



Title: **Cascade Bicycle Company**

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Note: This project is in the filing cabinet in the ETM department office.

Abstract: This report is a business analysis of local bicycle company.

**Cascade Bicycle Company**

**C. Yahja, C. Andrade, K. Morrison**

**EMP-P9736**

## **Cascade Bicycle Company**

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Cascade was a small local business started in 1945. Cascade makes bicycles and operates 2 small shops in Portland, OR. The grandson of the founder was the owner of Cascade bikes at the time we performed our study. Cascade was building a reputation in the inner circles of the industry, for the quality of their bikes, specifically, their frames, were very highly regarded within the industry.

Our team was asked to provide a strategy for Cascade to expand their business from a small local business to all of the markets in North America. Cascade did not have an idea how they were going to compete and weren't very clear on what is was they wanted to accomplish.

We had to start from scratch with Cascade, we first recommended a mission statement to help clarify what they were attempting to do. As we went through the process we realized that Cascade's goal was not realistic in the short run and came up with an alternative. Cascade was determined to continue with their original plan and the results were poor.

Attached is our study of Cascade and the strategy they chose along with the alternate strategy that we proposed. The study is arranged in the following order:

1. Mission Statement
2. Key Success Factors
3. SWOT Analysis
4. Critical Issues
5. Portfolio Matrix
6. Products/Market Analysis
7. Strategy #1
8. Strategy #2
9. Appendix

## **Mission Statement**

Cascade needed a mission statement to provide a guide to their long range goals. Cascade has chosen not to produce products for the serious competitive athlete. Cascade wanted to concentrate their product mix to suit the recreational industry. Cascade wanted to provide quality at an affordable price in order to offer affordable prices Cascade knew they had to save on production costs. Cascade wanted their long range market to include all of North America. Cascade has adopted the following as their mission statement:

**Cascade Bicycles will continually increase their market share in the North American Bicycle Industry by efficiently producing and marketing quality recreational bicycles at a value price.**

## **Key Success Factors**

In order for the Cascade Company to be profitable they had several areas in which they felt it was critical to be successful. Cascade needed to establish a marketing program to determine just what consumers wanted, what they were willing to pay, and what it would take to penetrate regional markets. Pricing is also important to Cascade in order to be competitive with other national brands and to attract buyers. Cascade also had to offer consistent quality, the bicycles Cascade offered were not going to be high end bikes but they were required to be sturdy. Cascade, would enhance its quality program with good customer service including warranties on products. Cascade has determined that its core competencies were their frames and decided that outsourcing of the other components would be most cost effective given the range of producers and quality already available in the market place. Cascade, finally had to ensure its production costs were low in order to stay price competitive.

## **Market penetration.**

Market penetration is one of the sensitive issue regarding the success of the company. The company need to innovate new products to open new markets. The market penetration will enable the company to became the market leader of that new market segment.

## **Key Success Factors (cont)**

### **Good Price.**

Since one of our mission is to provide products with value price, we need to ensure that our product has competitive price. Good price is one of our competitive advantage in this market.

### **Quality of Products.**

The good price will not ensure the marketability of products. We need to let our customer know that our brand can be associated with quality products.

### **Customer Services**

Customer need to be confident in buying our product. A good customer service will give confidence to the customer and make them believe that we are responsible for our product that we made.

### **Core Competence**

Aware of our core competence is one of the sensitive issue regarding the success of this company. We need to know in which field we are good at and put less emphasize in others.

### **Efficient production**

We need to have efficient production in order to have “good price” as our competitive advantage. Efficient production can decrease our cost of production hence will make our price more competitive.

## **SWOT Analysis**

The SWOT Analysis of Cascade yielded the strengths in the quality of products, employee satisfaction, and positive work environment. The quality of Cascade products mostly refers to the frames that cascade builds. Cascade makes exceptional frames for their bicycles. Cascade, by virtue of their small size enjoys a lot of personnel contact with employees in a relaxed atmosphere the safe work environment that Cascade employees demonstrates its' concerns for employees.

Cascade's weaknesses show that efficiency in production processes are not stressed, Cascade has not really defined the market they are in, they currently sell high end competitive bikes and low end "value" bikes. Cascade also has not identified or taken advantage of core competencies.

There are opportunities for Cascade in the industry due to the increased popularity of biking as a transportation source along with increases in bicycling as a recreational sport.

The threats to Cascade include the financial barriers to entry established by competitors. The larger players in the industry are well established and are taking advantage of economies of scale. Cascade also needs to be aware of the development of new products or changes to existing products, seasonally also affects the sale of bikes along with available substitutes for bicycles as transportation.

### **Critical Issues**

Cascade should implement a quality management program to continue to produce the desired qualities, employee engagement and to address cost efficiency problems.

Cascade has to define core competencies and focus on these competencies to obtain and maintain a competitive advantage. Cascade must also determine its target customers to avoid product confusion. they need to sell high end or low end products not both, at least initially.

Cascade has to institute a marketing program to identify new markets and which methods to use to enter. The marketing group should also identify target customers and determine demographics.

Cascade also should implement an R&D program to ensure it stays with leaders in technology for bicycles and to develop and test new materials and products.

## **Portfolio Matrix**

The attached table describes the attractiveness of entering the market and is displayed graphically in the appendix.

### **I. Competitive Position**

Factor	Select Top Five	Weight % Importance	Competitive Position	Weighted Score
Name Recognition	X	10%	1	0.10
Training Programs	X	20%	4	0.80
Quality	X	30%	7	2.10
Price	X	25%	6	1.50
Warranties				
Advertising				
Parts	X	15%	4	0.60
Rate of Growth				
<b>TOTAL</b>		<b>100%</b>		<b>5.10</b>

### **II. Market Attractiveness**

Factor	Select Top Five	Weight % Importance	Marketing Rating	Weighted Score
Market Growth	X	30%	8	2.40
Power of Customers	X	15%	4	0.60
Suppliers	X	15%	4	0.60
Rate of Growth				
Entry Barriers	X	20%	4	0.80
Substitutes				
Number of Competitors	X	20%	3	0.60
Labor Needed				
<b>TOTAL</b>		<b>100%</b>		<b>5.00</b>

## **Product Market Analysis**

Cascade has decided to concentrate on the recreational market for touring, mountain and kids bicycles. The market for recreational mountain bikes is expected to increase in the future while demand for the recreational touring bikes is expected to decline, the childrens bikes are expected to remain stable. cascade will not compete in the athletic sector of either mountain bikes or touring bikes.

## **Market Share**

Cascade has a 10% share of all bikes sold in the state of Oregon and this translates to less than 1% of the United States market. cascade currently does not sell bikes outside of Oregon. see graphs included in appendix.

## **Strategy**

### **Alternative #1**

**Target Market** - Cascade has determined to sell to recreational bicyclists and set up distribution chains to sell their products in department and discount type stores.

**Efficient Production** - Cascade should concentrate on core competency of manufacturing bicycle frames as efficiently as possible using TQM methods to enhance production capability. Cascade should purchase other parts (Ie gears, brakes etc) direct from manufacturers.

**Marketing** - Cascade should use marketing techniques to enhance demand for product and advertise the strengths.

**Financial** - Cascade will have to borrow the capital required to acquire larger production space and material, hire employees etc.

**Research and Development** - Implement R&D program to obtain new cost efficient technologies.

## **Alternative #2**

**Target Market** - Cascade should continue to sell bicycles in the state of Oregon, they should not attempt expansion into other markets at this time.

**Exploit Core Competency** - Cascade has respect in the industry for frame quality. Cascade should focus on selling their frames to other bicycle manufacturers, establishing a competitive advantage in Frame manufacturing.

**Efficient Production** - Cascade should install TQM techniques to continually improve on production efficiencies.

**Financial** - Cascade will need to obtain capitol for production expansion.

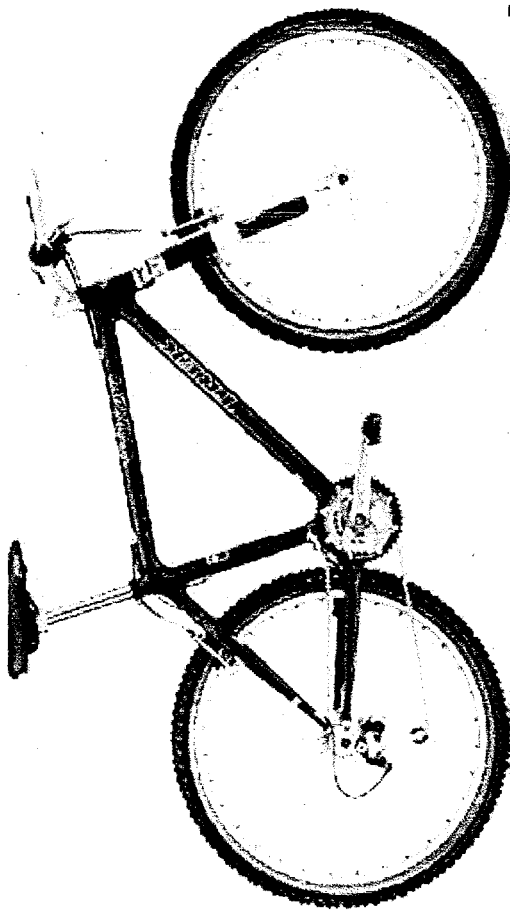
**Research and Development** - Implement R&D program to maintain leading edge of frame production.

## **Results**

It was our team's recommendation that Cascade use alternative 2, we felt that this would be a more feasible step for the company. Cascade had already established credibility with its frames the transition would be more fluid than attempting to enter a retail market where they not only had no name recognition among other marketing and logistics problems it would require much more capital and the risk would be greater. We felt that once Cascade established themselves as the leader in bike frames and had significantly increased revenue, if they chose they could then enter the major retail bike market with a more solid foundation.

Cascade Bicycles resolved to apply Strategy 1. The owner of the company was enamored with the idea of going national. Cascade attempted to enter the market and failed. they could not scale up production in a controlled manner and suffered quality problems coupled with the fact that they were unsuccessful in entering enough markets to make them profitable, the markets they did enter soon dissolved due to continued quality problems. The competitors in the industry were well established and took full advantage of economies of scale, name recognition, financial stability, and had established retail outlets.

# Cascade Bicycle Company





# Mission Statement




Cascade Bicycles will continually increase their market share in the North American Bicycle Industry by efficiently producing and marketing quality recreational bicycles at a value price

# Key Success Factors

- Market penetration.
- Good Price.
- Quality of Products.
- Customer Services
- Core Competence
- Efficient production



# Strengths

- Good quality of products
  - Employee satisfaction
  - Safety work environment
- 

# Weaknesses

- Inefficient production
- Not enough concentration on target market
- Not enough concentration on core competence
- Not enough capital
- Local name recognition only

# Opportunity

- New markets
- Growing market in US because of the biking hobby



# Threats



- Competitors
- Other companies research and development
- Season (i.e. in winter the sales will decrease because less people go biking).

# Gap Analysis

<b>Strengths</b> <ul style="list-style-type: none"><li>• Good quality of products</li><li>• Employee satisfaction</li><li>• Safety work environment</li></ul>		Quality of products
<b>Weaknesses</b> <ul style="list-style-type: none"><li>• Inefficient production</li><li>• Not enough concentration on target market</li><li>• Not enough concentration on core competence</li><li>• Not enough Capital</li><li>• Local Name recognition only</li></ul>		Efficient production Good Price Core Competence
<b>Opportunity</b> <ul style="list-style-type: none"><li>• New markets</li><li>• Growing market in US because of the biking hobby</li></ul>		Market Penetration Good Marketing
<b>Threats</b> <ul style="list-style-type: none"><li>• Competitors</li><li>• Other companies research and development</li><li>• Season</li></ul>		Customer Services Innovating products (R&D)

# Critical Issues

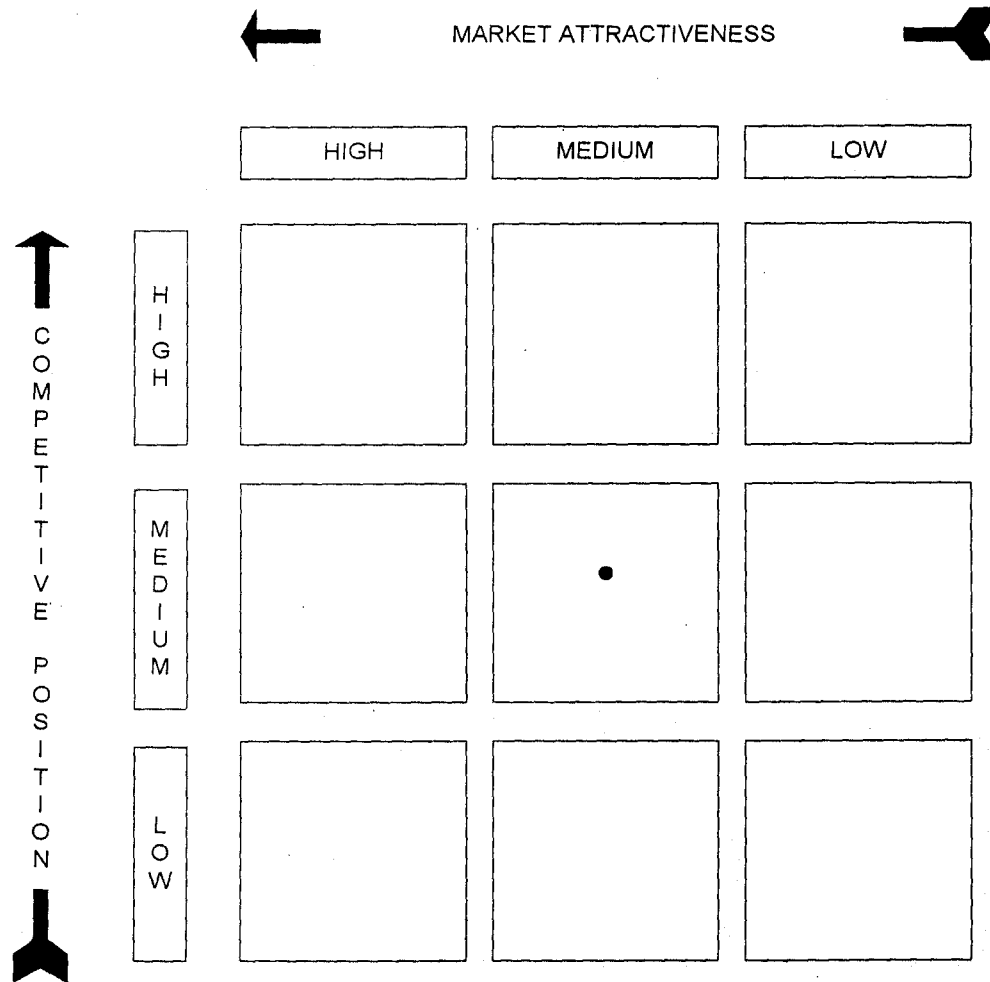
<b>Strengths</b> <ul style="list-style-type: none"> <li>• Good quality of products</li> <li>• Employee satisfaction</li> <li>• Safety work environment</li> </ul>	Quality Management techniques	Quality of products
<b>Weaknesses</b> <ul style="list-style-type: none"> <li>• Inefficient production</li> <li>• Not enough concentration on target market</li> <li>• Not enough concentration on core competence</li> <li>• Not enough Capital</li> <li>• Local name recognition only</li> </ul>	Define Core Competence  Obtain Financing	Efficient production Good Price Core Competence
<b>Opportunity</b> <ul style="list-style-type: none"> <li>• New markets</li> <li>• Growing market in US because of the biking hobby</li> </ul>	Marketing	Market Penetration Good Marketing
<b>Threats</b> <ul style="list-style-type: none"> <li>• Competitors</li> <li>• Other companies research and development</li> <li>• Season</li> </ul>	Industry Research	Customer Services Innovating products (R&D)

# Critical Issues

- Quality Management Techniques
- Define core competence
- Marketing (define the target market)
- Industry Research
- Obtain Financing

# Portfolio Analysis

## Illustration of Strategic Matrix



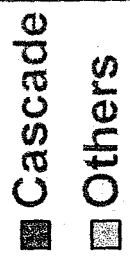
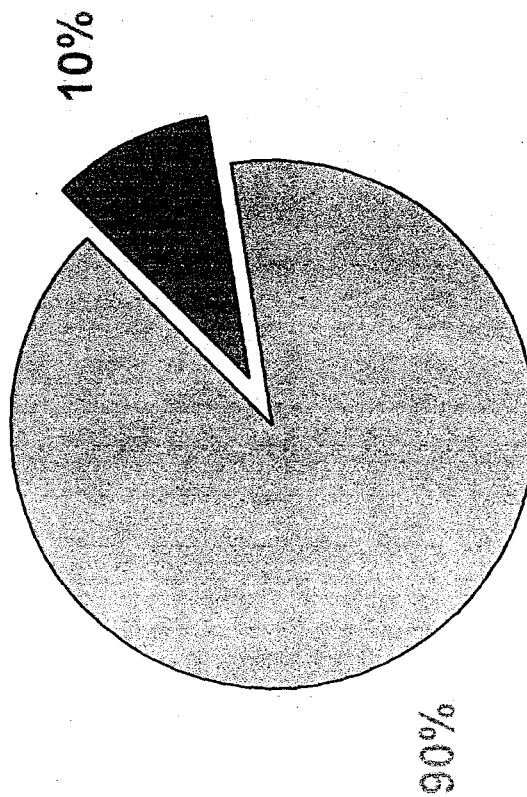
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# Products/Market Analysis

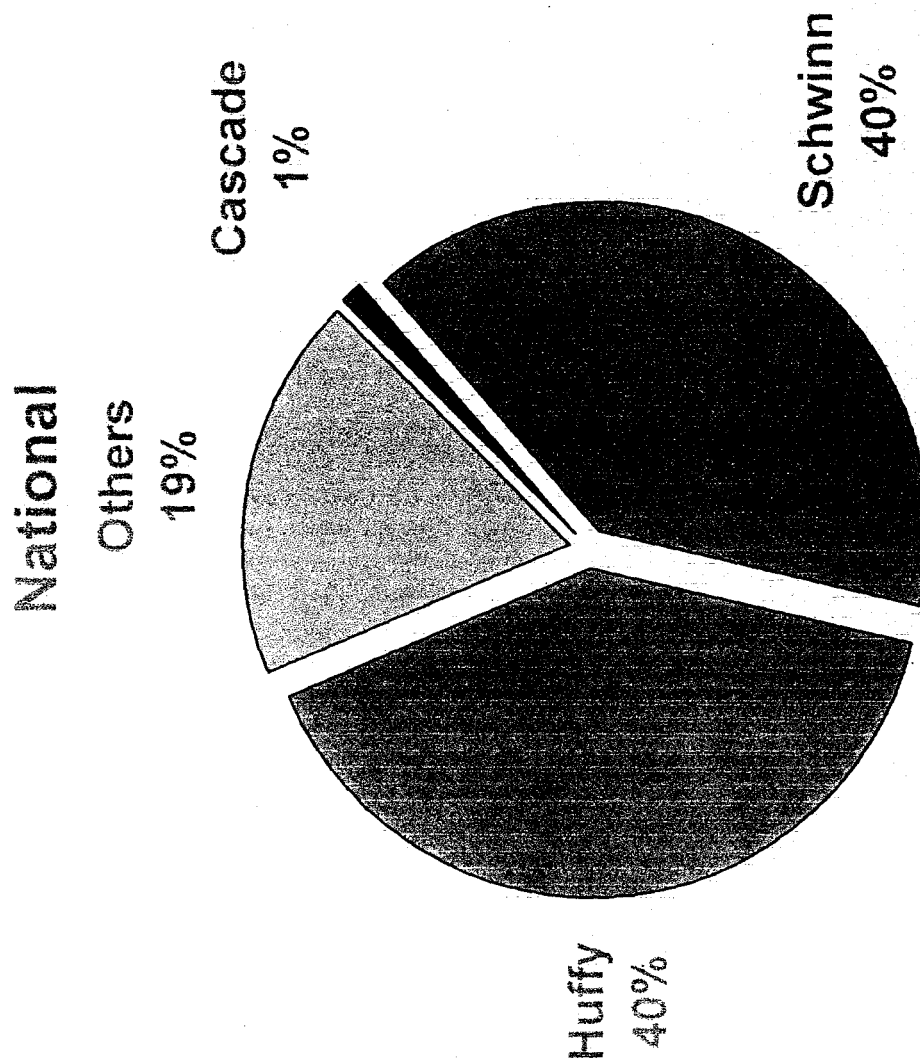
		MARKETS	
		RECREATIONAL	ATHLETIC
P R O D U C T S	Mountain Bikes	HF ↑ MC      D	LF ←      M LC
	Touring Bikes	LF ↓ MC      PD	LF ←      M LC
	Kids Bikes	MF ←      M MC	No Market

# Market Share

Oregon



# Market Share



# STRATEGY #1:

- Target Market
- Efficient Production
  - Subcontracting
- Keep Producing Frames
- Quality Management Program
- Marketing



# STRATEGY #1:

- Financial - Obtain Capital
  - Implement R&D:
    - Efficient Manufacturing Methods and Components
    - Visibility to trends in Industry
- 



## STRATEGY #2



- Market - Continue current business
- Exploit Core Competency - Frames
- Institute TQM Program - Productivity
- Financial - Acquire capital expansion
- R & D - Technological advances

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