



EarlyRiders

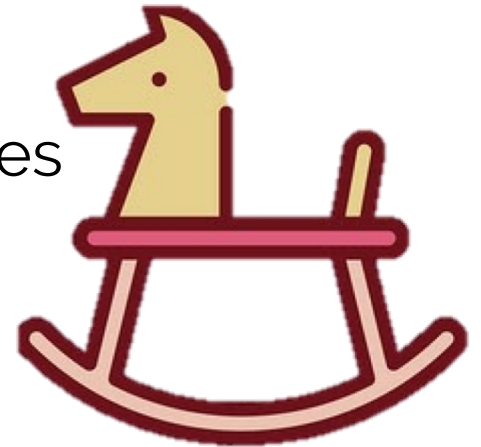
Toy Horse

MSMA Team 8

Hector Abreu Geng Luo Hairong Wang Ying Wang Yunjiao Liu

Agenda

- Executive Summary
- Key Insights
- Benefit Segments & Ideal Products
- Profit Analysis: Current Market
- Profit Analysis: Simulated Product Lines



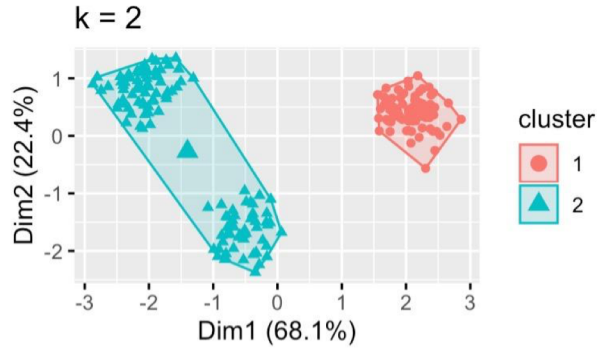
Executive Summary



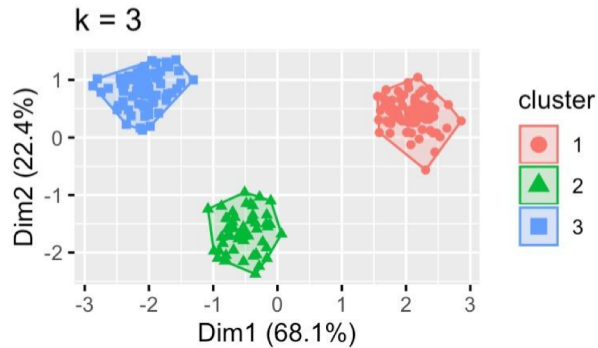
- Key Insights:
 - Segment consumers into three groups, Younger Children, Older Boys, and Girls
 - Robust segmentation forces competitor to lower prices regardless of product line scenario
 - Neglect Amazon Marketplace, sales occur in retail channel, products requires physical senses for accurate valuation of quality
- Recommendation:
 - Provide product line of 3 products
 - Retailer hesitation, shrink to 2 products
 - Long term product offering only has two scenarios regardless of initial product line
 - Simple to implement



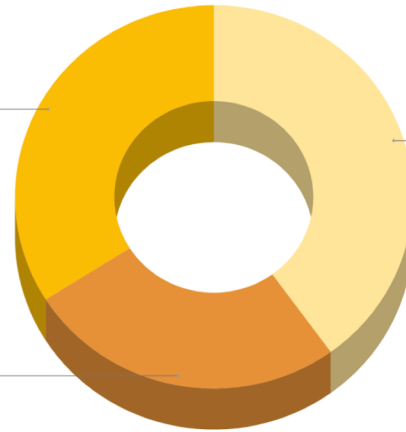
Benefit Segmentation: why 3 not 2?



Segment 3: Girls
34.0%



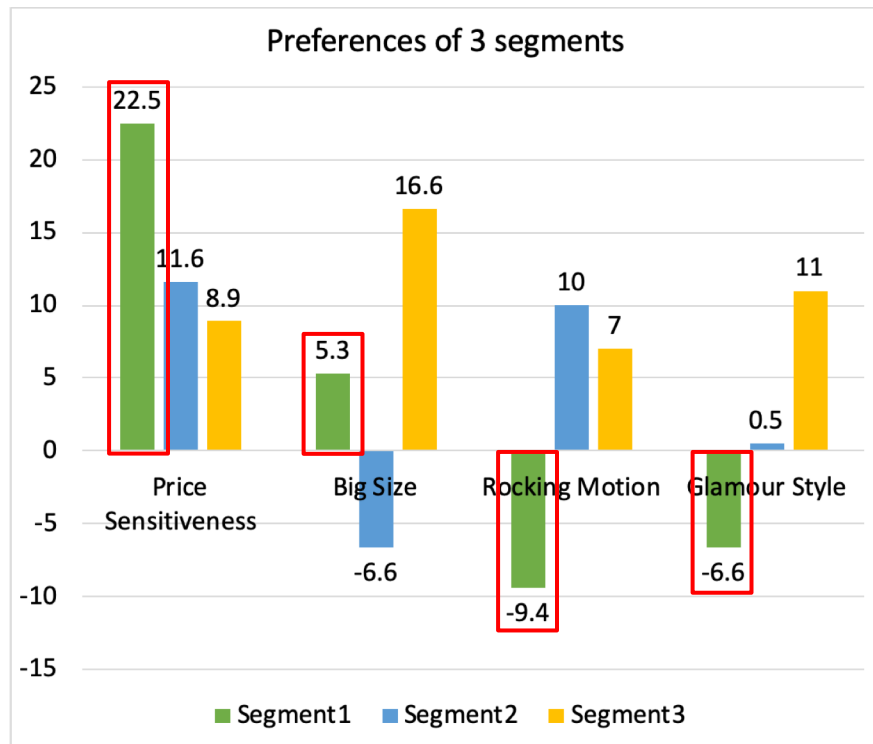
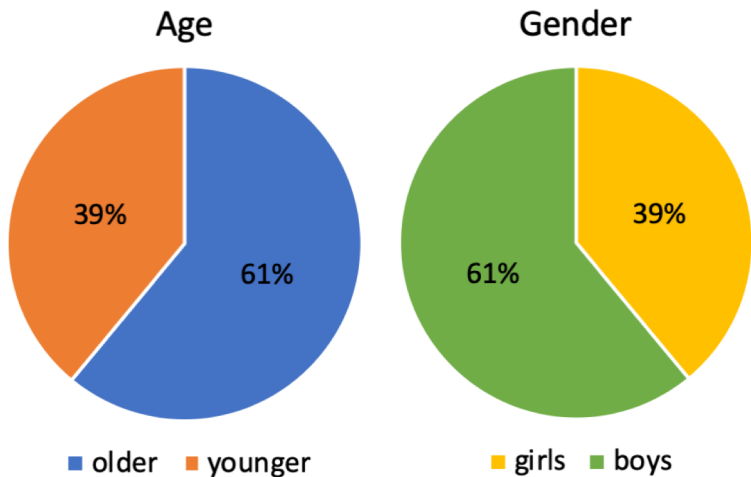
Segment 2: Younger Children
26.0%



Segment 1: Older boys
40.0%

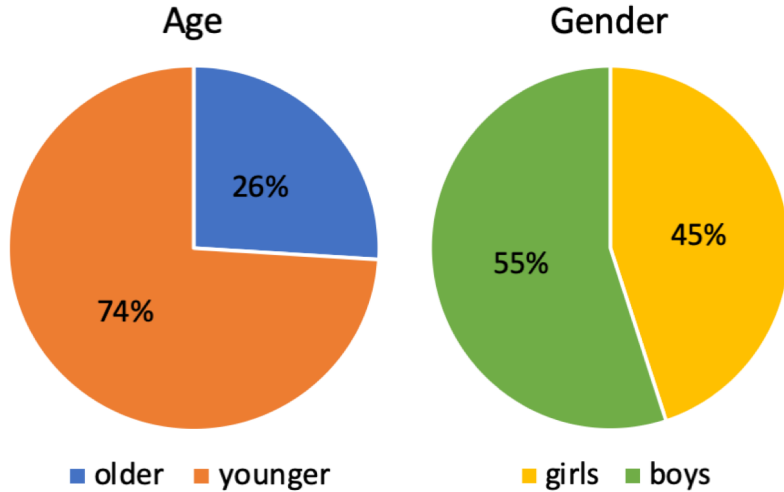


Benefit Segment 1: Older boys

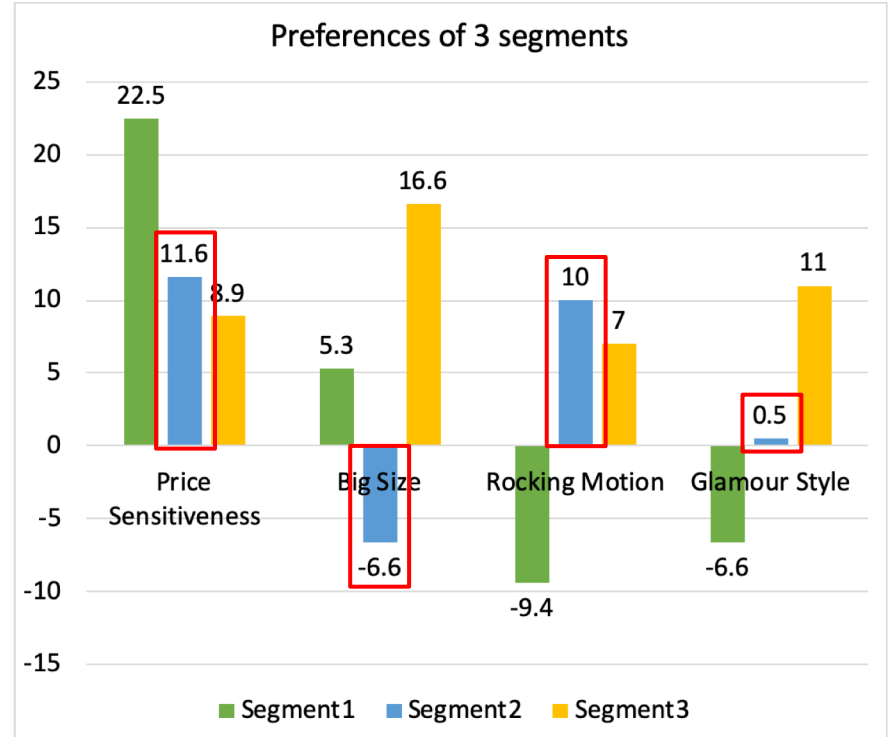


18" Bouncing Racing(Low price)
26" Bouncing Racing(Low price)

Benefit Segment 2: Younger Children

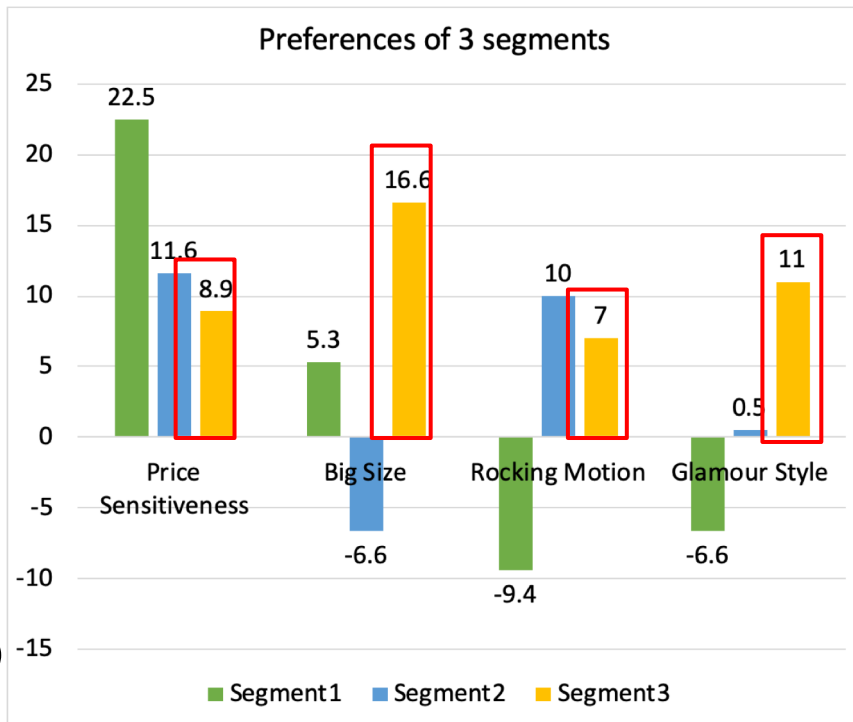
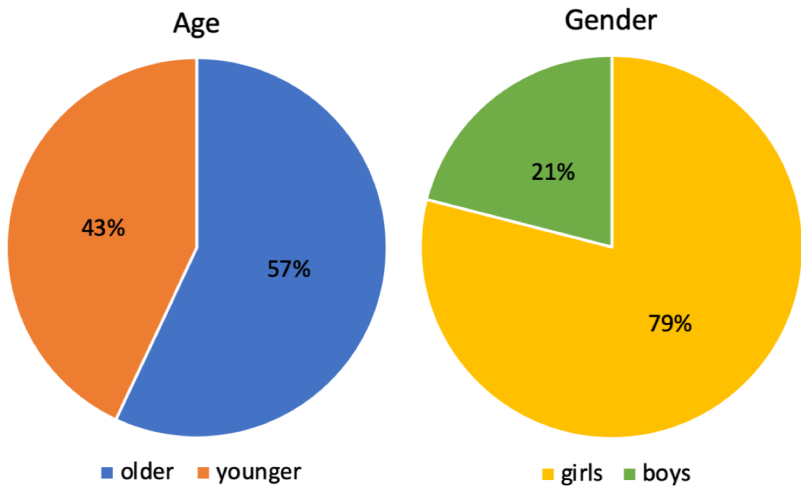


18" Rocking Racing (Low Price)
18" Rocking Glamour (Low Price)





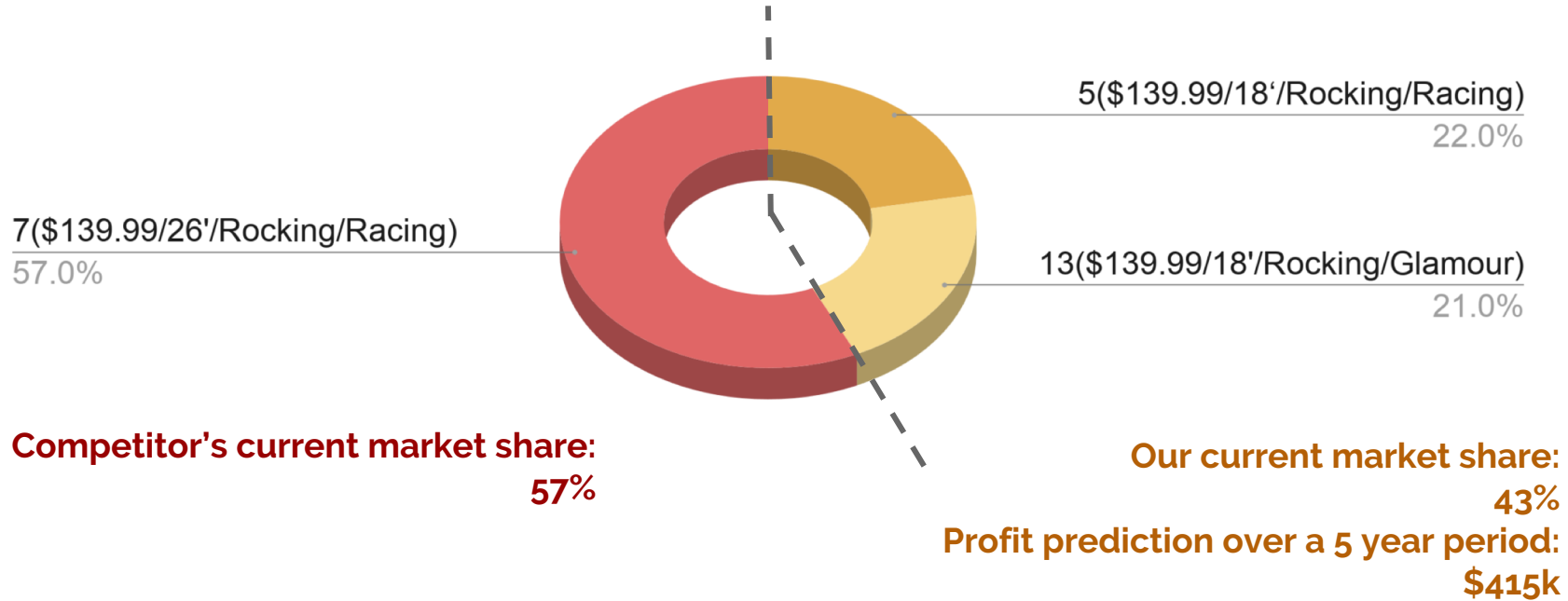
Benefit Segment 3: Girls



26" Rocking Glamour (Low Price)
26" Bouncing Glamour (Low Price)

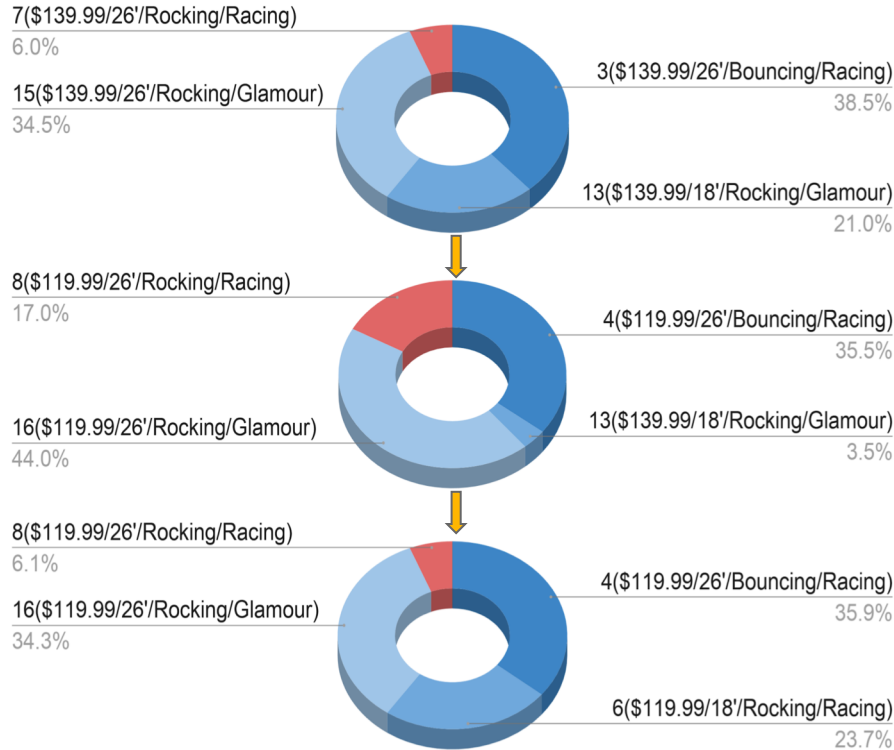


Market Simulation (Current Market)





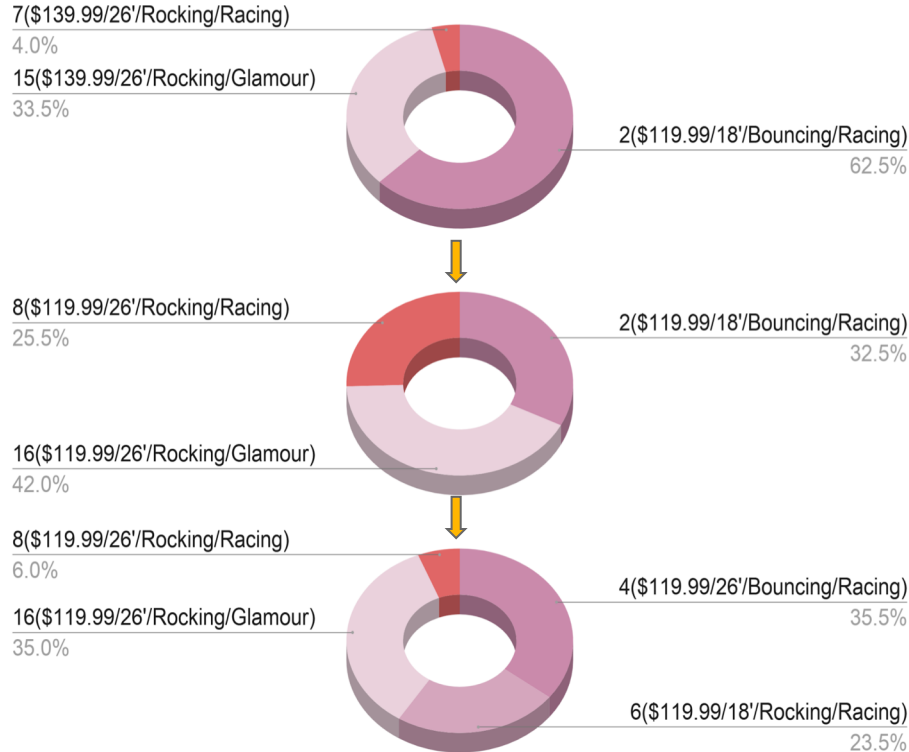
Market Simulation (PL 3 to PL3)



- Switching to product lines of 3
- All prices at \$139.99 at first, lower depending on competitor response
- Change product line in the year after
- Expected Profits:
 - Increase by 75%
 - \$313K



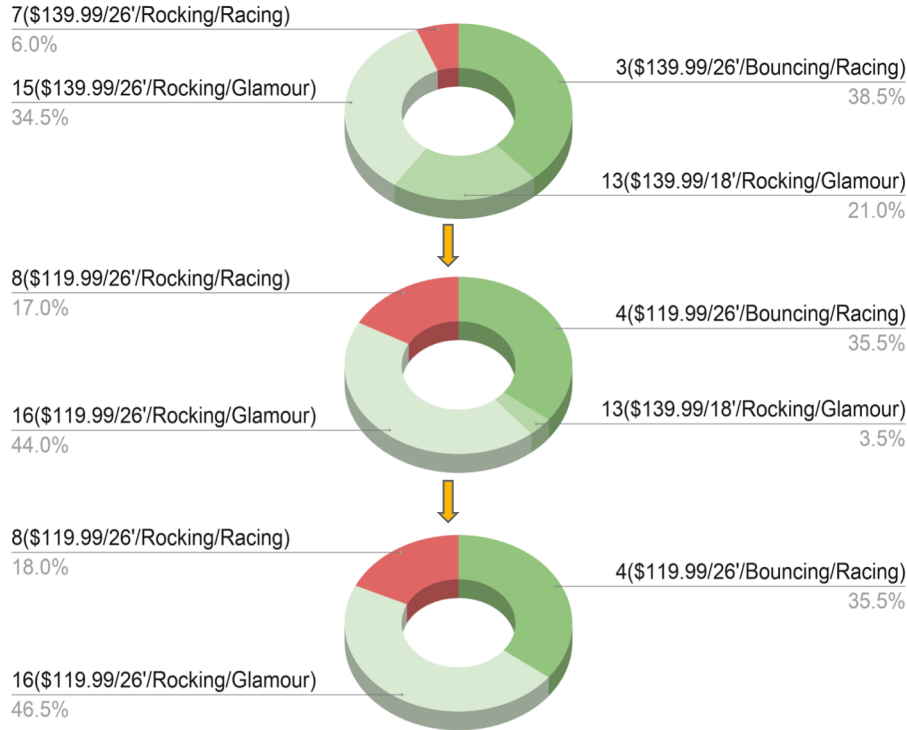
Market Simulation (PL 2 to PL 3)



- Switch to 2 new products
- Competitor lowers its price in response
- Add 1 more product in the second year to win more market share
- Expected profit
 - Increase by 72%
 - \$299K



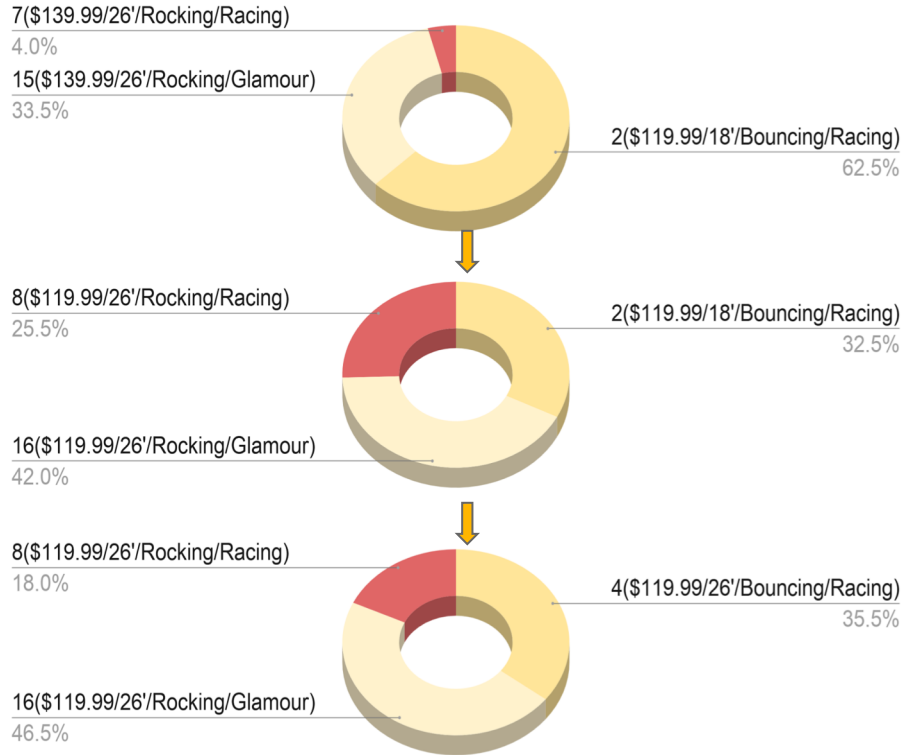
Market Simulation (PL 3 to PL 2)



- Add 2 new products and drop 1 product
- Drop 1 product in the second year to reduce the cost but maintain the same market share
- Expected Profits:
 - Increase by 70%
 - \$289K



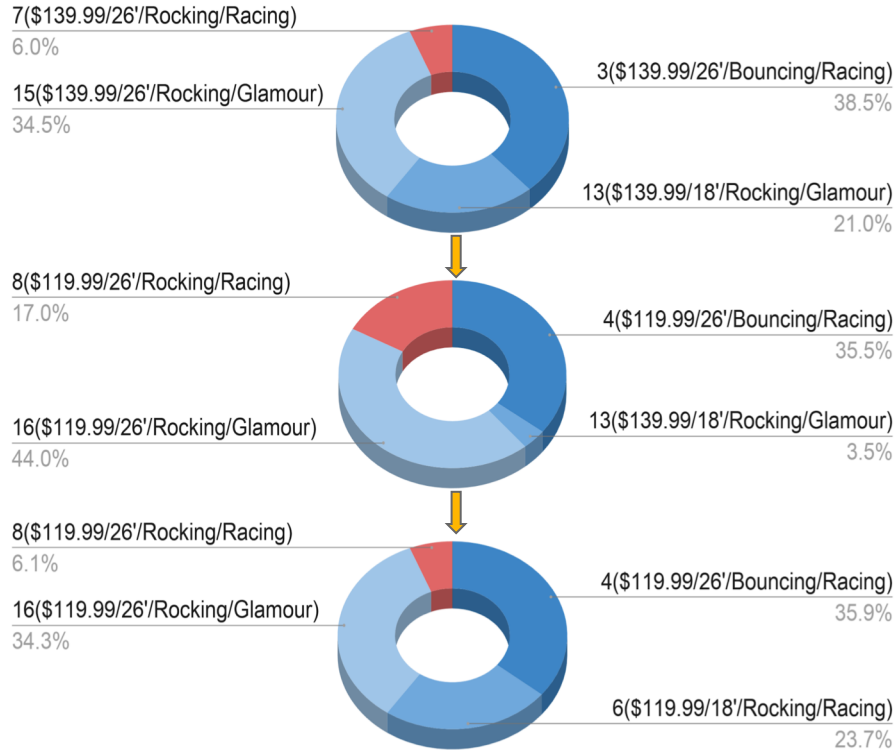
Market Simulation (PL 2 to PL 2)



- Switch to 2 new products
- Lower our price, switch one product
- Keep product lines of 2 to avoid extra cost
- Expected Profit:
 - Increase by 66%
 - \$275K



Recommendation: PL 3 to PL3



- Switching to product lines of 3
- All prices at \$139.99 at first, lower depending on competitor response
- Change product line in the year after
- Expected Profits:
 - Increase by 75%
 - \$313K



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Appendix

Profit calculation for current market in Excel



Price	111.99	95.99		
Cost:	18	rocking	33	5/6/13/14
	26	rocking	41	7/8/15/16
	18	bouncing	21	1/2/9/10
	26	bouncing	29	3/4/11/12
Current MKT				
Profile	5	13	7	95862.8
MKT Share	0.22	0.21	0.57	
Profit	49511.2	46351.6	/	

Appendix

Profit calculation based on market share simulation in Excel



PL3 to PL3																					
Profile	3	13	15	7	218789.07																
MKT Share	0.385	0.210	0.345	0.060																	
Profit	101137.93	46351.60	71299.53	/																	
Profile	4	13	16	8	142966.80																
MKT Share	0.355	0.035	0.440	0.170																	
Profit	75125.80	-8941.40	76782.40																		
Profile	4	6	16	8	164655.73																
MKT Share	0.355	0.235	0.350	0.060																	
Profit	75125.80	32543.93	56986.00	/																	
PL2 to PL3																					
Profile	2	15	7		229268.27																
MKT Share	0.625	0.335	0.040																		
Profit	160808.33	68459.93	/																		
Profile	2	16	8		149870.20																
MKT Share	0.325	0.420	0.255																		
Profit	77487.00	72383.20	/																		
Profile	4	6	16	8	157989.07																
MKT Share	0.355	0.235	0.340	0.060																	
Profit	68459.13	32543.93	56986.00	/																	
PL3 to PL2																					
Profile	3	13	15	7	205349.07																
MKT Share	0.385	0.210	0.345	0.060																	
Profit	101137.93	32911.60	71299.53	/																	
Profile	4	13	16	8	142966.80																
MKT Share	0.355	0.035	0.440	0.170																	
Profit	75125.80	-8941.40	76782.40	/																	
Profile	4	16	8		157407.20																
MKT Share	0.355	0.465	0.180																		
Profit	75125.80	82281.40	/																		
PL2 to PL2																					
Profile	2	15	7		229268.27																
MKT Share	0.625	0.335	0.040																		
Profit	160808.33	68459.93	/																		
Profile	2	16	8		149870.20																
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Profit	77487.00	72383.20	/																		
Profile	4	16	8		150740.53																
MKT Share	0.355	0.465	0.180																		
Profit	68459.13	82281.40	/																		

Appendix

Profit calculation based on market share simulation in Excel



	1st year first six months	1st year last six months	2nd year- 5th year			
	we make the initial change in product line	competitor changes price as the response to our decision, and we change some prices accordingly	we change product line according to competitor's response, and assume competitor will not change any more	Total Profit (No discount)	NPV (i = 5%)	Increase (Compare to current)
2-2	\$ 229,268.27	\$ 149,870.20	\$ 150,740.53	\$ 792,531.37	\$689,607.34	66.2%
2-3	\$ 229,268.27	\$ 149,870.20	\$ 157,989.07	\$ 821,525.50	\$714,086.33	72.1%
3-3	\$ 218,789.07	\$ 142,966.80	\$ 164,655.73	\$ 839,500.87	\$728,322.87	75.5%
3-2	\$ 218,789.07	\$ 142,966.80	\$ 157,407.20	\$ 810,506.73	\$703,843.88	69.6%
Current	\$ 95,862.80	\$ 95,862.80	\$ 95,862.80	\$ 479,314.00	\$415,035.76	