

Company

Tangarine

Role

Brent Knudsen: Director Business Development

Objective

- Create a suitable marketing plan for Tangarine's launch of the Mastercard MyCard product. Gain full distribution rights for the MyCard. Fulfill 4 P's.

Goals

- Achieve objective without compromising business philosophy
 - Philosophy of trust, customer service, information openness, co-destiny.
 - Customer Relationships, purchasing freedom, Continued innovation
 - Do not affect other "core" products offered by Tangarine.
 - Provide incentives for merchants, maintain great working relationships
 - Alignment of team members to company goals.
 - Good financial returns (shareholders), Cost control
 - Make sure that the pilot program is successful

Is the MyCard Essential for success?

The Success of the MyCard is a definite requirement for the continued growth and success of Tangarine. The company has a first mover advantage into the "prepaid" credit market. However, they only have the one shot before Mastercard finds another promoter. The financial burden on the company is large due to the significant capital expenditures required for adequate promotion. Should the launch be successful the potential for sustainable future profits is tremendous. With the proper incentive program it will also be possible. **These costs will total....**

Corporate Capabilities

Strengths	Weaknesses
Good Customer relations	Small
Experience in the field of prepaid products	No experience with prepaid "credit cards"
Experienced staff	High cost structure
Exclusive Distribution of MyCard	Highly Competitive industry, VISA products in the pipeline
Great business Philosophy	May Cannibalize existing products

Political

- May be hard to get credit
- Shift away from

Economical

- Movement away from cash
- Interest Payments
- Travel Purposes

Social

- Cool to have a credit card
- Convenience
- Easy to transfer cash

Technological

- More electronic payments
- Huge growth in e-commerce and online shopping.

Advantages/Disadvantages

For MyCard	Against MyCard
<ul style="list-style-type: none"> • Online sales 	<ul style="list-style-type: none"> • Possibly hard to use in other countries
<ul style="list-style-type: none"> • Easier/Cost effective to transfer funds 	<ul style="list-style-type: none"> • Doesn't help build a credit history
<ul style="list-style-type: none"> • First mover advantage 	<ul style="list-style-type: none"> • Built in transfers with bank accounts
<ul style="list-style-type: none"> • Diverse card with limited risk 	<ul style="list-style-type: none"> • Competitors for every option available on the MyCard
<ul style="list-style-type: none"> • Offers what competitors don't 	<ul style="list-style-type: none"> • Unreasonable maintenance fees
	<ul style="list-style-type: none"> • High startup cost
	<ul style="list-style-type: none"> • Need for complaint handling
	<ul style="list-style-type: none"> • Merchant side logistics

Product

Feature	Implications
The card is prepaid	Most important, Opens new markets, unique as it does not compete with credit cards, (Hide the prepaid fact)

Feature	Implications
Ability to transfer money between cards	Not a selling feature, Diversifies customer base, fees to high, lower fees would make it more convenient.
The ability to make withdrawals from any ATM that accepts MasterCard	Very important, need this to be competitive.
The ability to make payments for purchases from merchants that accept MasterCard	Absolute best feature,

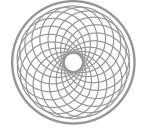
Price Sensitivity

Consumer Type	Level
Poor Credit history	Least sensitive, no option,
No history	
Want to transfer funds	
Miscellaneous uses	

Pricing in terms of competition is much higher. Does it matter?

Discuss upstream and downstream costs.

Pros/Cons for merchant network and Internet Distribution



La Hacienda del Sol

Profile

Role: Juanita Garcia (Vice-President of Administration)

Constraints: Would eventually like to take over, needs everything approved by her father

Decision

- Target Mexican market?
- If yes how to promote. Increase reputation among Mexican nationals, how do we differentiate the product, .
- If no, how to increase off season sales.

Consumer Analysis

Student's

- Want lots of activities
- Nightlife
- Affordable
- Make friends meet with other college students
- Enjoy spring break

American Travelers

- Looking for a good time
- Average vacation time of 3 days 2 nights
- Safe clean environment
- Close to get to/limited travel time 5 hour max travel
- Affordable for the family
- Late June through the summer, Christmas break

Seniors/Couples

- Relaxation (Beach, Spa, Romantic Activities)
- Isolation
- Off season when it's quiet

Summary

- Each group has unique wants and needs.
 - Therefore, should avoid overlap among groups
 - Offer different variety of activities for each season and its corresponding group
- Should target each group more individually
 - Good focus on family at the moment, should expand to other markets

Consumer Analysis Potential Target

Mexicali's

- Affordable/inexpensive
- Like to get away during the hot season
- More "Mexican Flavor" less gringo
- Unique activities
- Quality
- Prefer a location not in a touristy area (American area)
- Need something close to where they live

Constraints

- Current reputation is known as being Americanized
 - Expensive for Mexicali's
 - Limited to no promotion in Mexico
 - Hot season falls during the peak period for Americans

Ideal Market to Target

- Ideal to target large market with sufficient money to pay for a hotel.
- Mexicali's
 - Wealthy couples
 - Ages 25 to 54 with higher income
 - $813853 \times 9.4\% \times 38\% =$

How to Target them

- Provide something to attract wealthy couples
 - Bring in outside entertainment
 - Make the feeling more international in feel
 - French and continental cuisine, world spa
 - New package plans for couples?

Proposed Pricing Plan

Season	Average Temperature	Price for Garden View Room
Off-Season	82 Fahrenheit	\$41 per night
Prime Season	106 Fahrenheit	\$53 per night

Percentage Increase on Base Room

Type of room	Off-Season Wknd Rates	% Increase on Base Rm	New off-season rates
Garden View	\$118.30		\$41.00
Ocean Front	\$139.30	118.00%	\$48.38
Junior Suite	\$153.30	130.00%	\$53.30
One bedroom suites	\$174.30	147.00%	\$60.27
Apartments	\$195.30	165.00%	\$67.65
Two bedroom suites	\$209.30	177.00%	\$72.57
Master Suites	\$230.30	195.00%	\$79.95
Presidential Suite	\$349.30	295.00%	\$120.95

Price Should Be Dependent On

- Whether it covers our costs
 - Customer willingness
 - Competition

Discount With Proposed Pricing Strategy

Weighted Average Price	Original Prices	Proposed	Percentage Discount
Off-Season	\$159.30	\$55.44	65%

Break-even Analysis #Rooms with proposed strategy

Season	Weighted Average Price	Variable Cost	Unit Contribution	Fixed Cost for TV/ Radio	B/E rooms	Fixed Cost for Flyers	B/E rooms
Off-Season	\$55.44	\$20	\$35.44	\$50,000	1411	\$10,000	283

Breakeven Rooms as Percentage of Market \$50,000 Budget

Season	Breakeven number of rooms	Market Size	
Off-Season	1411	29071	9.70%

Breakeven Rooms as Percentage of Market \$10,000 Budget

Season	Breakeven number of rooms	Market Size	
Off-Season	283	29071	1.90%

Type of room	Off-Season Wknd Rates	% Increase on Base Rm	New off-season rates	Revenue Per Night	% Revenue	Weighted Average Price (Current Prices)	Weighted Average Price (New Prices)
Garden View	\$118.30		\$41.00	\$4,732.00	11.2%	\$13.24	\$4.59
Ocean Front	\$139.30	118.00%	\$48.38	\$18,666.20	44.1%	\$61.50	\$21.36
Junior Suite	\$153.30	130.00%	\$53.30	\$3,985.80	9.4%	\$14.45	\$5.02
One bedroom suites	\$174.30	147.00%	\$60.27	\$7,320.60	17.3%	\$30.18	\$10.43
Apartments	\$195.30	165.00%	\$67.65	\$781.20	1.8%	\$3.61	\$1.25
Two bedroom suites	\$209.30	177.00%	\$72.57	\$2,302.30	5.4%	\$11.40	\$3.95
Master Suites	\$230.30	195.00%	\$79.95	\$4,145.40	9.8%	\$22.58	\$7.85
Presidential Suite	\$349.30	295.00%	\$120.95	\$349.30	0.8%	\$2.89	\$1.00
Total				\$42,282.80		\$159.83	\$55.44

Feasible Advertising Options

- Skip Internet and Flyers
 - Go for Television and Radio

Decision

Go for Mexicali market. Find a way to promote it that gets the highest number of people in.

RONA

Profile

Role: Anna Simpson (Potential Investor)

Decision

- Invest in Rona

Goals and Objectives

Make a Return on Investment

Industry

Pros

- Strong industry with continued sales
- Large sales/customer base
- Strong sales growth
- Economy is doing well
- Private Competition market share is down

Cons

- Sales growth could be decreasing
- Very sensitive to weather, seasonal
- Recession has large effect on sales
- Very Competitive

Corporate Size-Up

Pros

- Holds 15% of the market
- Growth to buy smaller organizations
- Strong online presence (Large advantage)
- Big competitive prices

- Good Reputation
- Excellent Customer Service
- Different Product line than competitors

Cons

- Not a community store
- Failure of new openings could cause problems
- Locations not as good as Canadian Tire

Key Success Factors

- Customer Service
- Great prices
- Selection
- Good inventory management

Statement of Cash Flows Rona

US-GAAP

Fiscal Year End 12/25	2004-05	2003-04
Cash Flow from Operating Activities		
Net Income	\$175,210	\$138,225
Amortization	\$55,558	\$49,521
Accounts Receivable	(\$23,446)	(\$19,191)
Inventory	(\$110,359)	(\$94,642)
Prepaid expenses	(\$1,695)	(\$3,478)
Accounts Payable	\$39,428	\$45,622
Income Taxes payable	(\$5,446)	(\$7,237)
Net Cash Provided by Operating Activities	\$129,250	\$108,820
Cash Flow from Investing Activities		
Investments	\$3,507	\$3,112
Goodwill	(\$89,437)	(\$2,451)
Fixed Asset Purchase	(\$165,410)	(\$3,063)
Net Cash Used in Investing Activities	(\$251,340)	(\$2,402)
Cash Flow from Financing Activities		
Bank Loans	\$5,977	(\$3,677)
Current portion of LTD	\$528	(\$91,736)
Long-Term Debt	\$92,970	(\$26,595)
Other long term liabilities	\$3,902	\$15,213
Non-Controlling interest	\$10,023	\$721
Capital Stock	\$8,279	\$4,187
Net Cash Used in Financing Activities	\$121,679	(\$101,887)
Net Cash Flow	(\$411)	\$4,531
Opening Balance Cash	\$4,531	\$0
Ending Cash Balance	\$4,120	\$4,531

Vertical Analysis to explain growth

Age of Receivables

Age of Inventory

Age of Payables

We're growing to increase sales, Is this positively affecting sales?

Could do ROA to test Profit

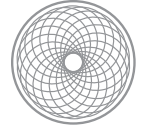
Can we manage this debt?

Vertical Analysis			
	2005	2004	2003
Sales	%100	%100	%100
Operating Expenses	91.00	92.50	93.50
Gross Profit	8.20	7.50	6.50
Interest	0.40	0.40	0.60
Amortization	1.40	1.30	1.30
EBIT	6.40	5.80	4.50
Incomes Taxes	2.10	2.00	1.60
Net Earnings	4.30	3.80	2.90
Return on Assets	10.5	10.3	6.2
Return on Assets Average	11.7	10.6	N/a
Return on Equity	18.7	18.4	12.8
Return on Equity Average	20.7	20.3	N/A

Liquidity Ratios			
	2005	2004	2003
Current Ratio	2.1:1	1.9:1	1.4:1
Acid Test Quick ratio	0.4:1	0.4:1	0.3:1
Working Capital	\$485,881.0	\$391,279.0	\$212,409.0
Age of Accounts Receivable	16.1 Days	15.5 Days	18.5 Days
Age of Inventory	70.8 Days	65.9 Days	75.1 Days
Age of Accounts Payable	39.8 Days	39.5 Days	46.6 Days

Investment Utility Ratios			
	2005	2004	2003
Inventory Turnover	5.1x	5.5x	4.8x
Fixed Asset turnover	9.8x	12.1x	16.9x
Average F.A Turnover	11.3x	11.1x	N/A
Total Assets Turnover	2.4x	2.8x	2.1x
Total asset Turnover	2.7x	2.8x	N/A

Stability Ratios			
	2005	2004	2003
Debt to Assets	43.9	43.7	51.6
Equity to Assets	56.1	56.3	48.4
Debt to Equity	0.8x	0.8x	1.1x
Interest Coverage	17.2x	14.9x	8.0x



Thaifoon

Thaifoon

Role

Role: Eddy P

Age: 20 years

Decision

- Open a thai food restaurant or not?

Objectives

- Earnings of \$100,000
- Expansion
- Experience gained
- Contribute to the revival of downtown London

Corporate Capabilities

Pros	Cons
<ul style="list-style-type: none">• Academic and hands on work experience	<ul style="list-style-type: none">• Credible due to age?
<ul style="list-style-type: none">• Has worked at 3 other thai restaurants	<ul style="list-style-type: none">• No management experience
<ul style="list-style-type: none">• Family support + no interest loan	<ul style="list-style-type: none">• 100,000 investment
<ul style="list-style-type: none">• Young and innovative with passion	<ul style="list-style-type: none">• Lack of control due to family takeover?
<ul style="list-style-type: none">• Family members are also his competitors (Good environment for the business)	<ul style="list-style-type: none">• May be risk averse to protect his investment
<ul style="list-style-type: none">• Family believes in him	

Industry

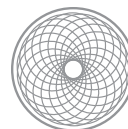
Pros	Cons
<ul style="list-style-type: none">• London target market is growing	<ul style="list-style-type: none">• Sensitive to changes in the price of food
<ul style="list-style-type: none">• Restaurant don't have a huge financial advantage over him	<ul style="list-style-type: none">• Low margin
<ul style="list-style-type: none">• 5/50 3 thai restaurants are owned by aunt	<ul style="list-style-type: none">• Lots of competition
<ul style="list-style-type: none">• Increase in demand for eating out	<ul style="list-style-type: none">• Advertising is important needs a strategy
	<ul style="list-style-type: none">• Eating in restaurants is a luxury good = higher risk

Summary

- Overall looks good however there is substantial risk
 - He must consider his actions carefully
 - Foot traffic downtown decreases in the evening
 - Risks taking away sales from other family members shops
- Location issues?
 - ie. sufficient parking
 - Bus access
 - Residential areas nearby?
 - Dundas not renowned as being overly safe (adversing plan)

Implications

- Do the pros outweigh the cons?
- Location seems well suited for Thaifoon restaurant
- Rent is low increasing our margins



257

Stix Furniture

Role

Role: Dave and Peter

Position: Owners of Stix Furniture

Decision

- Expand into the United States or a product line expansion (hockey stick picture frame)
- Do both?

Objectives

- Grow sales
- Increase word of mouth advertising
- Eventually do this as a full time job
- Stay sole owners (no outside investors)
- Maintain customer base

Corporate Capabilities

- Sales are up
- Profits are up
- Supply of sticks may be limited at times
- Both work together and are currently in school
- Innovative and unique product
- Easy to obtain financing should it be necessary
- Steep production learning curve (training new people is difficult)
- Small product line
- Product awareness is increasing
- Highly seasonal
- No marketing experience
- Limited space to grow as they operate out of a garage (may need to expand)
- No distribution network (Hilson is the only distributor)
- Target market?
- Online sales?
- Lots of charity work raises awareness
- Raw materials costs could increase substantially in the event of no broken sticks
- Competition does exist

Summary

- Overall looks good however there is substantial risk due to competition
 - Shift away from old style hockey sticks to new one piece
 - Could result in increased costs due to lack of materials
 - Seem to have difficulties deciding on how many people to hire
 - Limited product line
 - May want some accessories such as foot rests, tables etc.
- Location issues?

Stix Furniture

- Insufficient storage and production space?

Competitor Analysis

Who: Bear

What do they offer? Large production capacity, large distribution network and strategy, slightly different chair.

Who: SFU

What do they offer? Extended product line, Their prices are 3x ours

Who: Hockey Stick Stuff

What do they offer? Not much they are very small and not really a threat

Implications

- We offer a unique product over bear
- We have reasonable prices
- Competitors are established and significantly larger
 - We have a limited competitive advantage
 - Easily shut out of the market if bear starts making our product
 - Can we compete with Hilson being our sole distributor
 - Size? Are we willing to hire more people?

Item	Cost per Unit	Units per Chair	Cost per Chair
Hockey Sticks	\$0.50	\$11	\$5.50
Planks	7.87	1	7.87
Planks	11.5	0.25	2.98
Stain can	33.33	0.03	0.99
Boxes	5	1	5
Screws, Nuts, Bolts	0.13	20	2.6
Name Plate	0.4	1	0.4
Instructions			0.5
Labor	8.5/hour	2.5hrs	21.25
Direct Cost			47

Note:

- Production supplies are not included because they are not traceable
- Shipping costs not included as customer pays

Does our current price of \$135 make sense? Is it profitable in the long-term?

Item	Total Cost	Cost Per Chair
Factory Overhead		
Production Supplies	\$80	
Amortization	1000	
Rent (250x12)	3000	
Utilities (50x12)	600	
	4680	\$11.14
Direct Costs-Selling Expenses	47-0.5	46.5
Absorption cost per chair		57.64

Factory overhead allocation rate: $4680 / (420 \times 2.5 \text{hrs}) = 4.457 \times 2.5 \text{hrs} = 11.14$

FOH/Chair = FOH allocation rate x partial proxy/chair

Item	Total Cost	Cost Per Chair
Administration Overhead		
Advertising	2500	
Phone (30 x 12)	360	
Salary	18000	
	20860	49.66666666666667
All direct Costs		47
All Factory Overhead		11.14
Full Cost Per Chair		107.81

Administrative Overhead Allocation Rate: $20860 / (420 \times 135) = 0.3679 \times 135 = 49.67$

Qualitative Analysis

Pros

- We have the expertise
- We already have the tools and design
- US market is large and unlimited
- Clarke can produce units within the same time frame
- Consistent with the goal to grow sales to a more sustainable level
- Massachusetts attractive market, large, town like, hockey is popular
- Return of NHL is good
- Hilson has some retail experience

Cons

- Hilson may not have time while in school
- No volume guarantee beyond the first order
- Stix must sell at a reduced price (Margin is down)
- Shortage of hockey stick supply (raw materials costs up)
- Stix will have no control over retail price Hilson charges
- Exchange rates (Canadian dollar may strengthen, will cost Hilson more to buy chairs from stix)

US expansion alternative

Direct Cost= 47x100, Direct cost will stay the same at \$47.00 per unit

Absorption Cost= 46.50 will stay, 46.80/520 units instead of 420= \$9.00 dollars per unit

$$46.50+9.00=55.50$$

Full Cost= 47.00+9.00+40.12=96.12

Low margins but we are still making money

Belle Air

Role

Role: Eli Colby, Owner and Operator

Made his money in real estate, enjoys flying

Decision

- Assess the fleet mix to look at the individual profitability of each plan and possibly make changes

Objectives

-

Capabilities

Pros	Cons
<ul style="list-style-type: none">• Has lots of money	<ul style="list-style-type: none">• Pilot wages are high
<ul style="list-style-type: none">• Service is important	<ul style="list-style-type: none">• No airline management experience
<ul style="list-style-type: none">• Good business man	
<ul style="list-style-type: none">• Caters towards his "type"	

Industry

Pros	Cons
<ul style="list-style-type: none">• Mostly Commercial	<ul style="list-style-type: none">• High Fixed Costs
<ul style="list-style-type: none">• Small to no profit margin	<ul style="list-style-type: none">• Low margin
<ul style="list-style-type: none">• Hard to minimize costs	<ul style="list-style-type: none">• Lots of competition
<ul style="list-style-type: none">• Trouble filling plane to capacity	<ul style="list-style-type: none">• High Debt Ratio
<ul style="list-style-type: none">• Flexibility is important (must have planes around)	

Consumer Analysis

Business

- Comfortable
- Price Insensitive
- Reliability

Desired Plane: The jet = J50

Government

- Bottom Dollar
- Flexibility Speed

- Want the cheapest plane

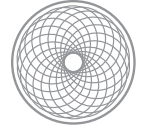
Desired Plane: PN5 = Crap Plane

Private Individuals (Charter Flights)

- Scheduling
- Price Sensitive
- User Dictated Stops

Desired Plane: PC37 or J50

Sub-Unit Evaluation	PN5	PC37	J50
Revenue	230148	613728	434724
Less:	\$40,479.00	\$130,570.00	\$121,259.00
Fuel	\$27,166.00	\$71,990.00	\$36,674.00
Parts	\$8,025.00	\$13,132.00	\$13,160.00
Insurance	\$20,570.00	\$33,170.00	\$26,288.00
Landing Fees	\$6,542.00	\$18,704.00	\$9,342.00
Overnight Charges			
Lease	\$0.00	\$0.00	\$141,205.00
Contribution (Cash Basis)			
Less:			
Amortization	28563	79981	0
Maintenance Salaries	19420	51463	26217
Pilots Salaries	62876	86372	47112
Selling Expenses	9378	25008	17714
General and Admin	29497	67038	37541
Interest	11193	15990	4797
Total	-33501	20310	-46585
	Do these allocation rates make sense		



257

Willie's Cafe

Role

Role: Van Dyk

Decision

- Expand into catering

Objectives

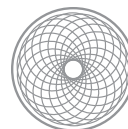
- Increase Sales
- Expansion
- Experience gained
- Contribute to the revival of downtown London

Catering Pros/Cons

Pros	Cons
<ul style="list-style-type: none"> • Need catering to grow 	<ul style="list-style-type: none"> • Need to offer credit terms
<ul style="list-style-type: none"> • Operate at close to capacity 	<ul style="list-style-type: none"> • Increase in working capital required
<ul style="list-style-type: none"> • Already have the staff in place 	
<ul style="list-style-type: none"> • Experienced and will allow them to cater to weddings/ larger events 	

Cost Item	Relevant?	Recurring?
Revenue	Yes	Yes
Renovations	Yes	No (One Time)
Equipment	Yes	No (One Time)
Amortization	No (Not Cash)	Yes
Inventory 5 days	Yes	Yes (Variable) (30%)
Purchases A/P	Yes	No (One Time)
Labor Costs	Yes	No (One Time)
Utilities	Yes	Yes (Variable) (30%)
New Vehicle	Yes	Yes
Gas/Repairs	Yes	Yes
Promotion Package	Yes	No (Investment)
Credit Sales A/R	Yes	No (Investment)
Marketing	Yes	Yes

Differential Analysis	Willies Cafe	
	Expected	Low
Differential Inflows		
Revenue	\$65,450	\$45,450
Exp: 110 000 - (297 000 x 15%)		
Low: 90 000 - (297 000 x 15%)		
Differential Outflows		
Variable Costs		
Food 30%	-\$19,635	-\$13,635
Labor 30%	-\$19,635	-\$13,635
Fixed Costs		
Vehicle Lease (400x12 months)	-\$4,800	-\$4,800
Repairs and Gas	-\$2,500	-\$2,500
Utilities	-\$1,931	-\$1,931
Marketing (50x12 months)	-\$600	-\$600
Net Cash Flow	\$16,349	\$8,349
Differential Investments		
Reservations	\$40,000	\$40,000
Equipment	\$15,500	\$15,500
Proposal Package	\$1,000	\$1,000
Inventory (19635/360 x 5 days)	\$273	\$273
Accounts Receivable	\$5,454	\$3,788
Accounts Payable	-\$38	-\$27
Total Investments	\$62,189	\$60,534
ROI (16349/62189)	26.3%	13.8%
Payback (62189/16349)	3.8 Years	7.2 Years



257

Niagara Art Products

Role

Role: David Killinger

Decision

- Drop price of a carton to 25.99
- Will this give us a return [*Differential*]

Issues

- Timing?
- 6-8 week turnaround [*Timeline*]
- Decide on number of temporary workers required [*Labor costs*]
- Cash flow problems (will this help or make it worse) [*Do a mini cash budget*]

Alternatives

1. Take order at 25.99 with the 5% discount
2. Take order at 25.99 without the discount
3. Reject order

Pros/Cons

Pros	Cons
<ul style="list-style-type: none"> • Great for business 	<ul style="list-style-type: none"> • May not be a long term idea due to overload
<ul style="list-style-type: none"> • Will increase efficiency for the glass cutter 	<ul style="list-style-type: none"> • Lower margins
	<ul style="list-style-type: none"> • No inventory on hand
	<ul style="list-style-type: none"> • Risk

Cost Item	Relevant?	Recurring?
Revenue	Yes	Yes
Traveling Costs	No	No (One Time)
Plastic Frames	Yes	Yes (Variable)
Mirror	Yes	Yes (Variable)
Cartons	Yes	Yes (Variable)
Carton Die Cost	Yes	Yes (Investment)
Carton Setup Cost	Yes	Yes (Fixed)
Mirror Cutter	No	No
Temporary Workers	Yes	Yes (Fixed)

Cost Item	Relevant?	Recurring?
Depreciation	No (Non-Cash)	No
Miscellaneous	Yes	Yes (Variable)
Overhead Costs	No (Doesn't change in 8 weeks)	No
Working Capital Accounts	No (Not a permanent change)	No

Relevant: Future, Cash, Different

Recurring: Cost

One-Time: Investment

Workers on a team	Cartons per day	Days Needed	Total Cost	Cost per Carton
3	100	20	\$4,800	\$2.40
4	175	11.5	3680	1.84
5	200	10	4000	2
6	210	9.5	4560	2.28

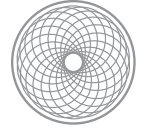
Timeline

In weeks

0	1	2	3	4	5	6	7	8
Order Cartons	Order Glass	Order Frames	Receive Glass	Receive Cartons +Frames				Order Done 3 days to ship

Differential Cash Flow Analysis	Niagara Art Products	
	Accept Order	
	Discount	No Discount
Differential Inflows		
Revenue 25.99 x 2000	\$49,381	\$51,980
Differential Outflows		
Frames (0.6 x 24000)	-\$14,400	-\$14,400
Cartons (0.9 x 2000)	-\$1,800	-\$1,800
Cartons Setup	-\$250	-\$250
Miscellaneous (0.05 x 2000)	-\$100	-\$100
Mirror	-3680	-3680
Labor	-\$21,050	-\$21,050
Total Outflows	-41280	-41280
Net Cash Flow	\$8,101	\$10,700
Differential Investments	\$2,000	\$2,000
Total Investments	\$2,000	\$2,000
ROI	405.0%	535.0%
Payback	0.25 Years	0.19 Years

Simplified Cash Budget								
Week	5	6	7	8	9	10	11	12
Payment Received						\$49,381		
Outflows								
Cartons	-\$4,150							
Glass							-\$21,050	
Frames								-\$14,400
Temporary Labor				-\$3,680				
Net Cash Flows	-\$4,150	\$0	\$0	-\$3,680	\$0	\$49,381	-\$21,050	-\$14,400
Opening Cash	\$0	-\$4,150	-\$4,150	-\$4,150	-\$7,830	-\$7,830	\$41,551	\$20,501
Ending Cash	-\$4,150	-\$4,150	-\$4,150	-\$7,830	-\$7,830	\$41,551	\$20,501	\$6,101



Eastern Talon Transport

Role

Role: Paul Robert

Position: Assistant Vice President of Eastern talon Transport

Decision

- Move office from Laval to Mississauga?
- How much will we save? [*Differential*]
- What is our plan?

Constraints

- 120 days notice for all moves
- Timing [*Timeline*]
- Seniority [*Labor cots*]
- Need to cut costs

Alternatives

1. Do not move

Pros/Cons of the Industry

Pros	Cons
<ul style="list-style-type: none">• One of Canada's largest employers	<ul style="list-style-type: none">• Border security and mad cow has caused a decline
<ul style="list-style-type: none">• Domestic and international trade depends on the trucking industry	<ul style="list-style-type: none">• Increased fuel costs are reducing profits

Implications

- Poor industry directly affects ETT
- Relies directly on trade and anything that affects it
- Cannot cut costs on the transport side as most costs are external
- Government is paying close attention
- Easy to replace employees (In abundance, Not overly skilled labor)

Pros/Cons Company

Pros	Cons
<ul style="list-style-type: none">• ETT is privately held	<ul style="list-style-type: none">• ETT is unionized and is faced with a strong union
<ul style="list-style-type: none">• ETT operates nationally with most customers in east	<ul style="list-style-type: none">• Short/Long haul operating out of different offices
<ul style="list-style-type: none">• One of the largest companies with 12000 employees	<ul style="list-style-type: none">• ETT laval office is only half full (over paying for rent)

Pros	Cons
<ul style="list-style-type: none"> • Successfully moved the accounting department in '03 	<ul style="list-style-type: none"> • The average dispatcher is 48 with 20 years experience and a family

Implications

- Customers in US as well as Canada
- Decline may not hurt ETT as much
- Right now employees have low salaries
- May encourage the retirement of many senior people
- Sensitive to economies of scale
- May lose out on many years of experience

Pros/Cons of the Laval Location

Pros	Cons
<ul style="list-style-type: none"> • Close to Montreal, Canada's 2nd largest city 	<ul style="list-style-type: none"> • ETT is bound by 1 million/year lease
<ul style="list-style-type: none"> • Most residents are bilingual 	<ul style="list-style-type: none"> • Half the floor is unoccupied (waste of money)
<ul style="list-style-type: none"> • Low cost of housing with averages at \$120,000 	
<ul style="list-style-type: none"> • Low unemployment at 5.7% 	

Implications

- Close to our customers
- May have difficulty communicating with French if our bilingual employees leave

Pros/Cons of the Mississauga

Pros	Cons
<ul style="list-style-type: none"> • Building owned by ETT 	<ul style="list-style-type: none"> • Limited number of french speaking people
<ul style="list-style-type: none"> • Suburb of Canada's largest city 	<ul style="list-style-type: none"> • 44% of the population not educated in French/English
<ul style="list-style-type: none"> • Dispatchers close to accounting is efficient 	<ul style="list-style-type: none"> • Higher cost of average housing @ \$250,000
<ul style="list-style-type: none"> • Facility is under capacity and has space 	<ul style="list-style-type: none"> • Cultural difference between Laval and Mississauga

Implications

- May not be able to sublet for full amount. Losing money for unused space
- Closer to Michigan customers
- Loss of French dispatchers may cause discontent among French truck drivers

- Low unemployment rate in Mississauga (difficult to get employees)

Optimal Staffing

Task	Hours
Delivery logistics with billing personnel	3.75
Customer Service	2.5
Misc Administration	0.25
Total	6.5

We know we will improve communication between dispatchers and accounting by 40%.

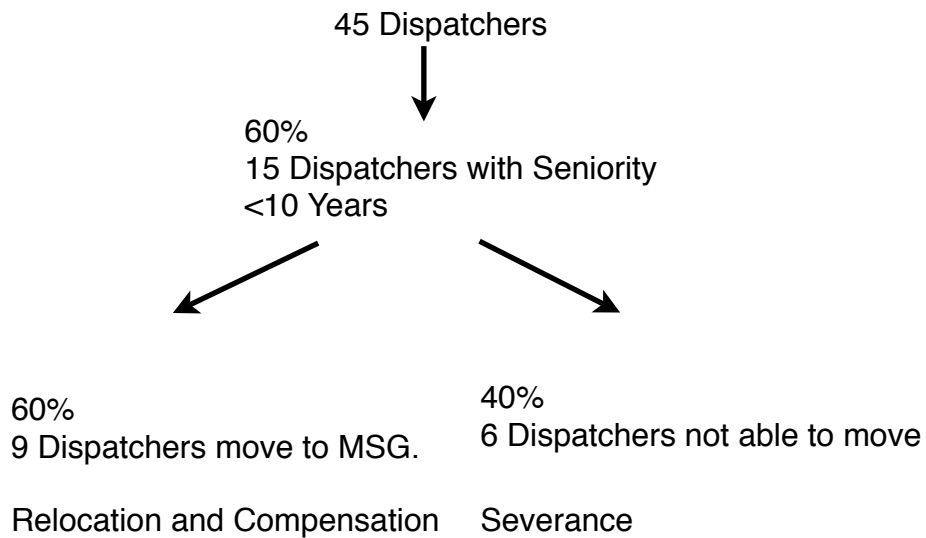
$3.75 \times 40\% = 1.5$ hours $\times 45 = 67.5$ hours a day

Right now: 6.5 hours/day $\times 45$ employees = 292.5 hours/day in productive labor

If we move $292.5 - 67.5$ hours = 225 hours of work

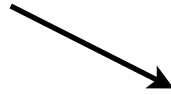
$225 / 6.5$ hours per employee = 34.6 employees

Therefore we get approximately 35 dispatchers



45 Dispatchers

30 Dispatchers Seniority >10 Years



24 Dispatchers become sales reps

24 sales reps terminated

Training
750x 24x 2 weeks= 36000

Severance in the amount of \$120,000

Differential Analysis	ETT	
	Expected	
Differential Inflows		
Cash Inflows/Savings		
Lease		\$500,000
Salaries (managers) 65k+8k x 2		\$146,000
Salaries (employees) (45k+8k) x 10		\$530,000
Total Cash Inflows/Savings		\$1,176,000
Total Cash Outflows		0
Net Cash Flow		1,176,000
Investments		
Training		\$78,000
Training and moving 9 dispatchers		\$427,500
Training 24 dispatchers for sales		\$36,000
Severance for 6 dispatchers		\$30,000
Severance for 6 senior dispatchers		\$600,000
Severance for 24 Sales Reps		\$120,000
Managers		
Relocation compensation		\$165,000
Severance		\$300,000
Total Investments		\$1,756,500
Return on Investment		66.90%
Payback		1.5 years

EVALUATING COMPREHENSIVE CASES

1. Understand the organization (Past Looking)

Business size up

- Industry
- Consumer
- Competitive
- Corporate Capabilities

Implications not facts

Financial size up

- Statement of cash flows (2 balance sheets and 1 income statement)
- Ratio analysis
- Contribution analysis

2. Assess future opportunities (future looking)

Qualitative (pros, cons, implications)

Quantitative

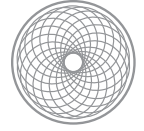
- Differential analysis (future looking investment)
- Contribution analysis (future looking no investment)
- B/E analysis
- Income statement
- Sensitivity

Make decision

3. Evaluate effectiveness of strategy

Projected statements

Action and contingency plan



Storybook Gardens

Role

Role: Kent McVittie

Position: Manager of attractions and recreation services

Decision

- Spend 1 million on splash park, skating rink or both
- Do we require additional financing? If so, how do we get it?

Decision Criteria

- Enhance the experience of attending the story book gardens
- \$170,000 contribution to capital reserve fund

Goals

- Increase the number of attendees through attraction of older age group

The Children's Entertainment Industry

Industry

- London population increasing by 2011 but average number of children is decreasing
- 2-8 hours are spent in park
- Very competitive
- Safe and educational
- Technology use is increasing
- Receiving less money in future due to cutbacks
- People are spending more

Implications

- More parents, less kids, increase admission fee?
- SBG needs to keep attendees busy, more attractions?
- Can we distinguish ourselves
- SBG rundown, is it safe?
- Introduce technology at SBG
- Not a lot of money coming from the government anymore, limited funds
- Inexpensive? Raise prices?
- SBG day trip spot

Competitor Analysis

Local

- Free water parks in London
- Museum village already owned by the city?
- Wally World and Village closed in the winter
- Museum Village educational (one time attractions)
- Hands on (Village and Museum)
- WW and EP attract older ages

Southwestern Ontario

- Water parks not successful in other cities
- Ontario Place, Zoo, Wonderland (Bigger, More exciting, people are willing to spend more \$\$)
- New attractions every year, people will return (Appeals to all ages)

Implications

- Why would people pay?
- Competing for customers
- Offering an all-season attraction with skating rinks
- SBG does not compete on an educational level
- Very difficult to compete with WW and Ep as they already attract older ages
- Comparable prices to village and museum
- Inexpensive compared to WW and EP

Summary

- Be more intimate and friendly, less of a huge attraction
- Inexpensive
- Local
- Cross promotion with the village and museum?

Vertical Analysis

Fiscal Year	2,001		2,000	
Admissions	\$531,716	80.4	\$605,371	81.3
Ancillary Services	\$21,523	3.3	\$25,189	3.3
Gift Shop	\$108,127	16.3	\$113,738	15.3
Total Revenue	\$661,366	100	\$744,298	100
COGS gift shop	\$58,454	8.8	\$77,269	10.4
Gross Profit	\$602,912	91.2	\$667,029	89.6
Operating Expenses				
Personnel	\$356,774	53.9	\$457,380	61.5
Administrative	\$1,386	0.2	\$2,730	0.4
Purchased services	\$52,881	8	\$58,501	7.9
Advertising	\$47,888	7.2	\$43,322	5.8
Financing charges	\$0	0	\$12,776	1.7
Materials and supplies	\$83,634	12.6	\$84,349	11.3
Miscellaneous	\$72,110	10.9	\$7,971	1.1
Total Revenue	\$614,673	92.9	\$667,029	89.6
Net Contribution	-\$11,761	-1.8	\$0	0

Sub Unit Evaluation of Ancillary Services

	Revenue	Direct Costs	Contribution	Margin Ratio
Face Painting	\$4,672	\$4,415	\$247	5.50%
Train Rides	\$8,957	\$4,389	\$4,568	51%
Feed for Animals	\$5,494	\$302	\$5,192	94.50%
Mini Golf	\$2,400	\$2,074	\$326	13.60%
Total Ancillary	\$21,523	\$11,180	\$10,343	

Qualitative Analysis

New Splash Park

Pros

- Increased attendance on 30 deg+ days
- Slippery
- New customers? Need a big promotion plan

Cons

- Maintenance issues, constant cleaning, repairs, safety?
- Does not target older ages
- Already a splash pool in London
- Not really for parents
- Summer only
- Loud

Implications

- Summer time could increase admissions especially in July/August
- Why would people pay when there are free alternatives
- Does not deal with seasonality

Differential Analysis	Splash Park	
	30000	40000
Admissions	30000	40000
Differential Inflows		
Regular admission revenue	\$93,360	\$124,480
Group Admission revenue	\$13,500	\$18,000
Total Cash Inflows	\$106,860	\$142,480
Outflows		
Tickets	\$6,000	\$8,000
Labor	19992	19992
Marketing	\$20,400	\$20,400
Landscaping and maintenance	\$4,000	\$4,000
Total Outflows	50,392	52,392
Net Cash Flow	56,468	90,088
Investments		

Differential Analysis	Splash Park	
One-time cost exhibit 13	\$908,000	\$908,000
Accounts receivable	\$1,929	\$2,571
Total Investments	\$909,929	\$910,571
ROI	6.2%	9.9%
Payback	16.1 Years	10.1 Years

Qualitative Analysis

Skating Lanes

Pros

- In winter
- Could potentially attract an older crowd
- Possibly quieter than a splash park
- Multiple purposes attracts more customers
- Demand is present based on survey results

Cons

- Safety may be an issue
- Weather dependent
- Accessibility/Layout as lines are being drawn over top of the paths
- Free competition
- Labour (need people 7 days a week)
- Equipment required
- Must pay for the majority of the investment

Implications

- Deals with seasonality
- Competitors do not have skating lanes
- Attracts outside of target market in line with decision criteria
- Parental supervision is necessary

Differential Analysis	Skating Lanes	
Admissions	50000	
Differential Inflows		
Regular admission revenue	\$125,000	
Total Cash Inflows	\$125,000	
Outflows		
Tickets	\$10,000	
Labor	\$31,065	
Utilities	\$25,500	
Maintenance	\$9,500	
Marketing	\$20,000	
Total Outflows	\$96,065	
Net Cash Flow	\$28,935	
Investments		
Contruction	\$913,000	
Total Investments	\$913,000	
ROI	3.2%	
Payback	31.6 Years	

Financing

Required

Splash Park 908 000

Skating Rink 913 000

Approved 1 000 000

Surplus/Deficit -821 000

Financing Alternatives

City Council

Agree:

- Lots of community support is needed
- 6 Million whats the return on investment of the 1 million

Disagree:

- Already gave us 600 000 (Why should they give us more?)

Fundraising

Buy a Brick

- Great idea, no
- 50\$ a brick maximum of 60,000
- Parent and child friendly
- May contradict family fun

Corporate Sponsorship

- One time? Splash Park?
- Community development organization
- 15 areas x 47 000 = 705 000-60000

Decision

- Do some initial fundraising then as city council
- Complete above sooner rather than later

Promotional Plan

Two Months Prior:

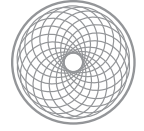
- Increase awareness of what's going on in the park
- Create a buzz on new attractions
 - Do either through "new image" SBG
 - Or promote same old SBG with new attractions
- New brochure, Logo name?
- Teaser campaign with some radio, TV adds
 - **Cost of ~\$13,000**

One week before:

- 1 week of TV
- Billboards
- Newspaper ads
- Radio
- Coupons?
- Grand opening promotions
- **Cost of ~\$41,500**

After opening:

- To be decided



257

Hospitality Services

Role

Role: Kevin McCabe

Director of hospitality services at UWO

Decision

- Improve profitability (Restaurant Mix)
- Expand (add a restaurant or add a new cash register)
- Promotion Plan

Goals

- Decrease congestion in the centre spot area
- Ensure that food meets the consumer criteria (healthy, fast)
- Improve profitability (have to be profitable to maintain UWO financing)
- Consumers are the #1 priority must still be concerned about the franchisors
- Maintain reputation as a leading food service provider

Consumer Analysis

Students

- 30,400 students (86% full time)
- Have ~20 minutes to make a purchase
- Volume heavy between 11am and 2 pm, Tim Hortons during exams
- Purchase criteria are speed, price and freshness

Staff/Faculty

- 3150 staff
- Purchase criteria are fast/friendly service, food resembling home cooked, location close to offices

Implications

- Speed very important because of limited time between classes
- Students make up 90.6% of target market this is where our focus should be
- Congestion deters faculty/staff so appeal to the group
- Brand names are very popular
- People are willing to pay more for freshness

Summary

- As speed is very important should probably go for the 3rd register
- Freshness go for the subway or the williams

Cash Flow Analysis

- Many one-time investments (Compensate for the double cohort)
- Massive amortization

Financial Size-Up

- High NCF from operations
- Working capital accounts not tying up a lot of cash
- Investing heavily in capital assets
- Major source of funding from western

Implications

- NCF from operations B/S, net income is poor because of amortization expense which is high due to investments in capital assets
- Large sources and uses of uwo debt, not too bad as we have their support
- Matching, financing and operations paying for assets
- **Cash is not an issue**

Ratios		
	2002	2001
Current Ratio	0.42:1	0.42:1
Debt to Equity	8.5	8.3
Interest Coverage	14.2x	7.7x

Ratios		
	2002	2001
Current Ratio	0.42:1	0.42:1
Debt to Equity	8.5	8.3
Interest Coverage	14.2x	7.7x
Capital Asset turnover	3.59x	4.47x
Return on capital assets	2.7	7.50%
Return on total assets	2.40%	6.20%
Return on capital assets with ebitda	33%	36%

Focus on Freshness		
	Freshness	Speed
Harveys	TRUE	
Manchu		TRUE
Mr. Sub	TRUE	
Pita Pit	TRUE	
Pizza Pizza		TRUE
Tim Hortons		TRUE
Combined Sales %	32.50%	37.60%
Implications		

Contribution Analysis				
	Harvey's	Manchu	Pita Pit	Pizza Pizza
% Sales Centre Spot	16.40%	11.50%	10.30%	6.10%
Revenue				
Net Sales	\$307,551	\$215,661	\$193,157	\$114,394
Direct Restaurant Costs				
Food and beverages 37.5%	\$115,332	\$83,676.00	\$79,581	\$38,665
Salaries and benefits 42.8%	\$131,632	\$65,561.00	\$84,989	\$34,776
Branded concept royalties 7.0%	\$21,529	\$10,783.00	\$8,692	\$4,576
Special Paper Supplies	\$8,337	\$5,846.00	\$5,236	\$3,101
Total Sales	\$276,830	\$165,866	\$178,498	\$81,118
Restaurant Contribution	\$30,721.00	\$49,795.00	\$14,659.00	33276
Percentage Contribution	10%	23.10%	7.60%	29.10%

Expansion Plans

Tim Hortons

Pros

- Fewer line-ups
- Faster service
- Attracts a lot of people
- Good preemptive measure to accommodate the double cohort
- Sales up 20% (improve profitability?)

Cons

- Requires significant renovations
- May not reduce lines as it is close to centre spot
- Doesn't address lineups at other restaurants
- Does not create any additional variety of restaurants
- Gives up the possible partnership with USC

Implications

- Speed
- Renovations could affect our service abilities
- Less space in the centre spot

Differential Analysis	Cash Register Proposal
Inflows	
Sales (187311x 20% x 20%)	\$75,012
Total Cash Inflows	\$75,012
Outflows	
Food Costs (38.8% x 75012)	\$29,105
Franchise Royalty (7%)	\$5,251
Salaries and Benefits (34.6%)	\$25,954
Paper Supplies (75012 x 40670/375062)	\$8,134
Total Outflows	\$68,444
Net Cash Flow	\$6,568
Investments	
Construction	\$14,600

Differential Analysis	Cash Register Proposal
Equipment	\$43,800
Mechanical electrical	\$29,200
Working capital inventory	\$1,862
Working capital accounts payable	-\$9,206
Total Investments	\$80,256
ROI	8.2%
Payback	12.2 Years

Expansion Plans

Restaurant vs. Tim Hortons

Pros

- Fresh
- We can take advantage of the USC offer
- Isolated location for the restaurant
- May bring in more money than Tim Hortons

Cons

- Not as fast
- Not as much variety
- Sales are not proven as they are with Tim Hortons

Qualitative Analysis

Williams vs. Subway

Implications

Williams	Subway
<ul style="list-style-type: none"> • Royalties 	<ul style="list-style-type: none"> • If you want a sub you can get one on your way home if you live near Essex etc.
<ul style="list-style-type: none"> • Different (offers variety) 	<ul style="list-style-type: none"> • Less risk (many small subways)
<ul style="list-style-type: none"> • Brings in people during off hours 	<ul style="list-style-type: none"> • Promotion is looked after
<ul style="list-style-type: none"> • Proven on other campuses 	<ul style="list-style-type: none"> • Proven

Williams	Subway
<ul style="list-style-type: none"> • More likely to come to Williams on campus as they take meal card 	<ul style="list-style-type: none"> • Customer spends more per visit (faster B/E)

Quantitative Analysis

Williams vs. Subway

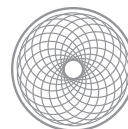
Differential Analysis	USC Proposal	
	Williams	Subway
Inflows		
Sales	\$255,000	\$383,250
Total Cash Inflows	\$255,000	\$383,250
Outflows		
Food Costs (30% 32%)	\$91,800	\$122,640
Franchise Royalty (5% 12.5%)	\$12,750	\$47,906
Salaries	\$76,500	\$114,975
Benefits	\$9,945	\$14,947
Maintenance	\$6,300	\$6,300
Supplies	\$13,120	\$13,120
Telephone	\$336	\$336
Promotion	\$3,000	\$3,000
Total Outflows	\$213,751	\$323,224
Less: Contribution	\$0	\$8,212
Net Cash Flow	\$41,249	\$51,814
Investments		
Construction	\$58,400	\$58,400
Equipment	\$43,800	\$43,800
Signage	\$10,950	\$10,950
Training	\$10,950	\$10,950
Telephone setup	\$200	\$200
Franchise fee	\$0	\$50,000
Working capital inventory	\$5,246	\$6,788
Working capital accounts payable	-25939	-\$33,563

Differential Analysis	USC Proposal	
Total Investments	\$103,607	\$147,525
ROI	39.8%	35.1%
Payback	2.5 Years	2.9 Years

A couple of notes:

1) The age of inventory calculations are not included for most of the differentials. Projected income statements and balance sheets aren't included as they will vary with your assumptions.

2) There are many options for promotional plans so anything that sounds reasonable probably is. Best is to work out the message, how you will promote and a basic budget. Look at the location and focus on freshness as well.



Terracycle

Terracycle

Role

Role: Betsy Cotton

CFO of the company

Decision

- Launch the 2 new products? (African violet and orchid food) [All or none]
- Promotion Plan, decide on the message (Push or Pull)
- Debt vs equity financing (can it be secured if needed)

Goals

- Capitalize on economies of scale
- Improve profitability
- Continue to promote eco-friendliness
- Maintain positive press (free advertising)
- Garner high returns from the promotion plan
- Control working capital accounts (cash flow, sustain it)
- Ensure growth for the company

Corporate Capabilities

Pros

- Szaky left Princeton to work for Terracycle full time
- Receiving Positive press
- Proven production process
- Selling to large retailers
- Small in size
- 1st ever eco-capitalist company
- Bottle Brigade

 Red means relevant

Cons

- Limited product lines
- Currently a high level of equity
- Yet to reach economies of scale
- Long production time
- Small in size

Implications

- May need to return to school at some point
- Free advertising
- Economies of scale
- Brand name recognition
- Very large distribution channel
- 1st mover advantage
- Bottle brigade increases involvement and promotes directly to the end consumer
 - Could result in cost savings
- Loss of control due to high equity levels
 - Expensive compared to debt
- Days of inventory is very long due to production process
- Limited negotiation power with retailers

Consumer Analysis

Consumers

- All natural products
- Responds to growing eco-friendly trend
- Market is growing

Retailers

- Look for profitable products that are appealing
- Unique
- Eco-Friendliness awards from Home Depot
- Ability to provide large quantities
- Fast
- Have most of the negotiation power
- Take a long time to pay
- Adverse to risk

Implications

- Too small to directly target the end consumer
- Must instead rely/focus on retailers (**Push Strategy**)
- Potential cash flow problems

Competitor Analysis

Scott's Miracle Grow

Pros

- Not environmentally friendly (Not compatible with industry trend)

Cons

- Miracle grow is number 1 in the industry (loyalty may exist)
- Scott's is very large (has lots of financing resources)
- Public company (financing)
- Global company (Competes in many markets, does not rely solely on North American gardening industry)

Implications

- We cannot compete
- There is a niche for us as we are eco friendly

Spectrum Brands

Pros

- Garden sale line not well known
- Has small % of the market
- Peters professional line is not exactly enviro friendly
- Has other brands (Cannot focus only on garden products)

Cons

- Garden safe line is eco friendly
- Publicly traded (large organization)
- Has other brands

Implications

- Room for Terracycle products
- Competes directly in some areas
- We can focus solely on garden products
- They have more access to financing than we do

Home Composting (DIY)

Pros

- Have an interest in helping the environment

Cons

- Why Pay?

Implications

- Like the idea
- Achieves the end goal of being an eco friendly gardner

Fiscal Year End 12/25	2005
Cash Flow from Operating Activities	
Net Income	1061628
Amortization	30766
Accounts Receivable	247130
Inventory	340375
Prepaid expenses	25225
Accounts Payable	175455
Salaries and commisions	48927
Insurance	5798
Net Cash Provided by Operating Activities	\$1,935,304
Cash Flow from Investing Activities	(\$75,000)
Due from shareholder	\$149,988
Common stock	\$0
Series A preferred stock	\$0
Series B preferred stock	\$1,400,000
Dividends declared	\$0
Net Cash Used in Investing Activities	\$1,474,988
Cash Flow from Financing Activities	
Investing	(\$75,038)
Net Cash Used in Financing Activities	(\$75,038)
Net Cash Flow	\$3,335,254
Opening Balance Cash	\$120,929
Ending Cash Balance	\$3,456,183

Ratio Analysis	Terracycle	
	Industry	
Current ratio	1.2	
Acid test	0.6	
Age of receivables (in days)	30.0	
Age of inventory	65.0	
Age of accounts payable (in days)	24.0	
Debt to equity	1.9	
Interest coverage	3.4	
Fixed asset turnover	10.0	
Total long term asset turnover	-	
Return on assets	2.4	
Return on equity	-	

Growth Ratios	
Sales	341.9
Cogs	224.8
Operating Expenses	49.9
Net income after tax	-44.1

Ratios are worse than industry, but mostly improving from 2004 to 2005

Debt to equity low relative to industry. Could be result of expensive money in comparison to larger competitors.

Must lower costs to reduce cogs, increasing sales will not achieve this.

Differential Analysis		African Violet vs. Orchid	
Sales Volume		110000	30000
Differential Inflows			
Sales (\$2.84 per unit)		\$312,400	\$85,200
Total Cash Inflows		\$312,400	\$85,200
Outflows			
Expense Allocations		\$0	\$0
Promotions		\$20,000	\$5,000
Bottles	0.35	\$38,500	\$10,500
Safety cap (African Violet) [50%]	0.07	\$3,850	\$1,050
Spray head (Orchid) [50%]	0.27	\$14,850	\$4,050
Labor Costs	0.35	\$93,500	\$25,500
Brewing Costs [1.97 x 128oz x 20]	0.31	\$34,100	\$9,300
Packaging	0.40	\$44,000	\$12,000
Labels			
English [35%]	0.15	\$5,775	\$1,575
English/French [15%]	0.40	\$7,260	\$1,980
Orchid			
English [50%]	0.44	\$12,100	\$3,300
English/French [50%]	0.44	\$12,100	\$3,300
Total Outflows		\$286,035	\$77,555
Net Cash Flow		\$26,365	\$7,645
Investments			
Research and Development		<i>Not Future Looking</i>	
A/R	70.9	\$61,525	\$16,780
Inventory	85.0	\$62,814	\$17,131
A/P	64.0	-\$47,295	-\$12,899
Total Investments		\$77,044	\$21,012
ROI		34.2%	36.4%
Payback		2.9x	2.7x

Projected working Capital

A/R investment (High)

A/r = differential sales/360 x days

$$= 312400/360 = 70.9$$

$$=61525$$

Inventory Investment

Inv= diff/360 x days

$$= 266035/360 \times 85$$

$$=6284$$

Accounts Payable

A/P = differential cogs/360 x days

$$=266035/360 \times 64$$

$$=47295$$

A/R

high

$$312400 \times (70.9/360) = 61525$$

low

$$85200 \times 70.9/360 = 16780$$

Inventory

High

$$(286035 - 20000) \times 85/360 = 62814$$

Low

$$(77555 - 5000) \times 85/360 = 17131$$

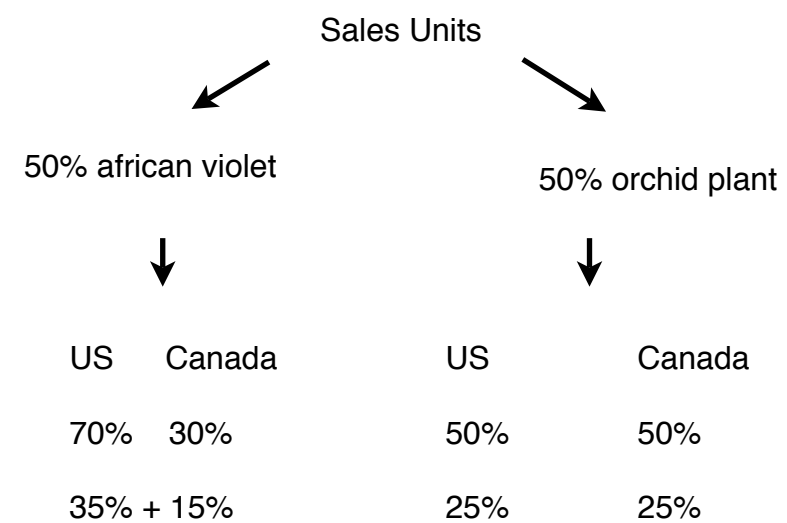
A/P

High

$$(286035 - 20000) \times 64/360 = 47295$$

Low

$$(77555 - 5000) \times 64/360 = 12899$$



Projected Income Statement	Low Sales
Revenue	
Sales	
Existing Products	\$1,250,907
New Products	\$85,200
Total Sales	\$1,336,107
Cost of Goods Sold	
Existing Products	\$813,089
New Products	\$72,555
Total Cost of Goods Sold	\$885,644
Gross Profit	\$450,463
Operating Expenses	
Existing Products (49.9% growth)	\$1,552,825
Promotion new products	\$5,000
Total Operating Expenses	\$1,557,825
Net incomes before tax	-\$1,107,362
Income tax	\$0
Net Income after Tax	-\$1,107,362

year 2 - year 1 / yr 1

Assets	High	Low
Current Assets		
Cash	\$120,929	\$120,929
Accounts Receivable	\$307,854	\$283,139
Due from Shareholders	0	0
Inventory 85 days	\$254,793	\$209,110
Prepaid Expenses	\$45,900	\$45,900
Total Current Assets	\$729,476	\$659,078
Fixed Assets	\$199,422	\$199,422
Less: Accumulated Amortization fixed assets	(\$85,880)	(\$85,880)
Net fixed assets	\$113,542	\$113,542
Patents and Trademarks	\$42,059	\$42,059
Less: Accumulated Amortization Patents and Tmarks	(\$6,315)	(\$6,315)
Net Patents and trademarks	\$35,744	\$35,744
Total Net Fixed Assets	\$99,150	\$99,150
Total Assets	\$828,626	\$758,228
Liabilities and Shareholders Equity		
Liabilities		
Current Assets		

Qualitative Analysis

Scott's Miracle Grow

Pros

- Additional Production
- Will expand product lines
- R and D already done
- Experience with similar products
- 0 upfront capital investments

Cons

- Only 20000 to promote
- May compete with current products
- Sales range (30000-110000 units)

Implications

- Mitigates Risk
- Closer to economies of scale
- Sunk costs might as well benefit from them
- Mitigates risk
- Not alot of certainty
- Limited budget cannot afford pull strategy

Promotional Plan

Push vs. Pull Strategy

- Financing not available to pay for pull strategy
- Push strategy would focus on retailers

Message for promotions

End consumer

- All natural products

Retailers

- We will listen to anything you have to say
- eco friendly
- Show positive press (end consumers are interested)
- 1\$ Low price
- Awards
- Convenient return policy
- Variety
- Downplay the fact that we are a new company (gain confidence is a lasting product)

Decision

- Go ahead with the alternative as it is an eco friendly product. This is what the consumer wants to see. There is currently room in the market for us do to limited direct competition. The differential shows positive results in both the low and high scenarios. The new products will bring in positive cash flow achieving our goal of increased cash. Additional products may help TC ability to compete and bring it closer to reaching economies of scale as well to contribute to long term growth.

Financing

New and emerging company with larger losses. Therefore, securing a loan is difficult and unlikely. Equity financing may be difficult to achieve based on the high level of equity and current poor performance. Interest investors with the possibility of growth rather than current results