune ups. We incurred a cost of \$11,700 from the salary and training cost of the five people.

Quarter 3 was when we really started to see the effect of our choices from previous quarters. Starting with the balanced scorecard. We ended up with a total performance score of 29.394. Considering the average score was a 36.3 it was definitely a below average performance overall. Our financial performance of 0.183 was the best out of all the groups but it was the market performance (21.0) that was damaging our performance (average was 40). As for the

market share, compared with the other competitors who are targeting the recreation segment we had the 3rd position with capturing 21% of the entire recreation segment. After looking into the problem we were able to realize minor changes were needed to be made in order to solve this issue. For example, we decided to change our advertisement and reduce the amount of categories we were targeting. We realized that since the main attributes of our bikes are its comfort and recreation accessibility, cutting down on the extra categories for advertising allowed us to focus mainly on things that were important to the consumer and reduce redundancy. As we understood that our recreational users would be sensitive to online marketing we decided to make additional spending of \$3000 on advertisement online. Additionally, by analyzing the differentiating factors of our brand to competing brands, we were able to find out about our strengths and weaknesses and made adjustments to the bike itself. The original bike model was lacking characteristics that could have improved comfort for the rider. Hence we decided to make addition of suspension which increased the price of the bikes but provided greater comfort. From the report we also found out that we charged the highest amount out of all of the competitors and to make ourselves more market competitive, we decided to lower the price of the bike by \$25 to attract more customers. In conclusion, our strengths were our financials. Before reducing the price of our bikes, we were able to sell our bike at a relatively high price utilizing the rebate wisely and captured 22% of the recreation market despite having the highest price in the most price sensitive market. However, we had some modifications needed to be made in the designing of our recreational bike, and we definitely needed to make a number of adjustments to the advertisement and the number of inserts to make our product more visible while still being able to maintain our strength in brand profitability.

As a company, we feel it is important to advertise our bike efficiently to promote our prominent competitive advantage over our competitors bikes to garner more revenue. During the first three quarters since starting SteadFast Bikes we have learned about strengths that we can capitalize upon and weaknesses that we hope to convert to strengths. A thorough SWOT analysis concluded that our two major strengths were our accumulation of the recreation market share and our advertisement rating. At the end of Quarter 3, we received an advertisement rating of 77, which was only one point lower than the highest of 78. To put it into perspective, Vita Bicycles held the highest market share for recreation bikes; however, our advertisement performed better. Additionally, we increased our recreation market share from 21% to 28%, holding more market share than three other competitors. Our in-depth market research has given us insights into advertising into these regions that has allowed us to optimize our revenues and market share. For example, our strategic placements in countries such as Bangalore and Rio de Janeiro made our company's outreach more noticeable and our inserts are among the top with our competitors. We have stressed recreation with our bikes and relative affordability that ranks the best among our competitors. This has placed us in a critical advantage over our competitors as it reflects our high standards and high value customers receive when they buy our bikes. It has also helped with our brand image in the marketplace as we have cemented our quality reputation. Additionally, having kept our expenses relatively constant, we have been able to expand our profits by optimizing our store leases, store personnel, and advertising expenses. Continuing with our strategy, our store sales force is the biggest among our competitors, and we did this to build trust that fosters healthy relations with our customers. By having an effective sales force we will be able to increase sales, get new customers, and build a sense of loyalty that will help us in the future as we center on our customers as our main priority.

By looking at the balanced scorecard, we were able to determine our weaknesses after the Quarter 3 decisions as well. What initially stands out from the balanced scorecard is the weak market performance and the below average financial performance. However, the reasoning behind the sub-par financial performance was due to the fact that large investment was made into the opening of a new store in Rio De Janeiro. After another quarter of sales, the sales from Rio De Janeiro will most likely allow us to improve on our financial performance. The real weakness we believe we have is the market performance. We believe the weak market performance was the result of lacking product diversity and are planning to launch a new product into a new target segment (mountain) to capture additional market share. Our opportunities analysis allowed us to see the opportunity to open a store in Rio and we did end up being the only store there, being able to capture a good amount of the recreation market. Moving forward, we will capitalize upon more opportunities like this. For example, we may increase the attractiveness of our Rio market in order to obtain a greater number of sales. Overall, we believe our biggest threat to be the split recreation market in Bangalore. We noticed that many brands targeted Bangalore, making it difficult to capture the highest potential of sales. In order to respond to this threat, we plan on improving our market effectiveness in order to capture a larger market share.

Looking ahead, SteadFast Bikes is planning on expanding into new markets and target segments. Currently, the team is planning to start targeting the mountain segment alongside the recreation segment. With the experience the team has in adjusting past marketing strategies to adapt to the constantly changing competitive landscape, we are ready to overcome any future obstacles.