JHT2 Strategic Management

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JHT2 Task 1

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3/6/14

JHT2 Task 1

A. Company's final cumulative balanced scorecard, income statement and balance sheet.

Income Statement

G Force Footwear
Industry 63

INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT	North America		Europe-Africa		Asia-Pacific		Latin America		Overall	
	$000s	$ / pair	$000s	$ / pair	$000s	$ / pair	$000s	$ / pair	$000s	$ / pair
Gross Revenues — Internet	29,321	73.12	31,295	73.12	27,128	73.12	26,835	73.12	114,579	73.12
Wholesale	136,047	49.15	143,570	48.90	112,891	43.79	123,530	45.15	516,038	46.84
Private-Label	37,215	39.93	0	0.00	34,990	34.99	24,491	36.94	96,696	37.26
Gross Revenues from Footwear Sales	202,583	49.40	174,865	51.98	175,009	44.32	174,856	46.43	727,313	47.91
± Exchange Rate Adjustment	0	0.00	+630	+0.19	+3,220	+0.82	+5,350	+1.42	+9,200	+0.61
Net Revenues from Footwear Sales	202,583	49.40	175,495	52.17	178,229	45.13	180,206	47.85	736,513	48.52
Operating Costs — Cost of Pairs Sold	99,903	24.36	84,965	25.26	76,702	19.42	96,953	25.74	358,523	23.62
Warehouse Expenses	10,734	2.62	10,327	3.07	10,201	2.58	10,062	2.67	41,324	2.72
Marketing Expenses	19,704	4.80	21,950	6.52	16,885	4.28	16,958	4.50	75,497	4.97
Administrative Expenses	4,137	1.01	4,391	1.31	3,849	0.97	4,051	1.08	16,428	1.08
Operating Profit (Loss)	68,105	16.61	53,862	16.01	70,592	17.88	52,182	13.86	244,741	16.12

PROFITABILITY & PAYOUT	Year 17	Year 18
Earnings Per Share	$14.01	$18.56
Dividends Per Share	$0.00	$15.00

	Overall $000s	$ / pair
Interest Income (Expenses)	125	0.01
Other Income (Expenses)[1]	0	0.00
Pre-Tax Profit (Loss)	244,866	16.13
Income Taxes[2]	73,460	4.84
Net Profit (Loss)	171,406	11.29

[1] This item includes any charitable contributions and/or instructor-imposed fines (appearing as negative) and/or instructor-awarded refunds (appearing as positive).

[2] The income tax rate is 30%. If a net loss was recorded in Y17, the loss is carried forward and may offset some or all taxable Y18 profit and reduce Y18 income taxes.

Balance Sheet & Cash Flow

G Force Footwear **Year 18**

Industry 63

BALANCE SHEET AND CASH FLOW REPORT

BALANCE SHEET

ASSETS			$000s
Cash On Hand			15,146
Accounts Receivable (see Note 1)			184,128
Footwear Inventories			27,828
Total Current Assets			227,102
Net Plant Investment (see Note 2)			403,652
Construction Work in Progress			0
Total Fixed Assets			403,652
Total Assets			630,754
LIABILITIES			**$000s**
Accounts Payable (see Note 3)			27,288
Overdraft Loan Payable (see Note 4)			0
1-Year Bank Loan Payable (see Note 5)			0
Current Portion of Long-Term Loans (see Note 6)			0
Total Current Liabilities			27,288
Long-Term Bank Loans Outstanding (see Note 7)			0
Total Liabilities			27,288
SHAREHOLDER EQUITY	**Beginning Balance**	**Change in Y18**	**$000s**
Common Stock (see Note 8)	9,310	–75	9,235
Additional Capital (see Note 9)	13,840	–18,494	-4,654
Retained Earnings (see Note 10)	566,007	+32,878	598,885
Total Shareholder Equity	589,157	+14,309	603,466
Return on Average Equity for Year 18 (see Note 11)			28.7%

Balance Sheet Notes (all dollar and share figures are in thousands)

Note 1: Of the $727,313 net revenues reported in the Y18 income statement, 25% have not been collected from customers (will be collected in Y19).

Note 2: For more details on plant investment see the Plant Investment section of the Plant Operations Report.

Note 3: Of the $109,152 in materials used for footwear production in Y18, 25% have not been paid for (will be paid for in Y19).

Note 4: Loans for overdrafts carry an interest rate 2% above the 1-year loan rate and are incurred automatically to prevent a negative year-end cash balance.

Note 5: The prevailing 1-year loan interest rate in Year 18 was 5.8%.

Note 6: This item represents the principal protion of all outstanding 5-year and 10-year bank loans due to be repaid in Year 19.

Note 7: Long-term bank loans outstanding:

Loan Number	Initial Year	Original Principal	Interest Rate	Term	Out-standing Principal	Annual Principal Payment	Year 19 Interest Payable
1	Y7	115,000	8.5%	10-Yr	-	-	-
2	Y9	24,000	7.5%	5-Yr	-	-	-
3	-	-	-	-	-	-	-
4	-	-	-	-	-	-	-
5	-	-	-	-	-	-	-
6	-	-	-	-	-	-	-
7	-	-	-	-	-	-	-
8	-	-	-	-	-	-	-
9	-	-	-	-	-	-	-
10	-	-	-	-	-	-	-
11	-	-	-	-	-	-	-
12	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-
15	-	-	-	-	-	-	-
16	-	-	-	-	-	-	-

Note 8: There are 9,235 shares issued and outstanding at a par value of $1.00 per share. The authorized maximum number of shares is 40 million.

Note 9: Additional Capital represents the amount over and above par value that shareholders have paid to purchase new shares of stock.

Note 10: Retained Earnings is a summation of all after-tax profits the company has earned that were not distributed to shareholders in the form of dividends.

Note 11: The formula for Return on Average Equity is:

$$\frac{\text{After-Tax Profit}}{(\text{Beginning Equity} + \text{Ending Equity}) \div 2}$$

CASH FLOW STATEMENT

CASH AVAILABLE IN YEAR 18		$000s
Beginning Cash Balance		7,794
Cash Inflows	Receipts from Sales (see Note 1)	695,998
	Bank Loans — 1-Year	0
	5-Year	0
	10-Year	0
	Stock Issues (0 shares issued)	0
	Sale of Existing Plant Capacity	0
	Loan to Cover Overdrafts	0
	Interest on Y17 Cash Balance	125
Total Available Cash from All Sources		703,917
CASH OUTLAYS IN YEAR 18		**$000s**
Payments to Materials Suppliers (see Note 2)		102,919
Production Expenses (see Note 3)		170,016
Distribution and Warehouse Expenses		91,645
Marketing and Administrative Expenses		91,927
Capital Outlays	Plant Upgrade Options Initiated	0
	Purchase of Used Plant Capacity	0
	Construction of New Capacity	0
	Energy Efficiency Initiatives	1,710
Repayment of Principal on Bank Loans (see Note 4)	Overdraft Loan	0
	1-Year Loan	0
	5-Year Loans	0
	10-Year Loans	0
Interest Payments	Overdraft Loan	0
	Bank Loans	0
Stock Repurchase (75 shares @ $247.59/share)		18,569
Income Tax Payments		73,460
Dividend Payments to Shareholders		138,525
Charitable Contributions		0
Total Cash Outlays		688,771
Net Cash Balance (at the end of Year 18)		15,146

Cash Flow Notes

Note 1: Receipts from Sales represents 75% of Year 18 revenues and 25% of Year 17 revenues due to a 3-month lag in receivables collections.

Note 2: Payments to Materials Suppliers represents 75% of the cost of materials used for Y18 production and 25% of the cost of materials used for Y17 production due to a 3-month lag in payments to materials suppliers.

Note 3: Production Expenses include all Y18 production-related expenses (adjusted for the exchange rate effects of shipping to regional warehouses) except for depreciation (which is a non-cash accounting charge).

Note 4: Overdraft and 1-year loans received in Year 17 were repaid in-full in Year 18. Interest on an overdraft loan received in Y17 would also be paid in Year 18.

SELECTED FINANCIAL STATISTICS

Credit Rating Measures	Interest Coverage (operating profit ÷ interest exp.)	100.00
	Debt-To-Assets Ratio (total debt ÷ total assets)	0.00
	Default Risk Ratio (free cash flow ÷ prin. pmnts.)	10.00
	Default Risk Rating [1]	Low
	Credit Rating (at the end of Year 18)	A+
Current Ratio (current assets ÷ current liabilities)		8.32
Operating Profit Margin (operating profit ÷ net sales revenues)		33.2%
Net Profit Margin (after-tax profit ÷ net sales revenues)		23.3%
Dividend Payout (dividend per share ÷ earnings per share)		80.8%
Free Cash Flow (after-tax profit + [depreciation – dividends])		63,538
Total Principal Payments ($000s to be paid in Year 19)		0

[1] A default risk ratio of 3.00 or higher results in a Low default risk rating, 1.00 to 3.00 results in a Medium rating, and below 1.00 results in a High rating.

Balanced Scorecard - Company G G Force

Industry 63 **COMPANY PERFORMANCE REVIEW** **Year 18**

Earnings Per Share ($)

EPS scores are based on a 20% or 20 point weighting. Bold numbers indicate achievement of the investor expected EPS shown below each yearly column head. Best-In-Industry performers earn a top score, and scores of other companies are a percentage of the industry-leading EPS performance. Game-To-Date scores are based on a weighted average of the annual EPS performances.

	Y11 (2.67)	Y12 (2.85)	Y13 (3.05)	Y14 (3.26)	Y15 (3.49)	Y16 (3.66)	Y17 (3.84)	Y18 (4.03)	Y19 (4.23)	Y20 (4.44)	Wgt Avg. (3.36)	Y18 Score I. E.	Y18 Score B-I-I	G-T-D Score I. E.	G-T-D Score B-I-I	
A	1.74	1.47	2.04	1.94	2.26	2.79	3.68	2.99			2.43	15	3	14	5	A
B	1.91	1.64	**3.07**	**5.04**	**5.25**	**5.60**	**5.91**	**4.84**			**4.16**	22	5	22	9	B
C	1.93	1.89	2.36	2.69	**3.64**	3.58	3.29	3.48			2.86	17	4	17	6	C
D	2.13	2.45	**4.68**	**4.71**	**4.29**	**5.28**	**5.44**	**5.38**			**4.31**	23	6	23	10	D
E	2.34	**3.99**	**4.95**	**5.92**	**5.32**	**5.90**	**6.87**	**7.87**			**5.37**	24	8	24	12	E
F	**3.29**	**3.39**	**4.60**	**5.41**	**5.96**	**7.94**	**8.27**	**8.34**			**5.82**	24	9	24	13	F
G	2.62	2.78	**5.75**	**8.08**	**9.96**	**11.75**	**14.01**	**18.56**			**9.07**	24	20	24	20	G
H	2.19	**2.93**	**3.14**	**3.67**	**5.32**	**5.19**	**8.58**	**11.25**			**5.31**	24	12	24	12	H
I	**2.75**	2.82	**3.12**	3.23	**3.83**	**3.96**	**4.48**	**4.40**			**3.57**	21	5	21	8	I
J	2.51	**3.28**	**3.41**	**5.01**	**6.25**	**7.89**	**8.33**	**9.80**			**5.82**	24	11	24	13	J
K	1.99	1.99	2.40	2.21	2.83	3.05	3.27	**4.07**			2.72	20	4	16	6	K
L	2.52	**3.68**	**3.85**	**3.39**	**4.08**	**5.29**	**7.13**	**8.14**			**4.71**	24	9	24	10	L

Return on Equity (%)

ROE scores are based on a 20% or 20 point weighting. Bold numbers indicate achievement of the investor-expected ROE shown below each yearly column head. Best-In-Industry performers earn a top score, and scores of other companies are a percentage of the industry-leading ROE performance. Game-To-Date scores are based on a weighted average of the annual ROE performances.

	Y11 (15.0)	Y12 (15.0)	Y13 (15.0)	Y14 (15.0)	Y15 (15.0)	Y16 (15.0)	Y17 (15.0)	Y18 (15.0)	Y19 (15.0)	Y20 (15.0)	Wgt Avg. (15.0)	Y18 Score I. E.	Y18 Score B-I-I	G-T-D Score I. E.	G-T-D Score B-I-I	
A	11.2	10.9	12.3	10.4	11.7	12.2	**16.0**	11.7			12.3	16	8	16	10	A
B	11.9	9.2	**15.1**	**20.7**	**17.8**	**16.0**	14.5	10.5			14.5	14	7	19	12	B
C	12.0	10.5	11.7	11.9	14.1	12.2	10.0	9.6			11.3	13	7	15	9	C
D	13.1	13.4	**21.0**	**17.5**	13.7	14.6	14.9	**15.6**			**15.4**	20	11	20	12	D
E	14.8	**22.2**	**23.3**	**23.2**	**17.9**	**17.4**	**18.0**	**18.5**			**19.2**	22	13	23	15	E
F	**20.3**	**18.7**	**22.4**	**22.8**	**21.7**	**25.6**	**25.2**	**25.0**			**23.1**	24	17	24	19	F
G	**15.9**	14.6	**24.8**	**27.0**	**26.2**	**25.0**	**24.3**	**28.7**			**24.8**	24	20	24	20	G
H	14.0	**16.9**	**16.2**	**16.8**	**21.1**	**17.4**	**23.0**	**26.3**			**20.2**	24	18	23	16	H
I	**16.6**	14.6	14.0	12.7	13.2	12.0	12.1	10.6			12.7	14	7	17	10	I
J	**17.7**	**16.9**	**15.4**	**16.9**	**18.5**	**21.3**	**21.0**	**23.6**			**19.5**	24	16	23	16	J
K	12.4	11.3	12.4	10.4	11.9	11.4	11.0	12.2			11.6	16	9	15	9	K
L	**15.8**	**20.4**	**18.7**	**15.0**	**16.7**	**19.2**	**21.9**	**21.2**			**19.0**	24	15	23	15	L

Stock Price ($ per share)

Stock Price scores are based on a 20% or 20 point weighting. Bold numbers indicate achievement of the investor-expected stock price shown below each yearly column head. Best-In-Industry performers earn a top score, and scores of other companies are a percentage of the industry-leading performance. Game-To-Date scores are based solely on the most recent year's stock price.

	Y11 (32.00)	Y12 (34.25)	Y13 (36.75)	Y14 (39.25)	Y15 (42.00)	Y16 (44.25)	Y17 (46.25)	Y18 (48.75)	Y19 (51.25)	Y20 (53.50)	Y18 Score I. E.	Y18 Score B-I-I	G-T-D Score I. E.	G-T-D Score B-I-I	
A	18.11	15.03	20.64	20.94	26.97	42.64	**68.26**	41.34			17	2	17	2	A
B	17.89	15.18	36.13	**85.72**	**87.13**	**76.96**	**71.07**	**53.32**			21	3	21	3	B
C	17.96	17.32	22.68	30.90	**49.19**	43.28	38.48	37.48			15	2	15	2	C
D	22.03	25.46	**74.90**	**73.61**	**56.01**	**63.84**	**70.00**	**86.82**			24	4	24	4	D
E	28.15	**76.67**	**99.94**	**119.31**	**80.59**	**83.44**	**94.76**	**114.47**			24	5	24	5	E
F	**56.31**	**51.26**	**85.15**	**100.42**	**104.89**	**143.82**	**141.23**	**129.86**			24	6	24	6	F
G	29.59	31.31	**103.69**	**157.97**	**194.30**	**211.74**	**245.60**	**417.69**			24	20	24	20	G
H	25.75	**38.12**	**41.02**	**53.51**	**90.77**	**83.21**	**176.36**	**242.14**			24	12	24	12	H
I	**32.31**	31.76	34.76	37.79	**46.78**	**45.78**	**53.95**	**50.13**			20	2	20	2	I
J	**35.73**	**56.15**	**55.24**	**95.62**	**113.02**	**154.32**	**137.72**	**167.11**			24	8	24	8	J
K	20.11	19.30	22.95	20.72	29.70	33.77	37.67	**48.90**			20	2	20	2	K
L	30.91	**63.27**	**58.36**	**43.42**	**52.48**	**76.98**	**121.40**	**143.21**			24	7	24	7	L

Footwear Industry Report **Page 2**

B. Generic competitive strategy used by company G Force Footwear.

In the beginning of the simulation, I gave pause to any type of strategic position. After the first round, it became clear the direction the competition was heading. Each of the competitors had revealed their own different market positions and intentions.

After reading about Porter's Generic Strategies Model, it became apparent that every competitor fell into one the following three strategies. Basic approaches to strategic planning that can be adopted by any firm in any market or industry to improve its competitive performance. The three fundamental marketing strategies (which, though different, are not mutually exclusive) are differentiation strategy, focus strategy, and low cost strategy. (generic strategies)

1. Cost Leadership Strategy. This is the strategy for the cost-conscious or price-sensitive customers. The objective of this strategy is to winning market share by having the lowest prices in the target market segment. The company can survive by having the lowest price to value ratio ,which would require, the company to operate at a lower cost than their rivals. There are three ways to be successful with this approach.

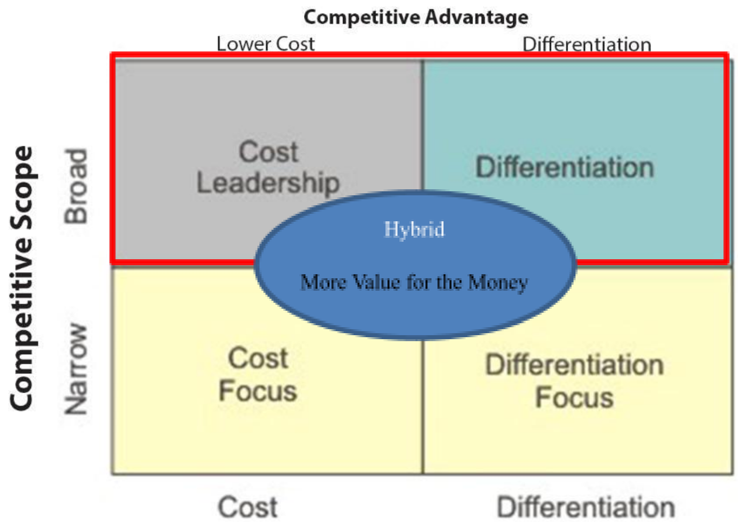
a. The first dimension is to involve production at high volumes of output. The fixed costs are spread over the high volume of produced units which translates to, a lower per unit cost. This type of company hopes of being able to take advantage of the "economies of scale" and "experience curve effects".

b. The second dimension is low direct and indirect operating costs. This can be accomplished by offering high volumes of standardized products. This would include personalization of service, limiting customization and no-frills products. Overhead costs would have to remain low which would include low paying wages, low rent facilities, fewer/standardized components, increased asset capacity utilization, minimize R&D, limited advertising and a limited number of models available. Every aspect of this strategy is cost – conscious.

c. The third dimension is taking control of the supply/procurement chain to ensure lower costs. This works by squeezing suppliers on price, buying with bulk discounts, and competitive bidding for contracts, using Just-In-time purchasing and running on Vendor-Managed Inventory.

2. Differentiation Strategy. This strategy is perfect for the target customer segment that is not price-sensitive. The customer specific needs were under served. The company had the unique resources to fulfill that demand that could not be easily replicated by any other competitor. This type of differentiation can create Brand Loyalty. The advantage of differentiation can drive the profitability when the added price of the product exceeds the expense to produce or get the product.

3. Focus or Leadership Strategy is really the type of scope the company that should be based on either Cost Leadership or Differentiation. Broad/Leadership could be the mass market while the Focus is more narrow focused on a few target markets. These few target markets are also commonly called “niche” or “segmentation” strategies.



The G Force Company employed a combination of both Cost Leadership (lower-cost provider strategy without compromising the product quality) and Product Differentiation (Broad Differentiation) Strategy. After the first round, it became apparent that the competition was either gravitating towards the cost focused (market niche) low-cost strategy without regards to product quality (S/Q rating) or a differentiation focus that is specific to the tastes of a narrow buyer segment (Superior Materials with expense enhanced styling features).

The Competitive Intelligence Analysis showed extremely valuable information about the competitions pricing for the different regions as well as their level of involvement in the different market segments (Internet, Wholesale and Private-Label Segments).

I also noticed some of the Competitors going for the Hybrid (best cost provider strategy). The best-cost provider strategy gives the customers more value for their money. So some of the competitors were concentrating on giving higher quality product for a lower cost. As tempting as it was to follow into the Hybrid (Best Cost Provider Strategy), I knew that some competitors were going to get into a pricing/quality wars with each other. In their attempts to beat the competition, they could lose focus and bankrupt their company just by competing with each other.

Actions built into the strategic plan to achieve competitive and financial success.

Many decisions had to be made in order to achieve competitive and financial success. Below are the following actions that helped G Force to become the number one company in this simulation.

Corporate Social Responsibility and Citizenship

Corporate Social Responsibility and Citizenship is instrumental in increasing the company's image rating. However, G Force was minimally concerned about meeting Investor Expection's Score of 70. The reasons for this direction were to give the very best prices available while increasing the EPS (earnings per share), Return On equity and increasing the Ending Cash available.

There were a few areas that were known to be an extreme benefit to the company. The first was Energy Efficiency Initiatives. Energy Efficiency Initiatives can be viewed as a capital investment and depreciated at 5% per year. This not only improves the energy efficiency consumption by the company, but it also improves the company's Image Rating. Ethics Training / Enforcement for All Employees does increase the administrative costs to 400k, but this was viewed as a necessity to avoid any disruption in the production process. As well as Workforce Diversity Program, this program was essential to testing, screening and hiring employees. While the cost was a hefty 500k towards administrative expenses, these endeavors improved the company's Image Rating as well as benefited the company in the long run. "Green" Footwear Materials initially seemed like a good idea because it was environmentally friendly. However, the company was still very young and could not afford to spend the extra $.50 for standard materials and $1.00 superior materials in such a tight competitive market. Likewise with the Recycled Boxing/Packaging, the cost of $.20 per pair would go against the low-cost leadership strategy of having the cost advantage over our rivals. Charitable Contributions would reduce pre-tax profits.

However, those contributions return on investment would render only marginal returns on the company's Image Rating, so G Force elected not to do this for the simulation.

Sales Forecast

G Force watched very closely to the estimates of the Industry's Average. This would help determine the Retail price which G Force would set. G Force would set the pricing for just a little lower than the Industry's Average to beat out the competition. The Sales Forecast was a comprehensive overview of the Industry which helped G Force set the allocation of resources to stay within the generic competitive strategy.

Plant Capacity

Since the Strategy was to provide a lower cost product, this require greater capacity in order to increase profits. Greater Capacity would enable a greater volume of production which would result in the ability to increase the volume of sales. G Force's goal was to "Purchase" as much capacity as possible since it would have come at a lower cost. The next best option was to build capacity. Building Capacity in other regions was not considered because of the cost to build those plants, as well as, the time it would have taken for the construction of those plants to be completed.

Branded Production

G Force's strategy was to keep the Percentage of Superior Materials to a minimum without losing the S/Q rating of 5 stars. The company was not going to go towards the narrow segment of Focused Low-Cost by lowering the S/Q rating or the Focused Differentiation Strategy that would require a higher S/Q rating. The secret for G Force was to gradually increase the Number of Models over the years. This would fulfill the Broad Differentiation Strategy that would appeal to a broad spectrum of buyers. G Force always demanded the highest TQM/Six Sigma Quality

Program of $2.50 per shoe. These programs were extremely important in maintaining a high S/Q rating as well as drastically reducing the number of Pairs Rejected and the Costs of the Rejects.

Annual Base Wages and Incentive Pay was always a constant. Again, the company wants to emphasize on keeping the shoes per pair cost low. However, Best Practices Training was maxed the very first year at $5000. This showed that the company could immediately benefit from the worker's production and help reduce the cost of rejects and pairs rejected. The Plants' capacity were always at maximum capacity and even utilized the maximum overtime available every year.

Branded Distribution

Branded Distribution was critical in ensuring that the company could retain the most profit from their production. G Force always strived to keep the Inventory Surplus/Shortfall at the Year-End to a plus 20 range or 20,000 pairs in each region. I quickly noticed that extra production from the N.A plant was cheaper to send to Latin America Warehouse than to ship anywhere else in the world. This was due the benefit of having NAFTA. Since N.A. was shipping to L.A., It was better to send the extra production from A-P plant to Europe-Africa Warehouse to offset the constant shortfall for that warehouse. As the simulation continued, capacity was applied to the region that had the greatest demand.

Internet Marketing

Internet Marketing online pricing was always set to the Industry Average in the Competitive Intelligence Report. G Force was careful to compare the Industry Average to the company's model so that it could maintain a high market share with minimal losses in Sales.

Wholesale Marketing

Wholesale Marketing decisions were made by reviewing the CIR(Competitive Intelligence Report). G Force was going to stay true to its target market of Cost Leadership and Broad

Differentiation Strategies. This would require G Force to offer the best Wholesale Price to Retails, keep Advertising Budget low, Mail-In Rebate low, Retail Outlets Utilized and Retail Support to an optimal number (not too high or low), and Delivery to Retailers would stay the same throughout the simulation.

Celebrities Bid

Celebrity endorsements does have a strong impact on sales. The first year, G Force did not place any bids until it could determine the going rate for celebrities. Some Competitors spent too much on Celebrities while others set the benchmark for the true cost for Celebrity Appeal. Each Celebrity had an appeal amount and G Force bid just a little higher than the going rate by finding the Average CA Points, Average Contract Cost, find the Celebrity Points to the average going rate would hope determine the amount to bid.

Private-Label Production

Private-Label Production was always set with the lowest accepted S/Q rating, lowest Superior Materials Usage and with no enhanced styling features. Private-Label Production did not become important to G Force until later in the simulation. Capacity was much larger later in the game, and the company needed other avenues to sell the extra surplus inventory. While Private-Label Production had a high demand for shoes, the Private-Label Production represented less of a profit for the company in comparison to the Internet and Wholesale segments.

Finance and Cash Flow

G Force's first goal was to pay off the existing loans. Immediate attention the loans would stop the hemorrhaging of funds to the interest on these loans plus it would improve the Credit Rating. The second action was towards Stock Repurchase. This helped both the Earnings Per Share and Return on Equity considerably. G Force did not want to spend money on Dividend until the end since most the cash was being used to recapitalize in obtaining capacity. The other goal of G Force was not to Issue Stock and work solely on the existing funds to avoid hurting EPS and ROE.

Reasons for selecting the strategy used.

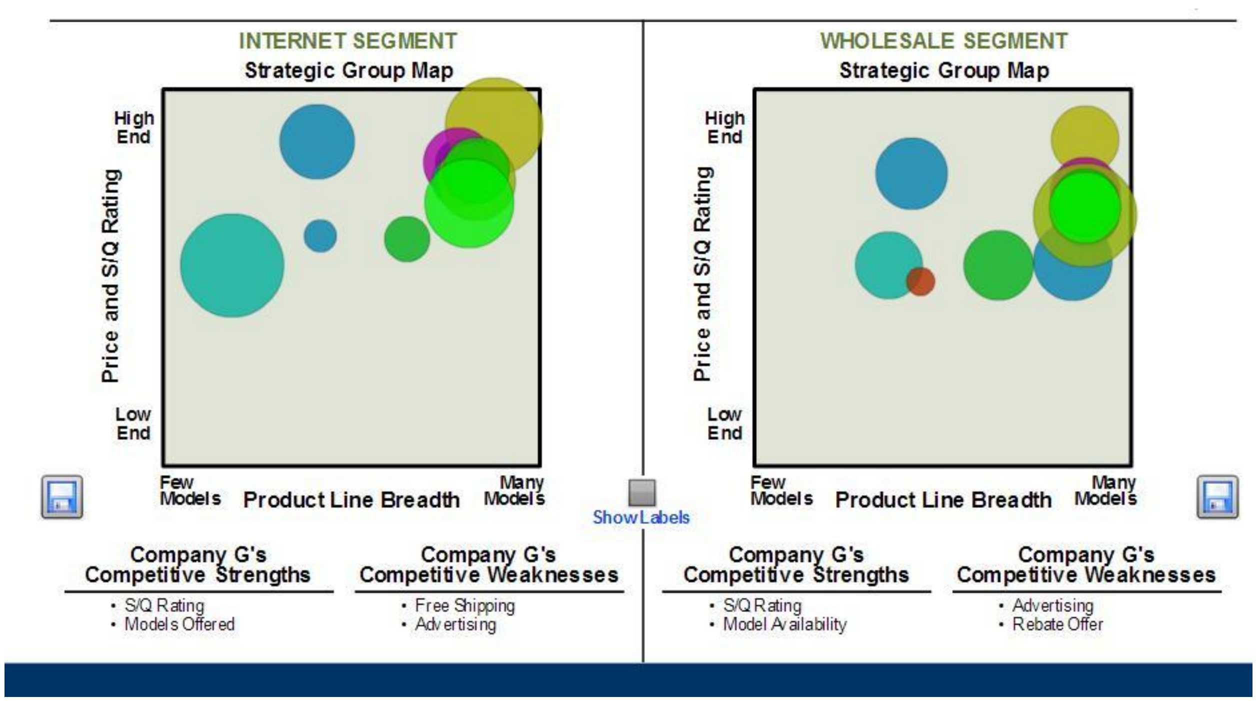
The reason why G Force went for the first strategy of Cost Leadership (Low-Cost). While Cost Leadership (Low Cost) price competition is fierce and vigorous, it offered the opportunity to win business of the price sensitive buyers. The competition could be squeezed out of the market if they have higher costs or less efficient operations. Companies that survive the very sensitive low price differences can also benefit by being the market share winners. Shoes that are standardized fulfills the needs of the buyer, so there is little need for features or quality but perform a function. A Narrow Competitive Scope will limit the target to that selected target audience. G Force sees that a lower price will also entice customers not switch to a competitor. Buyers have significant power to bargain down prices, having a Cost Leadership (low cost) prevents them from being able to bargain down below the survival level unlike the next most cost efficient competitor. G Force also recognizes that a Low-Cost Provider can attract buyers which will result in building a strong customer base. The low-cost strategy also creates a barrier to make it extremely difficult for new competitors from entering the market.

The reason why G Force went for the second strategy of Product Differentiation (Broad Differentiation). Product Differentiation offers preferences that are diverse which would attract buyers that want more than the standard shoe. G Force wanted to offer more Models so that the customer would be more inclined to make a purchase. Since there was a variety of models to choose from, at least one pair was bound to grab their attention. Another benefit of Product Differentiation would be the reduced head-to-head rivalry because each model would have its own uniqueness. This uniqueness in Models would prevent 'Strategy Overcrowding" where competitors would be chasing after the same buyers. Product Differentiation also creates new models available which creates customer anticipation and heightens the buyer's interest.

B1. Evaluation of the Effectiveness of G Force's Strategies.

Our Cost Leadership and Product Differentiation (Broad Differentiation) Strategy was extremely effective. The first few things that G Force needed to determine was: What is our present situation? Where do we want to go from here? And How are going to get there?

In the beginning of the simulation, G Force situation was the same as every other company with the same financial situation. Every company was clustered together in confusion. Situation showed that differentiation needed to take place for G Force.

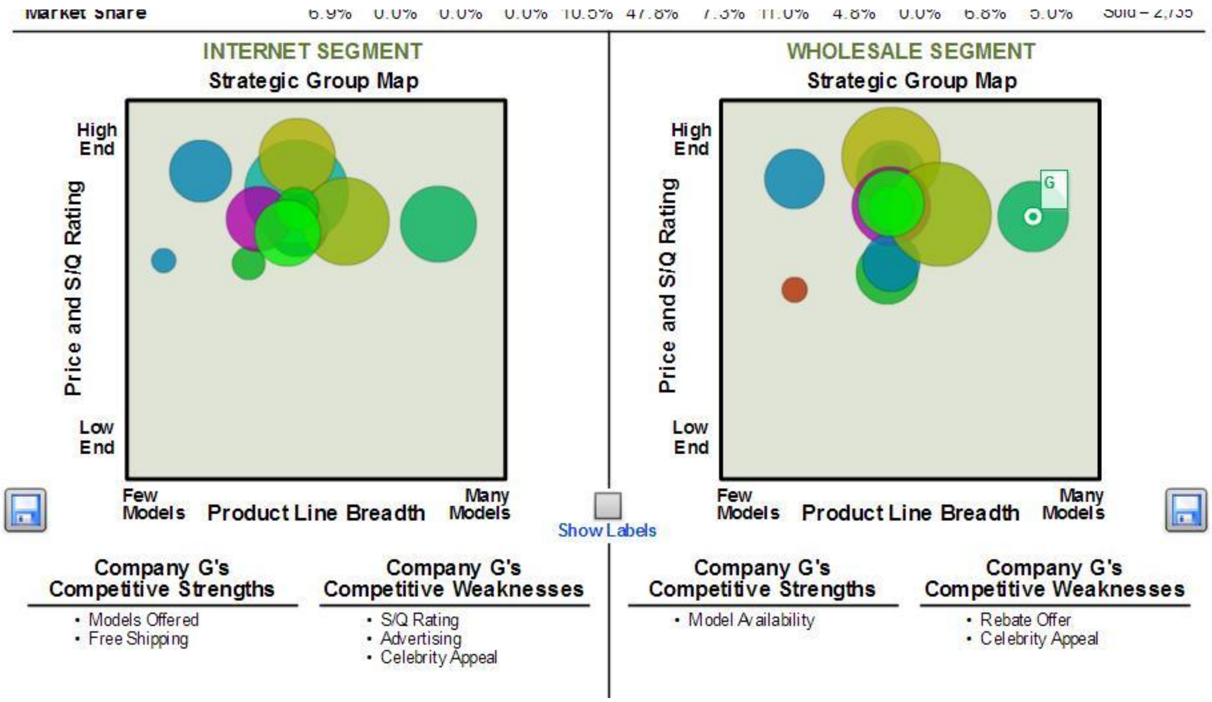


G Force needed to take a proactive and deliberate strategy so that it would prevent it from becoming a company forced to become a reactive, unplanned emergent strategy company. The company need to create a business model that would focus on its customer value proposition and its profit formula. The Customer Value Proposition was to create shoes at extremely competitive prices but with the greatest number of models available with free shipping. The Profit Formula was competitive pricing, constant 5 star S/Q rating, lowest advertising costs with a primary interest in the Highest EPS, ROE, Credit Rating. Focus is in increased Net Revenues, Net Profit while running with the lowest Ending Cash possible.

In order to determine the company's success, the company needed to go through three tests to determine if we had a winning strategy.

The first test was the Fit Test. G Force needed to show that it could exhibit a dynamic fit with the external and internal aspects of the firm's overall situation.   A smart strategy would have been well matched to the industry which would have clear competitive conditions, market opportunities, identifiable threats and other aspects of the company's external environment. At the same time, this strategy needs to be tailored to the company's resource strengths/weaknesses, competencies and competitive capabilities.

G Force Fit Test showed it could gain separation from the group just by adding more Models to the production.



This shows there are no overlapping competitors and identifiable threats to the company's potential for growth in capacity and pricing. This expansion of additional Models posed no disruption to the internal fit which it is unlikely to underperform or fall short of producing winning results.

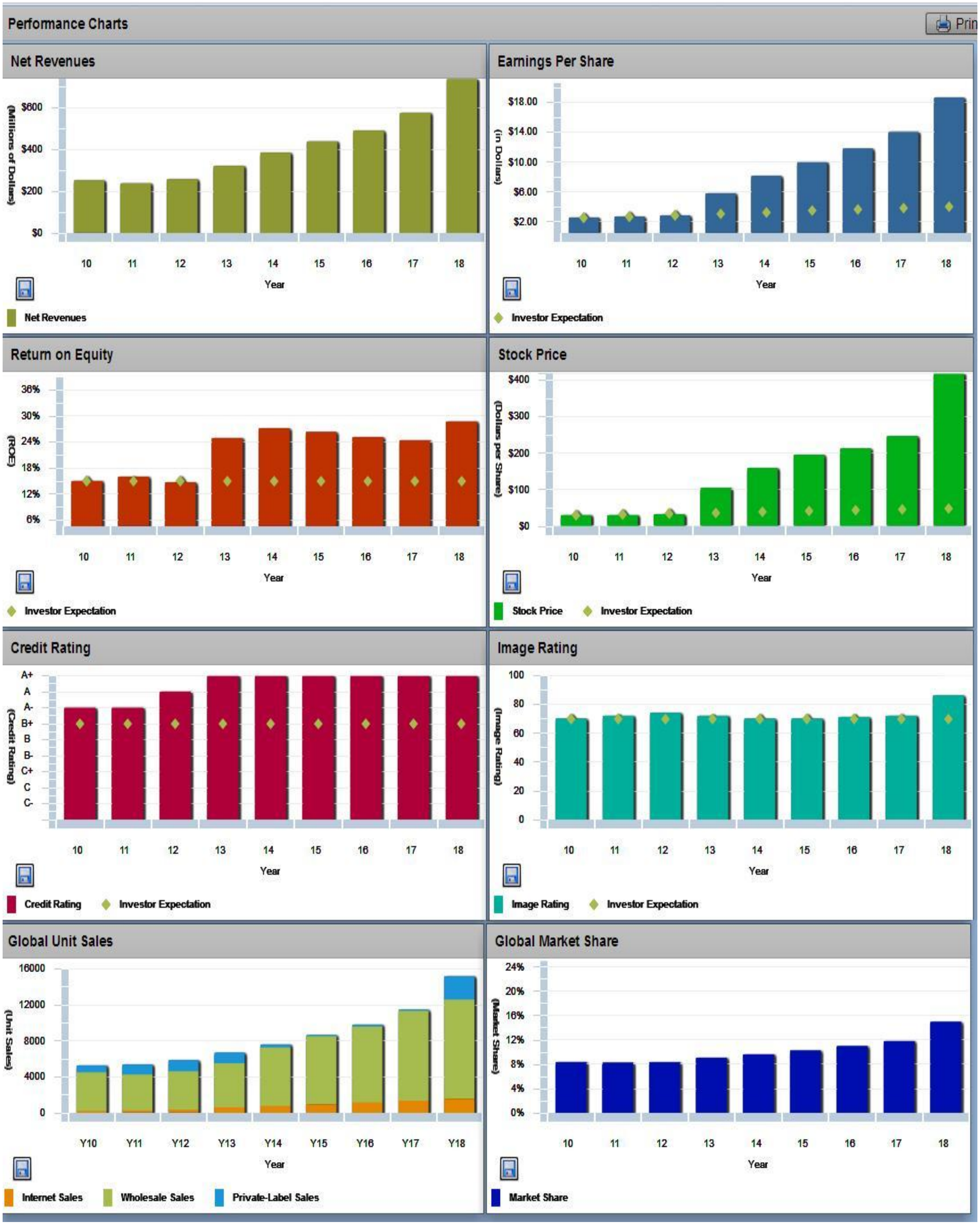
The second test was the Competitive Advantage Test. This test is designed to see if the company can achieve and sustain a competitive advantage. G Force was hoping the competition would not notice the unrivaled market segment of having many Models over the simulation. Unfortunately, they caught onto G Force's success, but G Force had already spent time working on expanding its capacity to outsize the competition.

Potential Global Supply Expected Global Demand ting new capacity.

Plant Capacity (000s of pairs of production capacity not including overtime)

	Capacity Beginning Year 18				Capacity Purchased (Sold)				Capacity Available for Y18 Production					New Construction Initiated in Y18	
	N.A.	E-A	A-P	L.A.	N.A.	E-A	A-P	L.A.	N.A.	E-A	A-P	L.A.	Total		
A	2,500	0	3,700	0	0	0	0	0	2,500	0	3,700	0	6,200	0	A
B	2,000	0	4,000	0	0	0	0	0	2,000	0	4,000	0	6,000	0	B
C	2,000	0	4,000	0	0	0	0	0	2,000	0	4,000	0	6,000	0	C
D	2,800	0	4,000	0	0	0	0	0	2,800	0	4,000	0	6,800	0	D
E	2,600	0	4,700	0	0	0	0	0	2,600	0	4,700	0	7,300	800	E
F	2,000	0	4,500	0	0	0	0	0	2,000	0	4,500	0	6,500	0	F
G	4,700	0	8,400	0	0	0	0	0	4,700	0	8,400	0	13,100	0	G
H	2,000	2,000	4,000	2,000	0	0	0	0	2,000	2,000	4,000	2,000	10,000	0	H
I	1,900	0	3,900	0	0	0	0	0	1,900	0	3,900	0	5,800	0	I
J	5,400	0	7,600	0	0	0	0	0	5,400	0	7,600	0	13,000	0	J
K	2,000	1,500	4,000	0	0	0	0	0	2,000	1,500	4,000	0	7,500	0	K
L	2,900	0	5,000	0	0	0	0	0	2,900	0	5,000	0	7,900	0	L
	32,800	3,500	57,800	2,000	0	0	0	0	32,800	3,500	57,800	2,000	96,100	800	

The third test was the Performance Test. This test measures if the company can produce good performance by measuring the company's profitability, financial and competitive strengths and market standing. Before the year closes out for results, I would check to make sure that the company was in every area. Net Revenues, Earnings Per Share, Return on Equity, Stock Price were the most important indicators that need to be monitored. While Credit Rating, Image Rating, these indicators were secondary metrics of importance.


Performance Charts
Net Revenues
(Millions of Dollars)
$600
$400
$200
$0
10 11 12 13 14 15 16 17 18
Year
Net Revenues
Earnings Per Share
(in Dollars)
$18.00
$14.00
$10.00
$6.00
$2.00
10 11 12 13 14 15 16 17 18
Year
Investor Expectation
Return on Equity
(ROE)
36%
30%
24%
18%
12%
6%
10 11 12 13 14 15 16 17 18
Year
Investor Expectation
Stock Price
(Dollars per Share)
$400
$300
$200
$100
$0
10 11 12 13 14 15 16 17 18
Year
Stock Price
Investor Expectation
Credit Rating
(Credit Rating)
A+
A
A-
B+
B
B-
C+
C
C-
10 11 12 13 14 15 16 17 18
Year
Credit Rating
Investor Expectation
Image Rating
(Image Rating)
100
80
60
40
20
0
10 11 12 13 14 15 16 17 18
Year
Image Rating
Investor Expectation
Global Unit Sales
(Unit Sales)
16000
12000
8000
4000
0
Y10 Y11 Y12 Y13 Y14 Y15 Y16 Y17 Y18
Year
Internet Sales
Wholesale Sales
Private-Label Sales
Global Market Share
(Market Share)
24%
20%
16%
12%
8%
4%
0%
10 11 12 13 14 15 16 17 18
Year
Market Share

The third test was the Performance Test. This test measures if the company can produce good performance by measuring the company's profitability, financial and competitive strengths and market standing. Before the year closes out for results, I would check to make sure that the company was in every area. Net Revenues, Earnings Per Share, Return on Equity, Stock Price was the most prominent indicators that needed to be monitored. While Credit Rating, Image Rating, these indicators were secondary metrics of importance.

The strategic plan to 'mesh" with the competitive strategy used in the simulation.

The first step was to develop a Strategic Vision. This required wrestling with the direction the company should take. A strategic vision will point the company into a particular direction without the management's aspirations for the business. G Force Strategic Vision was created by the external forces and the opportunities that they presented.

The second step was Setting Objectives. The purpose of setting objectives is to convert the vision and mission into real specific (quantifiable/measurable) performance targets.

The third step was Crafting a Strategy. This is the task that answers and addresses all of the "hows". How to grow the business, how to respond to a changing market, how to please the customers, how to manage ever function of the business, and how to outclass and outcompete the competition.

The fourth step was Executing the Strategy. The Strategy is an action agenda that emerges to achieve the targeted financial and strategic performance. Once the execution of strategy has been implemented. It could take a company several months or years to see the results and the impacts it will have on the company. G Force was committed to the main course of direction but made very minor strategic adjustments along the way. These minor adjusts never disrupted the core mission objectives.

The fifth step was monitoring the development, evaluating performance, and initiating corrective adjustments. G Force applied the three tests of a winning strategy (good fit, competitive advantage, strong performance). If any of these noticed any weakness, the company would need to change course by fine tuning the strategic plan in conjunction with continuing efforts to improve the strategies execution.

C. Evaluation on how G Force Footwear was able to identify competitors' strengths, and strategies during the simulation.

During this simulation, the most important piece of information was being able to identify the competition's strengths and weaknesses. In being able to identify the competition's position, the company could find opportunities and threats. The Competitive Intelligence Reports gave information about the Competitive Efforts by every Company and Region. It also gave Competitor's historical action for every region of every company and their decisions. The Market Snapshot shows all of the companies side by side in their decision for each region and years. The Company Analysis shows the individual companies and their region with their historical decisions within their company.

Here is the SWOT analysis of those competitors.

Identifying the Strengths of the Competition. The first step taken is to identify the internal strengths of G Force by reviewing the previous year's performance. G Force must have the Strength and Ability to engage its competitor's strengths or find other channels of opportunity.

Every year, G Force reviewed the Scoring Measures (EPS, ROE, CR, IR) plus Other Measures (Net Revenues, Net Profit, Ending Cash). This shows how well I exceeded Investors Expectations.

The Next is to check the Scoreboard. This Identifies the Leaders by Rank (Year and Game-to-Date). This shows me the competition's success in Investor Expectation Score, Best-In-Industry and Overall Score.

Year 11 Scoreboard

Rank	Company Name	Investor Expectation Score	Best-In-Industry Score	Overall Score
1	F C Speedware!	111	95	103
2	Jonesing fo Jet Life	104	81	93
3	G Force Footwear	101	80	91
4	I Success Footwear	101	79	90

Game-To-Date Scoreboard

Rank	Company Name	Investor Expectation Score	Best-In-Industry Score	Overall Score	Bonus Points	Overall G-T-D Score
1	F C Speedware!	111	95	103	1	104
2	Jonesing fo Jet Life	104	81	93	0	93
3	G Force Footwear	101	80	91	1	92
4	I Success Footwear	101	79	90	0	90

G Force wanted to know how they achieved higher scores in IES, BIS, and OS. The answers were in the Footwear Industry Report (FIR). The company "FC Speedware" and "Jonesing fo Jet Life" strengths shined in Earnings Per Share, Return on Equity, Stock Price, Credit Rating, Image Rating. They instantly became the Target for G Force. With both of those companies in mind, G Force went into the Competitive Intelligence Report (CIR) and began evaluating both of those companies. G Force was looking for all of the comparisons between them. The competition's strength is in the details. "FC Speedware" and "Jonesing fo Jet Life" strengths were on how they differentiated themselves from the competition. Their decision changes in the Internet Segment and Wholesale Segment((Price, S/Q rating, Models Offered, Free Shipping, Advertising, Celebrity appeal, online orders, pairs sold) plus the Private-Label Segment gave them instantaneous success.

Industry 63 — **MARKET SNAPSHOT – North America** — **Year 11**

North America Year 11	A	B	C	D	E	F	G	H	I	J	K	L	Ind. Avg.	Co. G vs. Ind. Avg.
	Competitive Efforts by Company													
INTERNET SEGMENT														
Price ($/pair at retail)	80.00	65.00	74.00	75.00	80.00	0.00	75.00	71.50	75.00	75.00	78.00	69.00	74.32	+0.9%
S/Q Rating (number of stars)	5	4	4	6	5	0	5	6	4	5	5	5	4.9	+0.1 star
Models Offered	180	52	151	200	180	0	180	100	102	190	190	186	156	+15.4%
Free Shipping	No	Yes	No	Yes	Yes	No	No	Yes	No	Yes	Yes	No	Some	Below
Advertising ($000s)	7000	9400	7000	10000	10000	0	5000	8000	6700	7700	7000	7500	7755	−35.5%
Celebrity Appeal	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0%
Online Orders (000s)	64	140	63	132	96	0	72	102	46	107	90	121	94	−23.4%
Pairs Sold (000s)	64	140	63	132	96	0	72	102	46	107	90	121	94	−23.4%
Market Share	6.2%	13.6%	6.1%	12.8%	9.3%	0.0%	7.0%	9.9%	4.5%	10.4%	8.7%	11.7%	9.1%	−2.1 pts.
WHOLESALE SEGMENT														
Price ($/pair at wholesale)	48.00	47.00	47.00	52.00	52.00	43.00	48.00	46.40	48.00	47.49	50.00	49.00	48.16	−0.3%
S/Q Rating (number of stars)	5	4	4	6	5	4	5	6	4	5	5	5	4.8	+0.2 star
Model Availability	200	89	151	200	200	107	200	102	193	200	200	200	170	+17.6%
Advertising ($000s)	7000	9400	7000	10000	10000	0	5000	8000	6700	7700	7000	7500	7108	−29.7%
Rebate Offer ($/pair)	4	3	2	5	4	0	2	6	4	4	3	3	3.33	−39.9%
Retail Outlets Utilized	3000	3000	3000	3000	3000	100	2500	3000	3000	3000	3000	3000	2717	−8.0%
Retailer Support ($/outlet)	400	300	400	400	400	100	400	400	380	500	425	400	375	+6.7%
Delivery Time (weeks)	3	3	3	3	2	4	3	3	3	2	3	3	2.9	+3.4%
Celebrity Appeal	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0%
Retailer Demand (000s)	1517	1252	1189	1589	1497	551	1144	1536	1383	1651	1376	1468	1346	−15.0%
Sales Gains/Losses (due to out-of-stock conditions)	-203	27	145	-301	-159	13	-75	-164	118	302	-95	-107	-42	
Pairs Sold (000s)	1314	1279	1334	1288	1338	564	1069	1372	1501	1953	1281	1361	1305	−18.1%
Market Share	8.4%	8.2%	8.5%	8.2%	8.6%	3.6%	6.8%	8.8%	9.6%	12.5%	8.2%	8.7%	8.3%	−1.5 pts.
PRIVATE-LABEL SEGMENT													**Total Private-Label Pairs** (000s)	
Bid Price (max = $43.16)	35.00	38.00	35.00	35.00	0.00	34.00	34.45	34.00	35.00	0.00	35.00	35.00		
S/Q Rating (min = 4 stars)	4	4	3	4	0	4	4	4	4	0	4	4		
Pairs Offered (000s)	186	185	185	187	0	1048	198	300	116	0	185	103	Demand = 2,400	
Pairs Sold (000s)	186	0	0	187	0	1048	198	300	116	0	185	103	Offered = 2,693	
Market Share	8.0%	0.0%	0.0%	8.0%	0.0%	45.1%	8.5%	12.9%	5.0%	0.0%	8.0%	4.4%	Sold = 2,323	

INTERNET SEGMENT Strategic Group Map — WHOLESALE SEGMENT Strategic Group Map

Another area of strength for these competitors appeared in their Income Statement. They both saw the value and power of Total Dividend Payments.

Industry 63 — **FINANCIAL PERFORMANCE SUMMARY** — **Year 11**

	Net Sales Revenues	Cost of Pairs Sold	Warehouse Expenses	Marketing Expenses	Admin Expenses	Operating Profit	Interest Exp (Inc)	Income Taxes	Net Profit	Total Dividend Payment ($000s)	Shares of Stock (000s of shares outstanding)	
	Income Statement Data ($000s)											
A	227,948	134,602	15,106	36,108	7,854	34,278	8,173	7,832	18,273	10,500	10,500	**A**
B	232,348	131,912	18,303	37,313	7,853	36,967	8,173	8,195	19,120	0	10,000	**B**
C	215,838	124,030	14,927	32,740	8,354	35,787	8,173	8,284	19,330	0	10,000	**C**
D	266,493	158,832	17,780	43,467	7,853	38,561	8,173	9,116	21,272	0	10,000	**D**
E	265,325	150,882	17,710	46,265	8,903	41,565	8,173	10,018	23,374	10,000	10,000	**E**
F	216,362	140,421	12,293	552	7,854	55,242	8,173	14,121	32,948	12,500	10,000	**F**
G	237,603	141,378	15,600	26,438	8,904	45,283	8,173	11,133	25,977	0	9,900	**G**
H	264,008	155,718	18,928	40,862	7,854	40,646	8,173	9,498	22,162	11,110	10,100	**H**
I	245,950	138,840	16,392	34,373	8,405	47,940	8,173	11,786	27,502	0	10,000	**I**
J	301,365	167,764	19,578	43,503	8,605	61,915	8,173	16,123	37,619	15,000	15,000	**J**
K	247,970	149,626	17,122	34,614	8,904	37,704	8,173	8,520	19,880	4,000	10,000	**K**
L	250,170	142,989	18,400	35,953	7,603	45,225	8,173	10,816	25,236	10,000	10,000	**L**
	247,615	144,750	16,845	34,349	8,246	43,426	8,173	10,454	24,391	6,093	10,458	

Weaknesses of the Competition

Since G Force was looking forward, the company wanted to analyze the Weaknesses of the Industry Leaders “FC Speedware” and “Jonesing fo Jet Life”. Plant Capacity was an area for growth potential and to fulfill the international demand for shoes, every company would need to expand their capacity. Not one competitor started new construction in year 10 but “Jonesing fo Jet Life” saw their own weakness and began construction in year 11.

Plant Capacity (000s of pairs of production capacity not including overtime)

	Capacity Beginning Year 11				Capacity Purchased (Sold)				Capacity Available for Y11 Production					New Construction Initiated in Y11	
	N.A.	E-A	A-P	L.A.	N.A.	E-A	A-P	L.A.	N.A.	E-A	A-P	L.A.	Total		
A	2,000	0	4,000	0	0	0	0	0	2,000	0	4,000	0	6,000	100	A
B	2,000	0	4,000	0	0	0	0	0	2,000	0	4,000	0	6,000	0	B
C	2,000	0	4,000	0	0	0	0	0	2,000	0	4,000	0	6,000	0	C
D	2,000	0	4,000	0	0	0	0	0	2,000	0	4,000	0	6,000	0	D
E	2,000	0	4,000	0	0	0	0	0	2,000	0	4,000	0	6,000	0	E
F	2,000	0	4,000	0	0	0	0	0	2,000	0	4,000	0	6,000	0	F
G	2,000	0	4,000	0	0	0	0	0	2,000	0	4,000	0	6,000	0	G
H	2,000	0	4,000	0	0	0	0	0	2,000	0	4,000	0	6,000	0	H
I	2,000	0	4,000	0	-100	0	-100	0	1,900	0	3,900	0	5,800	0	I
J	2,000	0	4,000	0	0	0	0	0	2,000	0	4,000	0	6,000	1,200	J
K	2,000	0	4,000	0	0	0	0	0	2,000	0	4,000	0	6,000	0	K
L	2,000	0	4,000	0	-100	0	-400	0	1,900	0	3,600	0	5,500	0	L
	24,000	0	48,000	0	-200	0	-500	0	23,800	0	47,500	0	71,300	1,300	

Opportunities for G Force

G Force was able to identify many opportunities but had to stay true to its Generic Strategic Model. The biggest opportunity was the ability to build capacity since purchasing capacity was rarely available. Another opportunity was the ability to increase the number of Models Offered (Product Differentiation). G Force knew that increase Models would give a greater variety to the customers which could convert into increased sales and create separation from the competition. Also staying on course with the Generic Strategic Model (Cost Leadership) by cutting costs or not spending extra in advertising or areas that would increase the unit cost per pair.

Industry 63 | **MARKET SNAPSHOT – North America** | **Year 11**

North America Year 11	A	B	C	D	E	F	G	H	I	J	K	L	Ind. Avg.	Co. G vs. Ind. Avg.
INTERNET SEGMENT														
Price ($/pair at retail)	80.00	65.00	74.00	75.00	80.00	0.00	75.00	71.50	75.00	75.00	78.00	69.00	74.32	+0.9%
S/Q Rating (number of stars)	5	4	4	6	5	0	5	6	4	5	5	5	4.9	+0.1 star
Models Offered	180	52	151	200	180	0	180	100	102	190	190	186	156	+15.4%
Free Shipping	No	Yes	No	Yes	Yes	No	No	Yes	No	Yes	Yes	No	Some	Below
Advertising ($000s)	7000	9400	7000	10000	10000	0	5000	8000	6700	7700	7000	7500	7755	–35.5%
Celebrity Appeal	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0%
Online Orders (000s)	64	140	63	132	96	0	72	102	46	107	90	121	94	–23.4%
Pairs Sold (000s)	64	140	63	132	96	0	72	102	46	107	90	121	94	–23.4%
Market Share	6.2%	13.6%	6.1%	12.8%	9.3%	0.0%	7.0%	9.9%	4.5%	10.4%	8.7%	11.7%	9.1%	–2.1 pts.
WHOLESALE SEGMENT														
Price ($/pair at wholesale)	48.00	47.00	47.00	52.00	52.00	43.00	48.00	46.40	48.00	47.49	50.00	49.00	48.16	–0.3%
S/Q Rating (number of stars)	5	4	4	6	5	4	5	6	4	5	5	5	4.8	+0.2 star
Model Availability	200	89	151	200	200	107	200	102	193	200	200	200	170	+17.6%
Advertising ($000s)	7000	9400	7000	10000	10000	0	5000	8000	6700	7700	7000	7500	7108	–29.7%
Rebate Offer ($/pair)	4	3	2	5	4	0	2	6	4	4	3	3	3.33	–39.9%
Retail Outlets Utilized	3000	3000	3000	3000	3000	100	2500	3000	3000	3000	3000	3000	2717	–8.0%
Retailer Support ($/outlet)	400	300	400	400	400	100	400	400	380	500	425	400	375	+6.7%
Delivery Time (weeks)	3	3	3	3	2	4	3	3	3	2	3	3	2.9	+3.4%
Celebrity Appeal	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0%
Retailer Demand (000s)	1517	1252	1189	1589	1497	551	1144	1536	1383	1651	1376	1468	1346	–15.0%
Sales Gains/Losses (due to out-of-stock conditions)	-203	27	145	-301	-159	13	-75	-164	118	302	-95	-107	-42	
Pairs Sold (000s)	1314	1279	1334	1288	1338	564	1069	1372	1501	1953	1281	1361	1305	–18.1%
Market Share	8.4%	8.2%	8.5%	8.2%	8.6%	3.6%	6.8%	8.8%	9.6%	12.5%	8.2%	8.7%	8.3%	–1.5 pts.
PRIVATE-LABEL SEGMENT													Total Private-Label Pairs (000s)	
Bid Price (max = $43.16)	35.00	38.00	35.00	35.00	0.00	34.00	34.45	34.00	35.00	0.00	35.00	35.00		
S/Q Rating (min = 4 stars)	4	4	3	4	0	4	4	4	4	0	4	4		
Pairs Offered (000s)	186	185	185	187	0	1048	198	300	116	0	185	103	Demand = 2,400	
Pairs Sold (000s)	186	0	0	187	0	1048	198	300	116	0	185	103	Offered = 2,693	
Market Share	8.0%	0.0%	0.0%	8.0%	0.0%	45.1%	8.5%	12.9%	5.0%	0.0%	8.0%	4.4%	Sold = 2,323	

INTERNET SEGMENT | WHOLESALE SEGMENT

Threats for G Force

The threats for G Force were coming from every direction. Every competitor had their own unique goal that could be disruptive to success for G Force. The biggest threats for G Force were pricing the product too high (loss of sales). Since S/Q was never changed, the competition would create more capacity. This threat was to out manufacture our company, and the competition was catching on to the fact that G Force had the most Models available out all of the competitors.

1) The success of predicting the competitor's next moves.

The most important information came from the Competitive Intelligence Report (CIR) and the Footwear Industry Report (FIR). G Force did a fantastic job at guessing the competition's next moves.

Year 18 Scoreboard

Rank	Company Name	Investor Expectation Score	Best-In-Industry Score	Overall Score	Change from Y17
1	G Force Footwear	118	100	109	+3
2	Happy Feet Shoes	118	81	100	0
3	Jonesing fo Jet Life	118	75	97	–2
4	Lightfoot	117	69	93	–2
5	F C Speedware!	115	68	92	–6
6	Energetic Footware	115	63	89	–3
7	Daring Shoes	108	55	82	+1
8	Braxton Shoes	98	49	74	–10
9	K Kik-N-It	97	49	73	+3
10	A Proper Fit	92	49	71	–15
11	Ionic Footwear	92	45	69	–7
12	C 988 Shoes	86	47	67	–2

Game-To-Date Scoreboard

Rank	Company Name	Investor Expectation Score	Best-In-Industry Score	Overall Score	Bonus Points	Overall G-T-D Score
1	G Force Footwear	117	97	107	8	115
2	Jonesing fo Jet Life	117	77	97	5	102
2	F C Speedware!	116	74	95	7	102
4	Happy Feet Shoes	116	78	97	2	99
4	Energetic Footware	116	69	93	6	99
4	Lightfoot	115	69	92	7	99
7	Daring Shoes	108	60	84	8	92
8	Braxton Shoes	103	58	81	7	88
9	Ionic Footwear	96	51	74	3	77
10	A Proper Fit	91	54	73	2	75
10	K Kik-N-It	93	51	72	3	75
12	C 988 Shoes	88	51	70	1	71

After every year, G Force would take the Top 4 competitors behind them and review each of the top 4 competitor's movements. The other competitors at the bottom were not in our primary market. So we concentrated on the direct competitors which were in the top 4.

Using the FIR Company Report, we watched for ranking in EPS, ROE, Stocks without so much concern about Credit Rating or Image Rating. Using the CIR Company Analysis Report, we reviewed year over year the changes made by each competitor in each region.

The competitors appeared to have been sticking to their Generic Strategic Model because they knew too much deviation could spell disaster for their company. G Force watched their careful decisions. The Top Competitors did not take wild chances so predicting their next moves seemed intuitive. In many cases, every move G Force made they would do the exact action/decision in the next year. So this showed that they were closely watching my movements as much as I was watching theirs. An example of their predictability was in increasing capacity. G Force had been slowly buying capacity, but Competitor J and K decided to massively increase their capacity. This action shows that they would soon have massive capacity, so G Force had to get on the ball and also build more capacity.

Plant Capacity (000s of pairs of production capacity not including overtime)

	Capacity Beginning Year 13				Capacity Purchased (Sold)				Capacity Available for Y13 Production					New Construction Initiated in Y13	
	N.A.	E-A	A-P	L.A.	N.A.	E-A	A-P	L.A.	N.A.	E-A	A-P	L.A.	Total		
A	2,300	0	3,600	0	0	0	0	0	2,300	0	3,600	0	5,900	0	A
B	2,000	0	4,000	0	0	0	0	0	2,000	0	4,000	0	6,000	0	B
C	2,000	0	4,000	0	0	0	0	0	2,000	0	4,000	0	6,000	0	C
D	2,200	0	4,000	0	0	0	0	0	2,200	0	4,000	0	6,200	0	D
E	2,000	0	4,000	0	0	0	0	0	2,000	0	4,000	0	6,000	0	E
F	2,000	0	4,500	0	0	0	0	0	2,000	0	4,500	0	6,500	0	F
G	2,000	0	4,000	0	0	0	400	0	2,000	0	4,400	0	6,400	400	G
H	2,000	0	4,000	0	0	0	0	0	2,000	0	4,000	0	6,000	0	H
I	1,900	0	3,900	0	0	0	0	0	1,900	0	3,900	0	5,800	0	I
J	2,800	0	4,400	0	0	0	0	0	2,800	0	4,400	0	7,200	3,400	J
K	2,000	0	4,000	0	0	0	0	0	2,000	0	4,000	0	6,000	1,500	K
L	1,900	0	3,600	0	0	0	0	0	1,900	0	3,600	0	5,500	0	L

D. Sustainability of the most dominant competitive advantage achieved by any company within your industry.

G Force has held the most dominant competitive advantage in this simulation. In order to maintain a sustainable competitive advantage. That would require G Force to have a long-term strategy that would allow it to remain ahead of the competition. A sustainable competitive advantage is a long-term strategy or process that allows a business to remain ahead of its competitors. Unlike short-term advantages, such as being the first to market a new type of product, a sustainable competitive advantage may be built into the fabric of a business, and will help maintain its dominance over years and even decades. The development of such an advantage often takes dedicated effort, the ability to consistently innovate, and even some luck. (What Is a Sustainable Competitive Advantage?)

In order for G Force to continue to sustain the dominant competitive advantage, the company must be consistently innovating with tangible, measurable, continuous improvement. This is a must for the company's long term survival. The secret for G Force was its willingness to invest in Human Capital. When it came to Branded Production, G Force did not hesitate to spend the max amount of $5000 per worker on Best Practices Training. This creates an experienced workforce to foster a positive and conducive work environment. Another way G Force can maintain dominant competitive advantage is to invest heavily in the latest equipment, plants, and technology that quickens the production process. Organization culture that focuses on Globalization which would require changing traditional ways of doing business. This opens the doors to a totally different culture. G Force should plan to open a new plant in the European/Africa Market as well as. The Latin American regions. Even though the Simulation limited the Models to 500, the company should look into corporate entrepreneurship. Corporate entrepreneurship with would allow the company to introduce new lines of products/shoes. This consistent and persistent demand for continuous improvement will be the way G Force can continue to sustain a dominant competitive advantage.

E. Comparison of the selected strategy to the following three tests of a winning strategy.

In Section B, I had discussed the company's strategies. It also contained several strategies with corresponding competitive advantages. This section is focusing on the winning company strategies. G Force had a hybrid strategy that concentrated on both the Cost Leadership and Product Differentiation. This section will show how this hybrid strategy compared to the three tests of a winning strategy.

1) The Fit Test.

In order to qualify as an effective strategy under the fit test, the strategy must be a good external and internal fit. G Force targeted markets with similar customer needs and then we setup our internal strategy to meet those external needs. At the same time, it was tailored to G Force's resources strengths, weaknesses, competencies and competitive capabilities. Our strategy fits both own company activities as well as the needs of the customer.

The Goodness of Fit Test : A good strategy has to be well matched to industry and competitive conditions, market opportunities and threats, and other aspects of the enterprise's external environment. At the same time, it has to be tailored to the company's resource strengths and weaknesses, competencies, and competitive capabilities. (What are the three tests that distinguish a winning strategy?)

Cost Leadership winning strategy for G Force: G Force aimed at exploiting the scale of production, well defined scope and other economies (with a good purchasing approach), producing highly standardized products, using high technology. G Force was constantly increasing the company's capacity to increase production. G Force really did not want to spend more on Advertising or Mail-in Rebates than necessary which is prefect for the Cost Leadership strategy. This was a mutually acceptable objectives in an effort to keep the costs low. The Competitive

Advantage Test : A good strategy leads to sustainable competitive advantage. The bigger the competitive edge that a strategy helps build, the more powerful and effective it is. (What Is a Sustainable Competitive Advantage?)

Wholesale Marketing of Branded Footwear	North America Market Year 18	North America Market Year 19	Europe-Africa Market Year 18	Europe-Africa Market Year 19	Asia-Pacific Market Year 18	Asia-Pacific Market Year 19
S/Q Rating (weighted average S/Q of branded pairs available for sale)	5★	5★	5★	5★	5★	5★
Model Availability (weighted average number of branded models available)	500	500	500	500	500	500
Celebrity Appeal (consumer appeal indexes of all celebrities under contract)	215	70	270	100	205	70
Wholesale Marketing Decisions — Wholesale Price to Retailers ($ per pair)	49.15	49.15	48.90	48.90	43.79	43.79
Advertising Budget ($000s)	6400	6400	6000	6000	4000	4000
Mail-In Rebate Offer ($0 to $10 per pair)	3	$3	3	$3	3	$3
Retail Outlets Available (willing to carry your footwear)	3607	4905	3809	5155	1998	3504
Retail Outlets Utilized (total number)	3607	4905	3809	5155	1998	3504
Retailer Support ($100-$2500 per outlet utilized)	1600	1600	1700	1700	2300	2300

Cost Leadership does not want Superior Materials or Enhanced Styling features either which is perfect for G Force. G Force wanted to maintain the bare minimum S/Q rating for their shoes. The Performance Test : A good strategy boosts company performance. Two kinds of performance improvements are the most telling of a strategy's caliber: gains in profitability and gains in the company's competitive strength and long-term market position. (What are the three tests that distinguish a winning strategy?)

Branded Production	N.A. Plant	E-A Plant	A-P Plant	L.A. Plant
Percentage of Superior Materials (0 to 100%)	34%	0%	34%	0%
Number of Models (50, 100, 150, 200, 250, 350, or 500)	500	50	500	50
Enhanced Styling / Features ($0 to $50k per model)	$ 0k	$ 0k	$ 0k	$ 0k
TQM / Six Sigma Quality Program ($0-2.50/pair)	$ 2.50	$ 0.00	$ 2.50	$ 0.00
S/Q Rating of Branded Pairs Produced (0 to 10 stars)	5★	0★	5★	0★
Compensation and Training — Change in Annual Base Wages (%)	+1%	0%	+1%	0%
Incentive Pay ($ per non-reject pair)	$ 1.25	$ 0.00	$ 0.40	$ 0.00
Best Practices Training ($ per worker)	$ 5000	$ 0	$ 5000	$ 0

Production Differentiation:

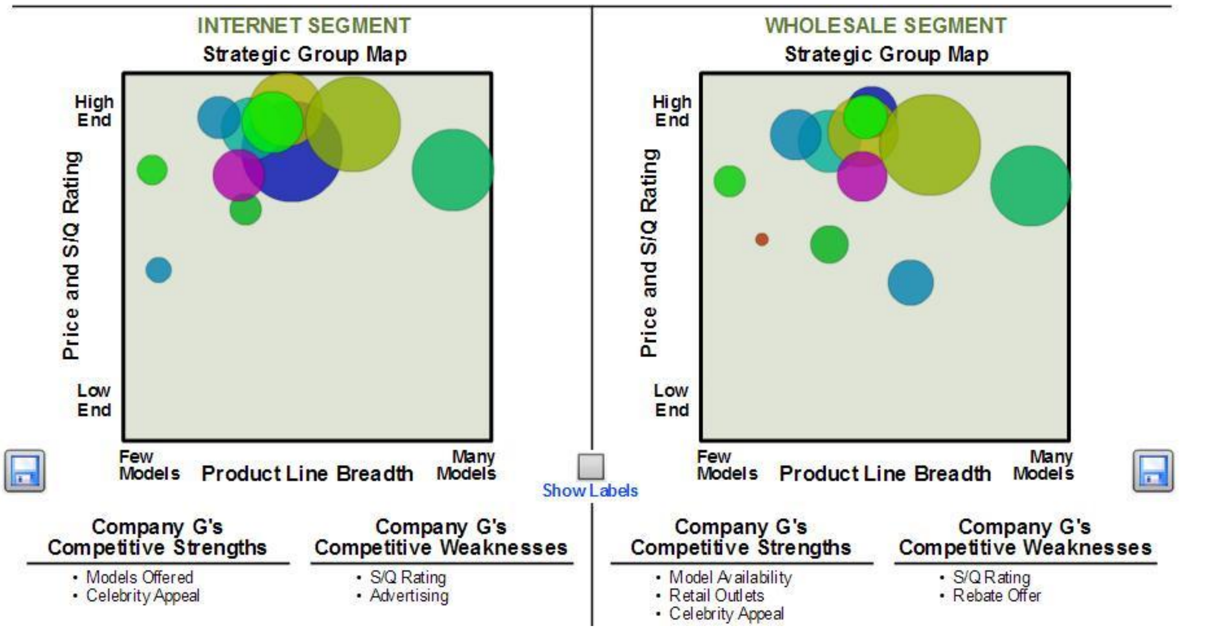
Production Differentiation was also a perfect fit for G Force. Especially when G Force created more models than the competition. This helped G Force to distinguish itself from the competition by providing a variety of Models to choose from.

North America Year 16	Competitive Efforts by Company												Ind. Avg.	Co. G vs. Ind. Avg.
	A	B	C	D	E	F	G	H	I	J	K	L		
INTERNET SEGMENT														
Price ($/pair at retail)	71.97	70.35	77.50	75.00	71.00	0.00	72.35	71.50	75.00	73.50	73.00	72.00	73.02	–0.9%
S/Q Rating (number of stars)	6	6	5	6	5	0	5	6	3	6	5	6	5.4	–0.4 star
Models Offered	200	200	190	200	150	0	500	150	60	348	50	275	211	+137.0%
Free Shipping	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Some	Avg.
Advertising ($000s)	6600	9800	7000	9000	8200	0	6400	8000	6400	8934	6000	6600	7539	–15.1%
Celebrity Appeal	0	95	0	185	75	0	150	0	0	270	0	70	77	+94.8%
Online Orders (000s)	192	300	145	262	204	0	316	188	109	378	126	276	227	+39.2%
Pairs Sold (000s)	192	300	145	262	204	0	316	188	109	378	126	276	227	+39.2%
Market Share	7.7%	12.0%	5.8%	10.5%	8.2%	0.0%	12.7%	7.5%	4.4%	15.1%	5.1%	11.1%	9.1%	+3.6pts.

2) The Competitive Advantage Test.

G force's winning strategies were able to achieve a competitive advantage over the top competitors. G Force goal was to become bigger and more durable to gain a competitive advantage. A good strategy leads to sustainable competitive advantage. The bigger the competitive edge that a strategy helps build, the more powerful and effective it is. (What are the three tests that distinguish a winning strategy?)

Cost Leadership and Product Differentiation seek to have a greater production of shoes which is perfect for G Force. G Force wanted to increase its capacity and volume without overlapping/interference from the competition. This was a success with the slow but deliberate purchasing of capacity.



3) The Performance Test.

This Performance Test did not render the successful results that G Force was seeking. Market Share was always lagging throughout every region for the whole simulation. The strategy was only moderately successful in capturing Market Share. The company was not able to catch up with Company J. I believe that Company J's Success was based upon giving up completely on the Private-Label Segment in the early years. All the focus and concentration was completely on the Internet and Wholesale Segments. Even with a strategy with promising potential could fail to hold the desired market share. This could be due to the competitor's high presence and brand equity. A good strategy boosts company performance. Two kinds of performance improvements are the most telling of a strategy's caliber: gains in profitability and gains in the company's competitive strength and long-term market position. (What are the three tests that distinguish a winning strategy?)

North America Year 17	Competitive Efforts by Company: A	B	C	D	E	F	G	H	I	J	K	L	Ind. Avg.	Co. G vs. Ind. Avg.
INTERNET SEGMENT														
Price ($/pair at retail)	65.15	70.50	77.50	75.00	71.50	0.00	73.02	73.10	75.00	71.50	73.00	72.00	72.48	+0.7%
S/Q Rating (number of stars)	6	6	4	6	5	0	5	6	3	6	5	6	5.3	–0.3 star
Models Offered	259	200	190	250	180	0	500	150	60	350	50	230	220	+127.3%
Free Shipping	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Some	Avg.
Advertising ($000s)	8700	9800	7000	9000	7000	0	6400	8000	6400	9934	6000	6000	7658	–16.4%
Celebrity Appeal	0	0	0	185	130	0	245	0	0	165	0	120	77	+218.2%
Online Orders (000s)	429	267	140	314	224	0	349	184	113	404	132	264	256	+36.3%
Pairs Sold (000s)	429	267	140	314	224	0	349	184	113	404	132	264	256	+36.3%
Market Share	15.2%	9.5%	5.0%	11.1%	7.9%	0.0%	12.4%	6.5%	4.0%	14.3%	4.7%	9.4%	9.1%	+3.3pts.
WHOLESALE SEGMENT														
Price ($/pair at wholesale)	53.25	48.45	46.75	50.00	51.00	48.00	49.15	49.50	49.50	47.77	50.00	52.50	49.66	–1.0%
S/Q Rating (number of stars)	6	6	4	6	5	4	5	6	3	6	5	6	5.2	–0.2 star
Model Availability	263	200	200	250	249	100	500	150	321	350	52	254	241	+107.5%
Advertising ($000s)	8700	9800	7000	9000	7000	0	6400	8000	6400	9934	6000	6000	7020	–8.8%
Rebate Offer ($/pair)	4	4	3	5	5	0	3	5	4	4	6	3	3.83	–21.7%
Retail Outlets Utilized	2744	3806	2101	4204	2393	100	3403	3095	1656	5556	1925	2200	2765	+23.1%
Retailer Support ($/outlet)	500	440	400	400	400	100	400	400	380	700	425	350	408	–2.0%
Delivery Time (weeks)	2	2	2	2	3	4	3	2	3	3	3	4	2.8	+7.1%
Celebrity Appeal	0	0	0	185	130	0	245	0	0	165	0	120	70	+250.0%
Retailer Demand (000s)	1636	1986	1216	2501	1601	457	2588	1618	1504	3159	1022	1405	1724	+50.1%
Sales Gains/Losses (due to out-of-stock conditions)	30	18	23	-237	29	4	-13	31	-22	61	19	26	-3	
Pairs Sold (000s)	1666	2004	1239	2264	1630	461	2575	1649	1482	3220	1041	1431	1722	+49.5%
Market Share	8.1%	9.7%	6.0%	11.0%	7.9%	2.2%	12.5%	8.0%	7.2%	15.6%	5.0%	6.9%	8.3%	+4.1 pts.
PRIVATE-LABEL SEGMENT													Total Private-Label Pairs (000s)	
Bid Price (max = $44.66)	30.00	0.00	0.00	0.00	0.00	39.95	39.95	39.50	40.00	0.00	35.00	0.00		
S/Q Rating (min = 4 stars)	5	0	0	0	0	4	4	5	4	0	5	0		
Pairs Offered (000s)	458	0	0	0	0	1352	100	386	134	0	185	0	Demand = 4,184	
Pairs Sold (000s)	458	0	0	0	0	1352	100	386	134	0	185	0	Offered = 2,615	
Market Share	17.5%	0.0%	0.0%	0.0%	0.0%	51.7%	3.8%	14.8%	5.1%	0.0%	7.1%	0.0%	Sold = 2,615	

Even though the performance strategy of Market Share pursued by G Force was not a success. It showed that the first two tests can still give the company the needed competitive advantages to be successful. G Force failed to capture market share. However, the reason for this loss of Market Share was mainly due to the large production capacity that Company J possesses. Since Company J does not use the Private-Label Segment, this is an opportunity for G Force to gain a sizeable Market Share in the future due the lack of participating competitors. While this Performance Test could be viewed as failure, I believe with great confidence that G Force will be very successful with its existing generic strategy.

F. Efficiency in the application of the value chain analysis during the simulation.

My company did an excellent job at effectively applying Value Chain Analysis during the simulation. In the beginning of the simulation, the company did not understand the import of Value Chain Analysis and its importance. It became apparent after the first couple of years, there were three things that could draw the attention of Stakeholders to the opportunities for improvement at different stages in the value chain.

Value-chain analysis looks at every step a business goes through, from raw materials to the eventual end-user. The goal is to deliver maximum value for the least possible total cost. (Value Chain)

These changes show that there is always room for continuous improvement.

The first area was the flow of materials from input supply to final consumption. Initially, we thought that we should be pushing the materials from production to the customers. Within a couple of years, G Force noticed that the products were being pulled through the chain. This demand was better than having a sick chain which would have included bottlenecks or surplus of wastes.

The second area was the flow of information from the consumer back to our company (the producer). It was important to know if the information was timely and effectively to all of the links in the chain. This was never mastered by G Force, but as every year passed, the value chain started to show what the buyer was willing to pay for it, and improvements were constantly being made.

The third area was the relationships from the consumer back to our company (the producer). It was important to know the relationship between the customers and us the suppliers which is built on trust.

By identifying with the value chain analysis, the outcome resulted in a fitter company, strength in sustainability, and even reduced environmental impacts. As a result, the company was able to save money, the chain became more efficient and helped identify which consumers were willing to pay more for our products. This added value to our chain.

Our value chain encompasses the activities that provide value to our customers. We had primary and secondary activities. The primary activities included manufacturing, distribution, and sales. The secondary activities were R&D, recruiting and control. Our value chain analysis was a comparison between our company G Force and our competitors in like activities. This would provide us with a measurement of how well we were delivering value to our customers.

The following are some of the primary areas of our value chain that we had provided value to our customers.

Distribution: Our North America Plant saw that it was more advantageous to ship the shoes to the Latin America Warehouses than to the Europe-Africa or Asia-Pacific Warehouses. This was because of the NAFTA, reduced shipping costs and lower tariffs. It became clear that the Asia-Pacific Plant saw success in shipping to the North America Warehouses because of the strong demand (pull) and any extras were sent to the Europe-Africa warehouses. This distribution only changed slightly based upon the demand of that region for every year.

WAREHOUSE OPERATIONS (thousands of branded pairs)	North America Warehouse	Europe-Africa Warehouse	Asia-Pacific Warehouse	Latin America Warehouse	Company Total
Ending Inventory from Year 17	280 pairs	285 pairs	248 pairs	250 pairs	1,063 pairs
Inventory Clearance (at the beginning of Y 18)	0	0	0	0	0
Beginning Inventory (carried over for Y 18 sale)	280	285	248	250	1,063
Incoming Shipments from — North America Plant	3,128	0	0	1,445	4,573
Europe-Africa Plant	0	0	0	0	0
Asia-Pacific Plant	0	3,408	2,995	1,703	8,106
Latin America Plant	0	0	0	0	0
Pairs Available for Sale (inventory + shipments)	3,408	3,693	3,243	3,398	13,742
Pairs Sold — Internet Segment	401	428	371	367	1,567
Wholesale Segment	2,768	2,936	2,578	2,736	11,018
Total Branded Sales	3,169	3,364	2,949	3,103	12,585
Required Inventory (to achieve delivery times)	239	329	294	295	1,157
Inventory Surplus (Shortfall)	-8	-93	-136	0	-237
Ending Inventory for Year 18	239 pairs	329 pairs	294 pairs	295 pairs	1,157 pairs
Model Availability (weighted average)	500	500	500	500	Weighted average of beginning inventory + new incoming pairs shipped from plants.
S/Q Rating (weighted average)	5 stars	5 stars	5 stars	5 stars	

COST OF BRANDED PAIRS SOLD	North America $000s	North America $ / pair	Europe-Africa $000s	Europe-Africa $ / pair	Asia-Pacific $000s	Asia-Pacific $ / pair	Latin America $000s	Latin America $ / pair	Overall $000s	Overall $ / pair
Cost of Beginning Year 18 Inventory	7,262	25.94	7,210	25.30	5,113	20.62	6,622	26.49	26,207	24.65
+ Production Cost of Incoming Pairs	74,522	23.82	64,660	18.97	56,824	18.97	66,737	21.20	262,743	20.72
± Exchange Rate Cost Adjustment	0	0.00	+957	+0.28	0	0.00	–1,454	–0.46	–497	–0.04
+ Freight on Incoming Pairs	3,128	1.00	6,816	2.00	2,995	1.00	6,296	2.00	19,235	1.52
+ Import Tariffs on Incoming Pairs	0	0.00	13,632	4.00	0	0.00	10,218	3.25	23,850	1.88
– Cost or Ending Year 18 Inventory	5,955	24.92	8,310	25.26	5,887	20.02	7,676	26.02	27,828	24.05
Cost of Branded Pairs Sold in Year 18	78,957	24.92	84,965	25.26	59,045	20.02	80,743	26.02	303,710	24.13

WAREHOUSE OPERATING EXPENSES	North America $000s	North America $ / pair	Europe-Africa $000s	Europe-Africa $ / pair	Asia-Pacific $000s	Asia-Pacific $ / pair	Latin America $000s	Latin America $ / pair	Overall $000s	Overall $ / pair
Inventory Storage	140	0.04	143	0.04	124	0.04	125	0.04	532	0.04
Packing / Shipping — Internet	4,010	1.27	4,280	1.27	3,710	1.26	3,670	1.18	15,670	1.25
Wholesale	4,652	1.47	4,904	1.46	4,367	1.48	4,604	1.48	18,527	1.47
Warehouse Lease and Maintenance	1,000	0.32	1,000	0.30	1,000	0.34	1,000	0.32	4,000	0.32
Total Warehouse Operating Expenses	9,802	3.09	10,327	3.07	9,201	3.12	9,399	3.03	38,729	3.08

INVENTORY CLEARANCE	North America $000s	North America $ / pair	Europe-Africa $000s	Europe-Africa $ / pair	Asia-Pacific $000s	Asia-Pacific $ / pair	Latin America $000s	Latin America $ / pair	Overall $000s	Overall $ / pair
Net Revenues from Pairs Cleared	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
Direct Costs of Pairs Cleared — Prod, Freight, & Tariffs	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
Inventory Storage	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
Packing / Shipping	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
Margin Over Direct Costs	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00

Operations: G Force had invested heavily early in the simulation on R&D. The emphasis on the Plant Upgrades was not only to Reduce the Reject Rates and Increased Worker Productivity, but it eliminated the waste of materials and increased production. These improvements translates to higher revenues for the company and increase morale of the stakeholders.

Plant Upgrade Options		N.A. Plant	E-A Plant	A-P Plant	L.A. Plant
Option A Assembly Line Upgrade to Reduce Reject Rate by 50%	Y19 capital outlay ($000s)	(done)	$ 0	(done)	$ 0
	Projected annual cost savings at current reject rates ($000s)	$ 3140 < Actual	$ 0	$ 5714 < Actual	$ 0
Option B Facilities Upgrade to Reduce Production Run Setup by 50%	Y19 capital outlay ($000s)		$ 0		$ 0
	Projected annual cost savings at current reject rates ($000s)		$ 0		$ 0
Option C Equipment Upgrade to Boost S/Q Rating by 1 Star	Y19 capital outlay ($000s)		$ 0		$ 0
	Projected annual cost savings at current reject rates ($000s)		$ 0		$ 0
Option D Facilities Upgrade to Boost Worker Productivity by 25%	Y19 capital outlay ($000s)	(done)	$ 0	(done)	$ 0
	Projected annual cost savings at current reject rates ($000s)	$ 5813 < Actual	$ 0	$ 3209 < Actual	$ 0

Value Chain Analysis was also applied in the Energy Efficiency Initiatives. The initial costs was expensive but over time it resulted in reduction in Warehouse, Admin and Operating Expenses which resulted in a higher Operating Profit for the company.

Energy Efficiency Initiatives	$ 100 k	per distribution center and million pairs of plant capacity	Involves investments to improve energy efficiency and using renewable energy sources. Treated as capital investment depreciated at 5% per year.

Service: G Force felt that Ethics Training/Enforcement and Workforce Diversity was an important part of defining the company. Even though the cost was expensive, it would be crucial to the "Relationships" with the Customers as well as the Suppliers. This Relationship of Trust is a fundamental enabler at the very core of Value Chain Analysis.

Ethics Training / Enforcement	All Employees	Involves training for and development / enforcement of a code of ethics. Increases administrative expenses by $250k (Managers Only option) plus $150k per plant (All Employees option).
Workforce Diversity Program	Yes	Involves initiatives to achieve and maintain workforce diversity concerning age, sex, ethnicity, and other factors. Entails additional administrative expense of $500k for testing, screening, and hiring employees.

The following are some of the secondary areas of our value chain that we had provided value to our customers.

Product R&D: G Force invested heavily in TQM / Six Sigma Quality programs. Again, the emphasis is delivering high-quality products and services to the customers. So the expenditure of the maximum of $2.50 per pair was gladly utilized. The end product will be of a higher quality which could create brand loyalty from the customer.

TQM / Six Sigma Quality Program ($0-2.50/pair)	$ 2.50	$ 0.00	$ 2.50	$ 0.00	Expenditures

Human Resources: Our Company had the standard Annual Base Wages and Incentive Pay benefits, but the true benefit was by Maximizing on the Best Practices Training.

Compensation and Training	Change in Annual Base Wages (%)	+1%	0%	+1%	0%
	Incentive Pay ($ per non-reject pair)	$ 1.25	$ 0.00	$ 0.40	$ 0.00
	Best Practices Training ($ per worker)	$ 5000	$ 0	$ 5000	$ 0

The cost was high, but the investment in having the very best and most efficient employees will not only make them more productive but also more efficient with the company resources. An unseen benefit would be the increased morale among the employees since the process will become more streamlined creating a less stressful environment.

Finance: G Force paid off their debt as quickly as possible. It was known from the beginning that low interest payments would help keep our costs low for our customers and increase our Image Rating.

Note 7: Long-term bank loans outstanding:

Loan Number	Initial Year	Original Principal	Interest Rate	Term	Out-standing Principal	Annual Principal Payment	Year 19 Interest Payable
1	Y7	115,000	8.5%	10-Yr	-	-	-
2	Y9	24,000	7.5%	5-Yr	-	-	-
3	-	-	-	-	-	-	-
4	-	-	-	-	-	-	-
5	-	-	-	-	-	-	-
6	-	-	-	-	-	-	-
7	-	-	-	-	-	-	-
8	-	-	-	-	-	-	-
9	-	-	-	-	-	-	-
10	-	-	-	-	-	-	-
11	-	-	-	-	-	-	-
12	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-
15	-	-	-	-	-	-	-
16	-	-	-	-	-	-	-

Note 8: There are 9,235 shares issued and outstanding at a par value of $1.00 per share. The authorized maximum number of shares is 40 million.

Note 9: Additional Capital represents the amount over and above par value that shareholders have paid to purchase new shares of stock.

Note 10: Retained Earnings is a summation of all after-tax profits the company has earned that were not distributed to shareholders in the form of dividends.

Note 11: The formula for Return on Average Equity is:

$$\frac{\text{After-Tax Profit}}{(\text{Beginning Equity} + \text{Ending Equity}) \div 2}$$

Furthermore, G Force applied the "Value Chain Analysis" during the simulation through the three following sequential stages. The First Stage was to break down the company into two key activities – Primary and Support Activities. The Second Stage was to identify the company's current activities that had competitive advantages and discover which company had competitive disadvantages. The Third Stage was to focus on the activities through which the competitive advantage could be sustained.

However, every company has opportunities for improvement in all organizations and all value chains. G Force could have spent more time on finding deficiencies in the execution of the company's policies and procedures. If the simulation had continued, I would have increased

Energy Efficiency Initiatives, started Charitable Contributions, created a new plant in Europe-Africa to reduce tariffs and shipping costs, increased the Advertising Budget, increased Stock Repurchases and increased Dividends. All of these items would have strengthened the Value Chain.

G. Evaluation of three important issues and how they were addressed to achieve competitive and financial success during the simulation.

1) First Important Issue.

The First Important Issue we faced was what strategy we were going to use to achieve a competitive and financial success which took place in Year 12 for Year 13. Pricing in the Internet Segment showed G Force was going to have to lower our prices from $75.00 in Year 12 to 70.54 in year 13 to gain market share. This worked with an increase from 7.6% in Year 12 to 10.9% in Year 13. This success could also be attributed to increase spending on Advertising from 5000 in Year 12 to 6200 in Year 13. The other component to this success was the deliberate increase of the Models Offered. Models Offered was part of the Generic Strategies Model that made G Force so successful.

North America	Y10	Y11	Y12	Y13	Y14	Y15	Y16	Y17	Y18	Y19	Y20
	Competitive Efforts of Company G										
INTERNET SEGMENT											
Price ($/pair at retail)	75.00	75.00	75.00	70.54	71.71	72.66	72.35	73.02	73.12		
S/Q Rating (number of stars)	5	5	5	5	5	5	5	5	5		
Models Offered	180	180	240	346	346	500	500	500	500		
Free Shipping	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes		
Advertising ($000s)	7000	5000	5000	6200	6400	6400	6400	6400	6400		
Celebrity Appeal	0	0	0	0	70	150	150	245	215		
Online Orders (000s)	68	72	98	167	215	261	316	349	401		
Pairs Sold (000s)	68	72	98	167	215	261	316	349	401		
Market Share	8.3%	7.0%	7.6%	10.9%	11.6%	12.1%	12.7%	12.4%	12.5%		
WHOLESALE SEGMENT											
Price ($/pair at wholesale)	48.00	48.00	48.00	48.50	49.19	49.50	49.19	49.15	49.15		
S/Q Rating (number of stars)	5	5	5	5	5	5	5	5	5		
Model Availability	200	200	249	347	494	500	500	500	500		
Advertising ($000s)	7000	5000	5000	6200	6400	6400	6400	6400	6400		
Rebate Offer ($/pair)	3	2	2	2	2	2	3	3	3		
Retail Outlets Utilized	3000	2500	2292	2604	2991	3008	2908	3403	3607		
Retailer Support ($/outlet)	400	400	400	400	400	400	400	400	1600		
Delivery Time (weeks)	3	3	3	3	3	3	3	3	4		
Celebrity Appeal	0	0	0	0	70	150	150	245	215		
Retailer Demand (000s)	1282	1144	1316	1699	1981	2170	2321	2588	2776		
Sales Gains/Losses (due to out-of-stock conditions)	0	-75	15	-130	-45	40	-69	-13	-8		
Pairs Sold (000s)	1282	1069	1331	1569	1936	2210	2252	2575	2768		
Market Share	8.3%	6.8%	8.1%	9.1%	10.4%	11.5%	11.2%	12.5%	13.7%		
PRIVATE-LABEL SEGMENT											
Bid Price	35.00	34.45	34.00	33.75	34.99	34.99	39.95	39.95	39.93		
S/Q Rating (number of stars)	4	4	4	4	4	4	4	4	4		
Pairs Offered (000s)	185	198	499	200	136	100	199	100	932		
Pairs Sold (000s)	185	198	499	200	136	100	199	100	932		
Market Share	8.3%	8.5%	19.2%	7.3%	6.3%	3.7%	7.3%	3.8%	24.2%		

2) Second Important Issue.

The Second Important Issue we faced was capacity. As the business grew, it quickly became apparent that Capacity was going to need to be increased. Our Competition was building more capacity which allowed them to increase their production of shoes. Their capacity expansion was having a direct impact on the Market Demand as well as the Market Share in each of the regions. Our Success was to build capacity in increments that the company could afford without issuing New Stock or taking out Loans for the construction.

	Plant Capacity (000s of pairs of production capacity not including overtime)													New Construction Initiated in Y13	
	Capacity Beginning Year 13				Capacity Purchased (Sold)				Capacity Available for Y13 Production						
	N.A.	E-A	A-P	L.A.	N.A.	E-A	A-P	L.A.	N.A.	E-A	A-P	L.A.	Total		
A	2,300	0	3,600	0	0	0	0	0	2,300	0	3,600	0	5,900	0	A
B	2,000	0	4,000	0	0	0	0	0	2,000	0	4,000	0	6,000	0	B
C	2,000	0	4,000	0	0	0	0	0	2,000	0	4,000	0	6,000	0	C
D	2,200	0	4,000	0	0	0	0	0	2,200	0	4,000	0	6,200	0	D
E	2,000	0	4,000	0	0	0	0	0	2,000	0	4,000	0	6,000	0	E
F	2,000	0	4,500	0	0	0	0	0	2,000	0	4,500	0	6,500	0	F
G	2,000	0	4,000	0	0	0	400	0	2,000	0	4,400	0	6,400	400	G
H	2,000	0	4,000	0	0	0	0	0	2,000	0	4,000	0	6,000	0	H
I	1,900	0	3,900	0	0	0	0	0	1,900	0	3,900	0	5,800	0	I
J	2,800	0	4,400	0	0	0	0	0	2,800	0	4,400	0	7,200	3,400	J
K	2,000	0	4,000	0	0	0	0	0	2,000	0	4,000	0	6,000	1,500	K
L	1,900	0	3,600	0	0	0	0	0	1,900	0	3,600	0	5,500	0	L
	25,100	0	48,000	0	0	0	400	0	25,100	0	48,400	0	73,500	5,300	

3) Third Important Issue.

The Third Important Issue we faced was maintaining a sustainable Operating Profit Margin. G Force had to make careful decisions on the following things:

1) Total Branded Production and the amount of Overtime that was to be allocated to reach the production requirement. We knew that running with Overtime was more expensive than using regular hours but it was still cheaper than building capacity or having more capacity than needed. Once the Company could afford more capacity, it would expand the capacity and reduce the amount of Overtime Hours. This strategy helped the company from building too much capacity too quickly for the company.
2) Branded Distribution from those produced shoes needed to be distributed to the appropriate regions that would create the least amount of Surplus or Shortfall. It was always better to have a few more shoes on hand in case of unexpected demand. Consideration for this allocation of shoes was also based on the Overall Cost of shoes for Sale. G Force made many careful adjusts between all of the Regions to find the formula that render the highest Net Revenues and Net Profit.

The most difficult part was utilizing the most number of Retail Outlets while adjusting the Retailer Support that would result in the greatest Operating Profit Margins available. The Secret was to find the balance between what the company can produce to the number of Retailer Outlets that could support the quantity.

Wholesale Marketing of Branded Footwear	North America Market		Europe-Africa Market		Asia-Pacific Market		Latin America Market	
	Year 18	Year 19	Year 18	Year 19	Year 18	Year 19	Year 18	Year 19
S/Q Rating (weighted average S/Q of branded pairs available for sale)	5★	5★	5★	5★	5★	5★	5★	5★
Model Availability (weighted average number of branded models available)	500	500	500	500	500	500	500	500
Celebrity Appeal (consumer appeal indexes of all celebrities under contract)	215	70	270	100	205	70	215	55
Wholesale Marketing Decisions — Wholesale Price to Retailers ($ per pair)	49.15	49.15	48.90	48.90	43.79	43.79	45.15	45.15
Advertising Budget ($000s)	6400	6400	6000	6000	4000	4000	3500	3500
Mail-In Rebate Offer ($0 to $10 per pair)	3	$3	3	$3	3	$3	3	$3
Retail Outlets Available (willing to carry your footwear)	3607	4905	3809	5155	1998	3504	2101	3060
Retail Outlets Utilized (total number)	3607	4905	3809	5155	1998	3504	2101	3060
Retailer Support ($100-$2500 per outlet utilized)	1600	1600	1700	1700	2300	2300	2300	2300
Delivery to Retailers (4, 3, 2, or 1 week)	4	4 wks	3	3 wks	3	3 wks	3	3 wks
Branded Pairs Available to Fill Retailer Orders (after filling Internet orders)	3007	2976	3265	3326	2872	2914	3031	3080
Anticipated Wholesale Demand (000s of pairs desired by retailers)	2776	2704	3029	2894	2714	2789	2736	2727
Inventory Requirement (000s of pairs needed to achieve delivery time)	239	203	329	275	294	265	295	260
Inventory Surplus/Shortfall at Year-End (000s of pairs)	–8	+69	–93	+157	–136	–140	0	+93
Branded Wholesale Market Share (%)	13.7%	12.2%	14.9%	13.3%	14.4%	13.0%	15.6%	13.4%
Revenue-Cost-Profit Projections	$000s	$/pair	$000s	$/pair	$000s	$/pair	$000s	$/pair
Gross Wholesale Revenues	132902	49.15	141517	48.90	116000	43.79	123124	45.15
± Exchange Rate Adjustment	0	0.00	–1,854	–0.64	–592	–0.22	+4,900	+1.80
Net Wholesale Revenues	132902	49.15	139663	48.26	115408	43.57	128024	46.95
Cost of Branded Pairs Sold	67270	24.88	72931	25.20	53098	20.04	69974	25.66
Warehouse Expenses	5535	2.05	5861	2.03	5479	2.07	5604	2.06
Marketing Expenses	17595	6.51	19190	6.63	16297	6.15	14999	5.50
Administrative Expenses	3565	1.32	3815	1.32	3493	1.32	3595	1.32
Operating Profit (Loss)	38937	14.40	37866	13.08	37041	13.98	33852	12.41
Operating Profit Margin	29.3%		27.1%		32.1%		26.4%	

Accounting Allocation of Expenses to each Wholesale Market Region

Manufacturing costs, warehouse expenses, marketing expenses, and administrative expenses are allocated to a geographic region based on wholesale sales as a percentage of total pairs sold in the region.

Operating Profit = profit before interest expenses, extraordinary items, and income tax payments.

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