BBUS 4250

Strategic Plan

Company G

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Vision Statement

Superb variety for superb prices. When selection is important and pricing is wise growth is vital.

We want to be the Wal-Mart for shoes warehousing.

Overall Strategy

Our overall strategy will be focusing on market growth and sales volumes. We plan on entering a market niche by offering a high variety of shoe designs. We will also focus on different shoe quality and prices in different regions. For example, in North America we will sell eight star shoes in the hopes to attract high spending customers. However, in Asia Pacific we will target middle class customers with four star shoes at a much lower price. This strategy will also take into consideration that we have production plants in North America and Asia Pacific and require high inventory which will be explained in the strategy. Our strategy will involve having the highest quality shoes possible for the cheapest building cost. We also want to sell for the best price in the market while still making a profit. We will break down our strategy into the following components: Marketing, Social Responsibility, Operations, Finance and our Contingency plan.

Marketing Strategy

As will be described below our marketing will focus on high advertising in our initial growth years. We will also target niche markets by offering a wide range of models and selling them for reasonable prices that will allow us to be more profitable.

Market Budget and Celebrities

As mentioned we will be investing in a high advertising budget initially. However, we will reduce the budget as time goes on and our product reputation has been established. We will mainly focus our marketing in North America and Europe-Africa because we will be offering higher quality shoes in these regions which therefore will be more expensive. We will invest $7,000 in these markets and $3,500 in Asia Pacific and Latin America. We will avoid making any celebrity bids at this time. Even though we do see that celebrities will endorse high product imagine we think that the high costs involved will deviate from the plan to grow our production line. We believe that our wide selection of designs will offer us a high demand that we feel that we will be able satisfy.

Internet Sales

Our approach to internet sales will include allowing all four regions to order from our plants. We will have free shipping for the sales however will only ship at a delivery time of three weeks to reduce delivery costs in lieu of the free shipping. Furthermore, our price for internet sales will be $85 which will be higher than our wholesale prices. This is because we will be selling directly to our buyers that will not have any increased markup costs on the shoes. This higher price will also help to avoid channel conflict from the retailers from viewing the internet price as direct competition.

Wholesale Pricing

As mentioned above our wholesale prices are lower than our internet prices. As mentioned we want to avoid conflict between our retailers. This is mainly to accommodate that retail stores will be marking up shoe prices so they can themselves profit from the shoe sales. We have decided that in North America we will sell high quality shoes at $60 per pair. We think that this is a fair price considering that we will be high quality eight star shoes in this region. In Europe-Africa we will sell at $60 per pair this is due to the fact that we will have high quality eight star shoes and low quality four star shoes shipped to this region. In Asia Pacific and Latin America we will have lower wholesale prices that will range in the $40-42 range. This will echo the fact that the shoes are much lower quality at a four star ranking and will help niche markets that want shoes for a cheaper price.

Model Availability

We plan on having vast amounts of models available. In North America we will offer designs in high quality eight star shoes. Some of these high quality shoes will also be delivered to Europe-Africa as well as four star quality shoes. In Asia Pacific and Latin America we will offer large amounts of shoes in the four star range. We hope to enter a niche market where we offer these large amounts of shoe models and sell them for reasonable prices. We hope to achieve the reasonable prices by, reflected in our operations strategy, increasing our S/Q ratings and lowering production costs. By having large quantities of models available to consumers we believe will achieve high sales demands.

Private Label

As far as Private Label is concerned we will leave this market alone. We will consider a Private Label four star shoe in the Asia Pacific plant for selling in Latin America after the plant capacities versus demand for shoes is more established. We feel that our demand will be high with our high model variety strategy that we would not benefit from having higher demands than we can supply from private label.

Social Responsibility

Social responsibility is important to the image rating of our product. We've decided that we will fund all of our employees in ethics training. We want all of our employees to be ethical and will thus create a positive imagine for the company. Ethics training is the least expensive course of action in regards to social responsibility and therefore is the best option for our cash flow for now. We do, in the long run, however wish to implement shoebox recycling.

Operations

Our operations area will be the biggest focus for our company. This is the key to making our high capacity and model distribution strategy effective. Below we will describe how we will implement the different areas of our operations to maximize our supply for our projected demand growth.

Plants

Our current plants are positioned in North America and Asia Pacific therefore we will focus our shoe production in those two regions. The North American Plant will produce high quality eight star shoes that will distribute to North America and Europe-Africa while the Asia Pacific plant will produce lower quality four star shoes and will distribute to the Europe-Africa, Asia Pacific and Latin America regions.

Capacity

We will focus on growing the capacity as much as possible in our plants to meet high demands while trying to avoid building capacity. We will buy capacity if other competitors sell capacity as well we will do upgrades in our plants. In the first year we will invest in the Assembly Line Upgrade which will reduce rejections of shoes by 50%. Although it is not as effective as building capacity it will be much less expensive and will grow capacity because more shoes will be available for sale. We will later on also upgrade our equipment which will boost S/Q ratings. This will allow us to build shoes at the star ratings we want but for lower production costs.

Employee Training and Compensation

We will highly invest in training employees because this will increase their production and decrease rejection rates. This will also help with growing capacity without having to buy capacity. Well trained employees furthermore increases shoe S/Q ratings. We will also endorse a high incentive pay at 29% for North American and 45% in Asia Pacific employees. This will also encourage our employees to produce good shoes with low rejection rates however will directly be correlated to a large amount of their compensation. Also, by having large compensation packages and training for our employees we will be a valued employer.

Finance

Our main goal with our financial strategy is to try to reduce our interest rates, which can be achieved by borrowing less through loans and lines of credit. Our high growth strategy will require a lot of cash and we will need to ensure to have cash on hand without having to pay high interest charges. Financially, as a company, we are aiming for a no less than a B- credit rating.

Equity

Since our company will initially be in its growth phase of the shoe industry we plan on issuing some stock to the public in the form of common stock. We do not plan on distributing any dividends to our shareholders for the first few years because we believe that our profits need to be reinvested back into the business in order to maintain our goal of consistent growth in our capacity. In the long run we hope to pay higher than the average dividends to our investors in commemoration of their valued investments. We believe that we will have high demands and that our facilities will operate at maximum capacity. We will not be able to keep up with our demand if the trend of demand is higher than what we forecast. If this occurs we will have to invest in going beyond upgrading our production lines and potentially invest in buying capacity where our supply and demand are differing by a significant amount.

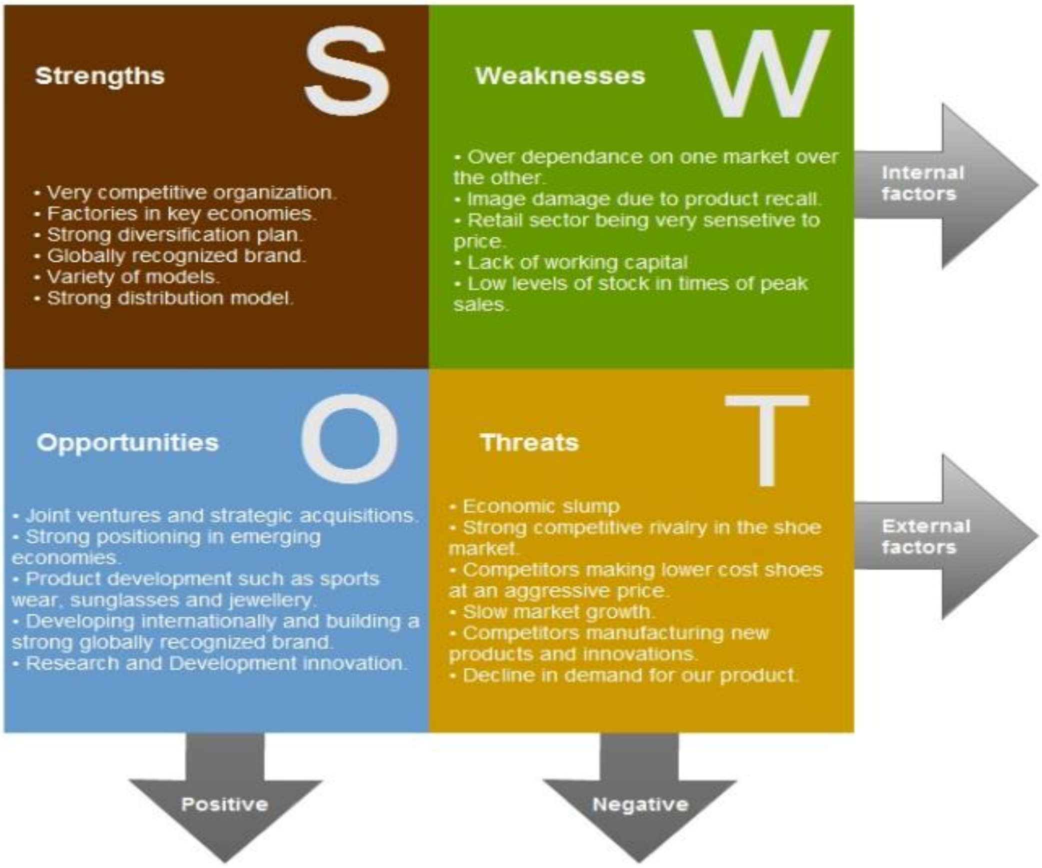
Debt

We will try to stay away from financing in our strategy. We want to avoid high interest costs while growing to maximize cash that we can reinvest in our company. However, we do realize that we may need to go beyond selling shares if we need to further expand which is why we are targeting a credit rating of no less than a B- to reduce interest charges.

Contingency Plan

Problem	Solution
If other rival companies were to match our products quality and are able to offer a lower and more competitive price.	We will not risk damaging our reputation of producing quality shoes, we could consider moving into a more competitive market like the private label market. We could also look to areas such as marketing and finance to cut down our overhead costs allowing us to reduce our prices.
The inability to dominate the market like we would have forecasted and the failure to have a larger market share in the segments in which we operate.	We would have to increase our marketing budget in all the areas we are unable to dominate like we had anticipated.
An inability to meet our consumer demands due to capacity constraints.	We could combat this problem by expanding our operations by acquiring newer and larger facilities and also hiring a larger workforce. We would also need to carry out thorough analysis to ensure that our new facilities are more cost efficient.
Failure to expand operations due to the lack of resources.	We would have to reconstruct our strategy. We will have to change our strategy to market higher returns on fewer sales.

SWOT Analysis



Balance Scorecard 1

Balance Scorecard 2

	Objecitves	Mearsures	Implementation	Targets
Internal Process	Maximize products distribution	Shipping write-off	A record must be kept for each shipment that details all write-offs and reasons why, which is maintained in company database.	Less than 0.5%
		Ending inventory surplus/shotfall	It requires a senior management team who can analyse international reports and competitors productions strategies.	Less than 10%
	Maintain high volumn capacity	Reject rate	To achieve low reject rate, our company would be advised to upgrade assemble line immediately and upgrade our facilities later on to provide high quantitiy capacity	Less than 8%
		Worker turnover	In order to minimize worker's turnover, we will raises incentive pay and working environment to achieve our goal.	Less than 5% of entire workforce
Learning and Growth	Increase operation efficiency	Porducts innovations	To achieve the goal, it is necessary to capable and talented designers and research teams.	New designs of footwear every year
		Total production increase	This metric is contingent on achieving marketing goals and production goals within the company.	3% increase/year
		Automation to Human Resource functions	It is first necessary to hire a good IT team/engineering team to make assessments on what can be automated and to carry through and install these systems being aware of the necessary continual support they will need.	To be completely free of hand manufactured products.
Customer	Achieve large market shares	Sales by region	A database would be necessary that tracks all relevant info (sales, region, returns etc.).	20% market shares in all region
		Model Availability	To fulfill customer's expectation, we will provide the highest number of model's choice for our customers in order to maintatin our high quality performance.	500 models
		Sales by S/Q Rating	The sale of excess capacity in the North-America plant will free up capital to raise the S/Q rating to 8 stars. Additional investments in TQM programs and Styling features will also raise the S/Q rating and bring down the expenses	8 strars in North America 5 stars in other regions.
Financial	Achieve better financial leverage	Current ratio	A good current ratio requires the proper assessment of all capital ventures and their ascribed risk.	Never less than one
		Enough cash on hand	Keep meaningful amount of cash will greatly impact the process of improving plants and producing enough products.	Better with postive amount
		Return on equity	With proper management of department managers, the operation of the company is returning the greatest possible profit on its total equity holdings.	Better than 15%
		Return on Assets	ROA requires the adjudication of the efficiency of all the company's assets and whether they are producing the best possible result.	Better than 20%

Financial Statements

	Company G							
	Forecasted Income Statement							
	Actual		Forecast					
	2010		2011		2012		2013	
Revenue	$000s	$/pair	$000s	$/pair	$000s	$/pair	$000s	$/pair
Internet	$ 19,210	$85.00	$ 14,790	$ 85.00	$ 15,234	$85.00	$ 15,691	$85.00
Wholesale	194,037	45.40	218,903	49.73	225,479	49.73	232,243	49.73
Private-Label	25,900	35.00	-	-	-	-	-	-
Gross Revenue	239,147	53.14	233,693	51.07	240,713	51.07	247,934	51.07
Exchange Rate Adjustment	-	-	-	-	-	-	-	-
Net Revenue	$239,147	$53.14	$ 233,693	$ 51.07	$ 240,713	$51.07	$ 247,934	$51.07
Operating Costs								
Cost of Pairs Sold	136,417	26.03	149,684	32.71	158,800	33.69	163,564	34.70
Warehouse Expense	15,286	2.92	14,282	3.12	15,152	3.21	15,606	3.31
Marketing Expense	34,374	6.56	41,920	9.16	44,473	9.44	45,807	9.72
Administrative Expense	7,800	1.49	8,404	1.84	8,916	1.89	9,183	1.95
Operating Profit	45,270	16.14	19,403	4.24	13,372	2.84	13,773	1.39
Interest Income(Expense)	(9,556)	(2.12)	(8,158)	(1.78)	(6,945)	(1.47)	(4,528)	(0.93)
Other Income	-	-	-	-	-	-	-	-
Pre-Tax Profit	35,714	14.02	11,245	2.46	6,427	1.36	9,246	0.46
Income Tax (30%)	10,714	4.21	3,374	0.74	1,928	0.41	2,774	0.14
Net Income	$ 25,000	$ 9.81	$ 7,871	$ 1.72	$ 4,499	$ 0.95	$ 6,472	$ 0.32

Company G
Forecasted Balance Sheet

	2010	2011	2012	2013
ASSETS	$000	$000	$000	$000
Cash On Hand	$ 5,000	$ 8,084	$ 26,008	$ 6,730
Accounts Receivable	59,787	58,423	60,178	61,983
Footwear Inventories	3,442	29,163	30,038	30,939
Total Current Assets	68,229	95,670	116,224	99,653
Net Plant Investment	196,000	183,250	166,248	173,355
Construction Work in Progress	-	15,000	-	-
Total Fixed Assets	196,000	198,250	166,248	173,355
Total Assets	$ 264,229	$ 293,920	$ 282,472	$ 273,008
LIABILITIES				
Accounts Payable	$ 12,779	$ 11,764	$ 12,117	$ 12,480
Overdraft Loan Payable	-	-	-	-
1-Year Bank Loan Payable	-	-	-	-
Current Portion of Long-Term Loans	16,300	16,300	16,300	16,300
Current Liabilities	29,079	28,064	28,417	28,780
Long-Term Bank Loans Outstanding	83,400	67,100	50,800	34,500
Total Liabilities	112,479	95,164	79,217	63,280
SHAREHOLDS EQUITY				
Common Stocks	10,000	11,500	11,500	11,500
Additional Capital	100,000	137,635	137,635	137,635
Retained Earnings	41,750	49,621	54,120	60,592
Total Shareholds Equity	$ 151,750	$ 198,756	$ 203,255	$ 209,727
Total Liabilites and Owners Equity	$ 264,229	$ 293,920	$ 282,472	$ 273,008

Company G
Forecasted Cash Flow Statements

		Actual		Forecast	
CASH AVAILABLE IN YEAR		**2010**	**2011**	**2012**	**2013**
Beginning Cash Balance		$ 2,550	$ 5,000	$ 8,084	$ 26,008
Cash Inflows -	Receipts from Sales	231,164	235,057	238,958	246,129
	Bank Loan	-	-	-	-
	Stock Issues	-	39,135	39,135	-
	Sale of Exisiting Plant Capacity	-	-	-	-
	Loan to Cover Overdraft	-	-	-	-
	Interest on Previous Year Cash	64	125	202	650
Total Available Cash from All Sources		$ 233,778	$ 279,317	$ 286,379	$ 272,787
CASH OUTLAY					
Payments to Materials Suppliers		$ 49,893	$ 48,071	$ 48,115	$ 49,205
Production Expenses		56,840	98,103	101,046	104,077
Distribution and Warehouse Expenses		33,237	31,778	32,648	33,102
Marketing and Administrative Expenses		42,174	50,324	53,389	54,990
Capital -	Plant Upgrade Initiated	-	15,000	-	-
	Purchase of Used Plant Capacity	-	-	-	-
	Construction of New Captital	-	-	-	-
	Energy Efficiency Initiatives	-	-	-	-
Repayment of Pricipal -	Overdraft Loan	-	-	-	-
	1-Year Loan	-	-	-	-
	5-Year Loans	4,800	4,800	4,800	4,800
	10-Year Loans	11,500	11,500	11,500	11,500
Interest Payments -	Overdraft Loan	-	-	-	-
	Bank Loans	9,620	8,283	6,945	5,608
Stock Repurchase		-	-	-	-
Income Tax Payments		10,714	3,374	1,928	2,774
Dividend Payments		10,000	-	-	-
Charitable Contributions		-	-	-	-
Total Cash Outlays		$ 228,778	$ 271,233	$ 260,371	$ 266,057
Net Cash Balance End of year		$ 5,000	$ 8,084	$ 26,008	$ 6,730