

Here is a sample case analysis that one of my student groups prepared. This analysis covers the following: an executive summary; external analysis; internal analysis; financial analysis; and strategic issue, alternatives, recommendation, and implementation. The company has been disguised, and the analysis includes only *selected brief* portions of each section so that you can see content and format. Again, keep in mind that any case analysis you do should follow the format your professor requires.

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Executive Summary

Big Loud Motorcycles Inc. (BLM) has had four consecutive years of revenue and profit increases. During the case years studied (2009–2012), revenue increased 8 percent each year and profits grew 12 percent. Although the company was able to maintain its dominant 42.1 percent share of the U.S. market during this period, its push into international markets has not been as effective as planned.

Company Vision/Mission

As stated on its Web site, BLM's vision is to "build the world's best motorcycle product so that customers can experience the joys of motorcycling." Its mission is to "continue expanding its extensive line of motorcycles and accessories and to continue developing product features that help make motorcycling enjoyable and safe."

Company Goals

- Achieve sales and profit growth of at least 4 percent a year.
- Foster a sense of connection and community among our dealers and customers.
- Continually innovate new safety features in our motorcycles and our motorcycling accessories.
- Increase global revenues from 8 to 10 percent of annual revenues.

Company Policies/Values

- Our employees are the reason behind our success, and we value their contributions.
- BLM is committed to environmental responsibility.
- We are dedicated to providing our customers with outstanding product value and product service.

Corporate and Competitive Strategies Used

BLM is pursuing a corporate growth strategy using concentration through product and market development. The company's competitive strategy can be described as a defender strategy. It's a well-established company with the dominant market share. However, in "defending" its market share, BLM also uses differentiation to provide its customers with the best products possible.

External Analysis

Industry/Competition—Five Forces

Current Rivalry Opportunities

- **Strong industry sales growth.** According to the Motorcycle Industry Council, motorcycle sales in the United States have been increasing steadily since 2007. This is an opportunity because competitors won't compete as fiercely for a share of the market.

Current Rivalry Threats

- **High exit barriers.** Manufacturing motorcycles to consumers' expectations requires specialized and expensive machinery and a skilled workforce. This is a threat because these specialized assets are tailored to this industry, making it difficult for competitors to leave the industry.

Potential Entrants Opportunities

- **Government regulation.** Many government entities have noise regulations governing the manufacture and sale of motorcycles. This is an opportunity because it creates a barrier for potential entrants into the industry.

Potential Entrants Threats

- None found.

Bargaining Power of Buyer Opportunities

- **Products purchased are differentiated and unique.** Consumers aren't making purchase decisions only on price. There are many different elements about motorcycles that make them unique and desirable to consumers. This is an opportunity for the industry to be innovative in creating new designs and features to attract consumers.

Bargaining Power of Buyer Threats

- **Buyers have full information.** The Internet has made information readily available to consumers. Each industry competitor has its own Web site to inform the public about its products. This is a threat to the industry because consumers can use this information to compare competitors' products and bargain for the best deal.

Bargaining Power of Supplier Opportunities

- **Suppliers do not have ability to do what buying industry does.** Suppliers of materials such as metal, rubber, and plastic do not have the ability to manufacture motorcycles. This is an opportunity because industry competitors do not have to fear that, if they don't agree to the suppliers' terms, the supplier will decide to manufacture the product.

Bargaining Power of Supplier Threats

- **Suppliers' products are an important input to industry.** Materials such as metal, rubber, and plastic are necessary inputs for the motorcycle manufacturing industry. This is a threat because without these resources, there would be no motorcycles.

Substitute Products Opportunities

- None found

Substitute Products Threats

- **There are several substitutes.** Consumers can satisfy their need for transportation in numerous ways: automobiles, carpooling, public transit, bicycles, walking, etc. As automobile manufacturers continue to focus on improving mileage efficiency and [overall] safety, the motorcycle industry may lose one of its major product selling points.

General External Environment

Economic Opportunities

- *Personal disposable income is around \$37,682 and is forecasted to continue increasing.* This is an opportunity because it means consumers have more available funds to spend on products that are not necessities.

Economic Threats

- *Unemployment levels are currently rising and are forecasted to continue increasing as the economy slows down.* Although the U.S. unemployment level was at 8.2 percent, economic analysts are predicting it could rise to 9 percent as companies continue to downsize. This is a threat because unemployed individuals don't have enough disposable income to purchase nonnecessity products.

Demographic Opportunities

- *The U.S. population is increasingly diverse.* Data released by the U.S. Census Bureau in mid-2011 reported that about one-third of the U.S. population was a minority. Hispanics continued to be the largest minority group (43.6 percent of all minority groups) as well as the fastest-growing minority group (growing at a rate of 3.3 percent). This is an opportunity for motorcycle manufacturers to broaden their target market to encompass these minority groups. In addition, experience marketing to different minority groups could prove beneficial in the global market.

Demographic Threats

- *Cost of higher education continues to increase, as does the amount of student financial aid.* Information from The College Board indicated that the average tuition and fees at four-year public colleges was up 35 percent from 2008. Also, total student financial aid increased by 3.7 percent but that amount didn't keep pace with inflation. This is a threat because college graduates will be paying off their student loans, limiting the amount of disposable income they might have to spend on products such as motorcycles.

Sociocultural Opportunities

- *More "gold-collar" employees (knowledge workers) in the workforce.* Today's organizations are composed of more gold-collar workers (designers, researchers, analysts, engineers, etc.). These employees are highly skilled individuals who are creative and talented problem solvers. This is an opportunity because they represent a potential target market that's likely to have more disposable income.
- *The increasing popularity of "green" issues.* People are becoming more concerned with green issues, looking for ways to be more environmentally friendly. This is an opportunity for the industry to promote how its products are better for the environment.

Sociocultural Threats

- *Public image of motorcycle riders is not always positive.* The Hells Angels image still haunts the motorcycle industry. Motorcycle riders are often perceived as scary, black-leather-and chain-wearing reckless outlaws. Although this is far from reality, this is a threat the industry faces. It is a threat because this perceived image potentially could prevent people from buying motorcycles.

Political–Legal Opportunities

- *State helmet laws.* Only one state has no helmet restrictions. Twenty states have full helmet regulations. The remaining states say helmets must be worn with some exceptions; most typically the restriction deals with the age of the driver. This is an opportunity because people may be more likely to purchase a motorcycle depending on their state's helmet laws.

Political–Legal Threats

- *State helmet laws.* Helmet laws are also a threat because these laws may prevent some people from purchasing a motorcycle.

Technological Opportunities

- *Increased use of robotics in manufacturing.* Sales and shipments of robots for use in manufacturing have topped the \$1 billion mark annually. Such robots can be used in many different situations. This is an opportunity because a manufacturer can use such technology to become more efficient.
- *Online purchasing.* The number of online purchases is skyrocketing. This is an opportunity because, as the number of customers looking for customized motorcycles continues to grow, the Internet can be a tool to help them try out different options and features.

Technological Threats

- None found.

Internal Analysis

Strategic Managers' Strengths

- *BLM's CEO is very hands-on.* Every week, the CEO meets with a small group of BLM employees to discuss the company's products and to hear what types of issues they're dealing with. This is a strength because it provides the top decision maker with employees who are dealing daily with products and customers.

Strategic Managers' Weaknesses

- *BLM's CEO is very hands-on.* The CEO is meeting weekly with employees. This is a weakness because these meetings take a lot of time that he could be using to address more important corporate strategic issues.

Corporate Structure Strengths

- *Organized into different product divisions.* BLM's structure is organized around two different divisions: motorcycles and accessories. This is a strength because it allows the company to develop resources and capabilities for each important product division.

Corporate Structure Weaknesses

- *Company is not organized around geographic markets.* Although BLM has said it wants to grow internationally, it doesn't have a structure in place that supports that [goal]. This is a weakness because the company may not be able to achieve its goal of expanding its global revenues.

Corporate Culture Strengths

- *BLM employees believe in the products.* More than 70 percent of the employees own one of the company's motorcycles. This is a strength because it shows that employees believe in and support the company and what it stands for.
- *Company is very people-oriented.* As stated in its company values, BLM values the contributions of its employees. This is a strength because it shows the company is aware of how important its people are to its success.
- *Company emphasizes open communication.* Managers are encouraged to maintain open lines of communication with their employees in all matters. In addition, the company uses its Web site, customer forums, and charity rides to communicate with its customers. This is a strength because good communication is essential to a company's ability to keep employees and customers.

Corporate Culture Weaknesses

- None found.

Production–Operations Strengths

- *Most of the company's production facilities are less than seven years old.* A major updating of the company's production facilities was completed within the last seven years. This is a strength because during this updating, the company reconfigured the layout to be more efficient.

Production–Operations Weaknesses

- *Company has a large number of suppliers.* BLM's supply network consists of well over 100 suppliers. This is a weakness because this network must be coordinated to ensure that materials are available when and where needed. In addition, a problem with any of the suppliers could result in a production slowdown.

Marketing Strengths

- *Company's logo.* BLM's open-road logo is well known and easily recognizable. This is a strength because it helps establish a strong brand identification for the company's products.
- *Repeat customers.* A high percentage (42 percent) of BLM customers are repeat customers. Such customer loyalty is a definite strength because it indicates that BLM knows its customers and what they want. Also, customer loyalty means customers are buying your product and not your competitors' products. This is a definite strength!

Marketing Weaknesses

- *Target market is narrow.* Marketing research has shown that BLM's average customer is a married white male in his mid-forties who makes around \$79,000 a year. This is a weakness because the company has not been able to expand its product appeal to segments [in which] there may be additional opportunities, especially the female demographic group and a younger demographic group.
- *Global marketing has not been effective.* BLM has not been able to secure a larger share of the European or the Asian markets in which it is competing. This is a weakness because the company has set of goal of increasing its global revenues, but the marketing approach it is currently using does not appear to be effective.

R&D Strengths

- *Current expansion of R&D facility.* BLM is currently expanding its R&D facility by adding an additional 165,000 square feet to its 300,000-square-foot facility. This is a strength because R&D is critical to success in this industry. BLM recognizes this and has invested in ensuring that it continues to be on the cutting edge of innovations in motorcycling technology.

R&D Weaknesses

- *No global R&D facility.* Currently, BLM conducts all R&D in its facility in Tennessee. Although this keeps all R&D efforts under one roof, it is a weakness because it also means that global R&D efforts may not receive the amount of attention needed to know how those markets are changing.

Human Resource Management Strengths

- *Educational benefits offered to employees.* BLM employees can use tuition reimbursement to pursue additional educational training. This is a strength because BLM is investing in the knowledge, skills, and abilities of its employees. BLM plainly states on its Web site that "its employees are the reason behind our success." Thus, to continue being successful means investing in those employees, which BLM is doing.

Human Resource Management Weaknesses

- *Assembly work on custom-ordered motorcycles is precise and demanding.* A large percentage of BLM's production is for custom orders. Producing these large numbers of custom-ordered products requires close attention to detail so that product quality remains high. This can be considered a weakness because employees may experience job stress from such precise work.

Information Systems Strengths

- *Numerous forms of communication with employees and customers.* Employees have monthly work forums and access to a company intranet where information is updated weekly (or more often as needed). Customers have access to online catalogs, magazine catalogs, direct mail pieces, and company-sponsored events throughout the year. This is a strength because the company is committed to making sure that two important stakeholder groups—employees and customers—are well informed.

Information Systems Weaknesses

- *Web site is only in English.* BLM's Web site currently can be viewed in only one language. This is a weakness because the company has committed to growing its international markets. If it wants to do this, its Web site needs to be offered in different languages.

Financial Analysis

Author's note: Appendix 1 (see p. 237) identified what a thorough financial analysis includes. Because your own professor is likely to have specific instructions on how the financial analysis should be done, I did not include financial analysis data in this sample case analysis.

Strategic Issues

Strategic Issue #1

What is the issue?

One important issue facing BLM is the fact that **its target market is very narrow**. The company's research shows that its average customer is a married white male in his mid-forties who makes around \$79,000 a year.

Why is this an issue?

BLM is missing out on significant marketing opportunities as the U. S. Census shows that about 51 percent of the population is female. There are some significant marketing opportunities being missed. BLM needs to come up with strategies to attract this potential target group.

Strategic Alternatives

Alternative #1

What: Offer more bikes tailored to fit women. Most of the company's bikes are heavy and designed to fit men. We need to design and develop completely new products designed for women.

How: The first step in this alternative is to find out what female riders want in a motorcycle. We propose they do this in a couple of ways. First, do an online survey of a selected sample of its current female customers. Ask them several questions about their experiences with our products. Then, conduct a focus group survey of a selected sample of women who are not currently customers. This research should look at what product features these women would look for in purchasing a motorcycle.

Once this information has been gathered and analyzed, a cross-functional group will be formed with seven employees—two each from R&D, production, and marketing and one from the financial area. This group will be asked to study the information and develop a list

of possible product ideas that BLM might pursue. Once this group has completed its task, the information will be presented to BLM's top management team who will make the final decision regarding which ideas are the most feasible.

When that idea (or ideas) has been selected, the top management team will develop a plan for implementing the idea. This plan will cover product R&D (researching all aspects of design, building prototypes, product testing), production-operations (preparing to launch production of the new product), marketing (creating a total marketing campaign for the new product), human resource management (determining [whether] additional employees will be needed or if current employees will need additional production training), and financial (putting together the financials for this product).

Who: Individuals from the marketing area will be responsible for creating and administering the surveys. The analysis of the information will be done by the marketing research department. The cross-functional team will be formed by the director of marketing. BLM's top management team will be involved with assessing the team's ideas selecting which one(s) will be pursued and developing the implementation plan.

When: This alternative should be started immediately. The demographic opportunities are there, and we need to exploit those opportunities. The total time frame for doing this alternative is expected to be 18 months.

Where: This alternative will be done in the U.S. market and will involve input from headquarters staff in Tennessee. The implementation plan will indicate whether the new product will be produced at the Tennessee or the Arkansas facility.

Alternative #2

What: BLM should advertise and promote its current line of motorcycles to women.

How:

Who:

When:

Where:

Alternative #3

What: Acquire an established motor scooter manufacturer. A motor scooter is a two-wheeled vehicle with a step-through frame. They are typically lighter weight and highly maneuverable with styles and designs that might have strong appeal to women.

How:

Who:

When:

Where:

Recommendation

We are recommending that BLM pursue Alternative #3. Several small motor scooter manufacturers have developed products that have proven quite popular. An added benefit to this alternative is that it has the potential to not only attract women but an older demographic as well. As the average age of baby boomers continues to increase, a smaller, lighter-weight motorized product such as a motor scooter might appeal to them. Such an arrangement could be beneficial to both BLM and the motor scooter manufacturer. BLM would have ready access to R&D and production. The motor scooter manufacturer would have access to a wider market. This alternative will

resolve this strategic issue because it allows BLM to add products to its line that are more suitable for the female market. With such products, BLM should see its sales revenues increase.

We are recommending that BLM reject Alternatives #1 and #2. Although Alternative #1 would provide BLM with complete control of the product from design to sale, too many uncertainties are associated with this alternative. Alternative #2 has some serious drawbacks because even by developing a targeted marketing campaign, the current products still have some drawbacks for the female customer.

Implementation

Changes in Organizational Structure: BLM's organizational structure will change when this motor scooter company is acquired. Those employees will now be part of BLM's employee team. In addition, BLM may need to add some additional employees to its marketing staff as they make this push into the female market.

Changes in Organizational Culture: The company's culture is not likely to change all that much although there will now be an emphasis on the female customer perspective. The cultural challenge is likely to be in ensuring that the employees of the newly acquired company are welcomed as employees of BLM and are made aware of the values and philosophies that have made BLM so successful.

Funding: Funds will be needed for the actual acquisition of the motor scooter company as well as the transition of that company as a subsidiary of BLM. These funds will come from two sources. The funds needed for the actual acquisition will come from long-term debt. Because BLM's debt ratio is favorable (50 percent), getting that funding should be no problem. The funds needed for the transition will come from BLM's \$500 million cash reserves. As revenues increase (as expected), the long-term debt will be paid off.

Strategic Issue #2

What is the issue?

Why is this an issue?

Strategic Alternatives

Alternative #1

What:

How:

Who:

When:

Where:

Alternative #2

What:

How:

Who:

When:

Where:

Recommendation

Implementation