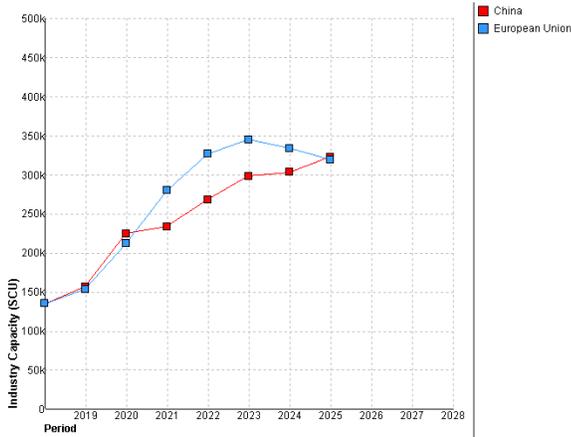


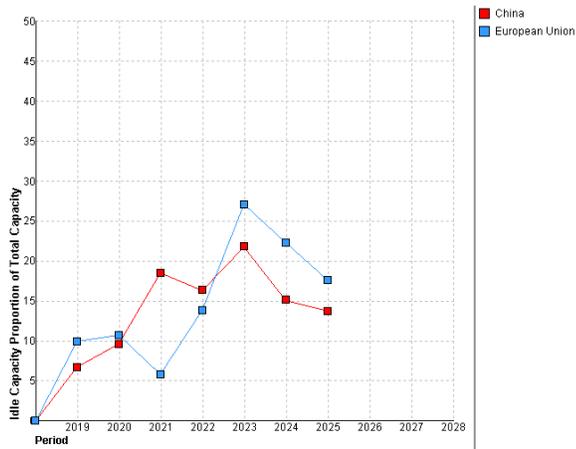
On efficiency

As the markets slow (see how the revenue graph is flattening), its ever more important for firms to be efficient. That said, whilst sales revenue (across both regions) is about \$660m, there is still a consumer surplus of about \$1bn in each of the regions. There is still plenty of room to grow ... it's just harder to grow.

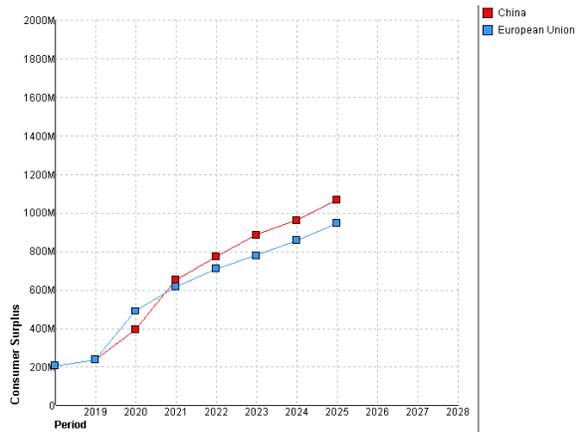
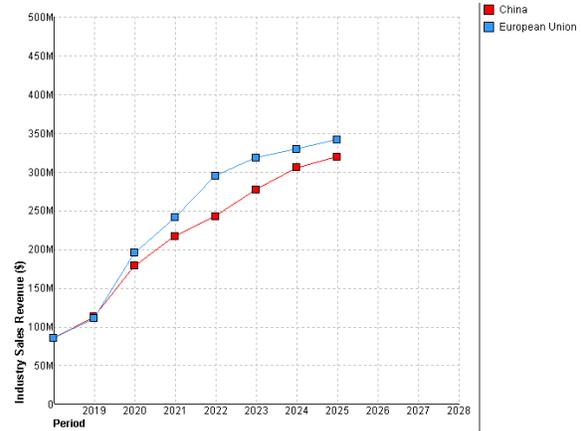
But as I say, efficiency is ever more important, and firms are definitely responding to that challenge. Firstly, firms are getting their capacity under much better control. They are figuring out how to get more out of what they have, and how to better predict the capacity they need.

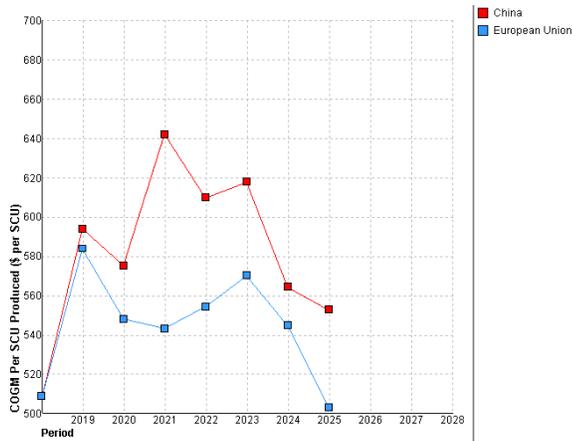


As a result idle time across the regions is down. However, too many firms still have a lot of slack ... being unsure/uncertain of the sales they might achieve, they are keeping idle capacity around in case their sales are (up to 20%) higher. That's a lot of excess capacity; just think, to use that extra capacity (of say, 20%) the estimates for every model bike a company makes would need to be out by 20%. Whilst one or two models might be that wrong, is the firm's forecasting six out on all the models. No, firms are better than that now.

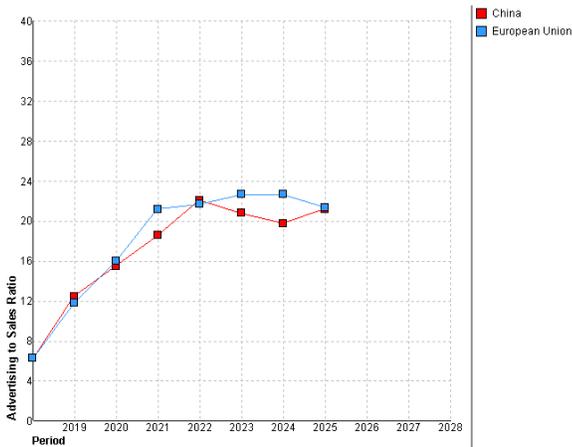


Even so, we see the cost of manufacturing come down. With a number of firms having costs of production below that of their starting costs; good on you **Munchy Bikes**, **PeakPerformanceBros**, **Pedal**, and **Whee lie Cool Bikes** who (in no particular order) have COGM per SCU of under \$500. A big 'shout out' (do people do that), to **Whee lie Cool Bikes** who are the cheapest producers by a long way. All these firms have struggled with serious problems and so have put in a lot of effort to learn how to make bikes really efficiently.

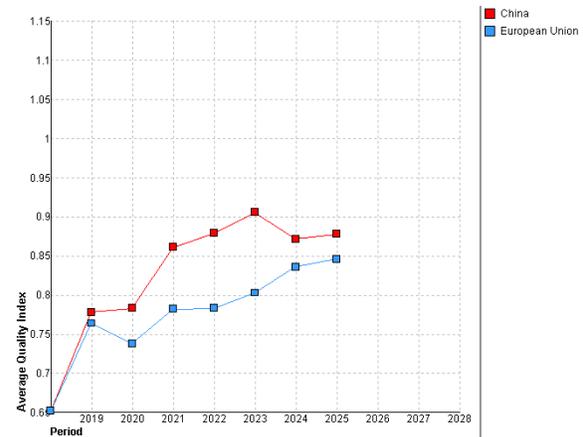
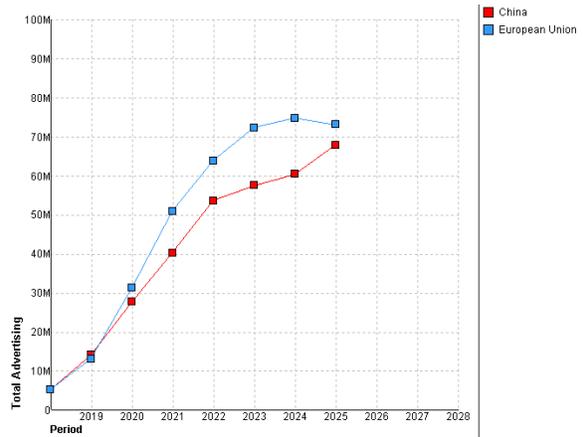




In other expenses, firms are getting a more of handle on advertising. Well, the EU is starting to rein things in; China is still increasing its advertising in absolute dollars. But looking at the Advertising to Sales ratio, the picture is clearer; but there is still work to be done here. Everyone in the EU except **PeakPerformanceBros** are still spending too much, and in China only **SUGMA** and **Wheelin N Dealing** are really on top of their advertising.



There is a similar story to be told about quality. But in this regard, it is China who are still the big spenders. Analysts think that some firms—**Rack City Bikes**, **Jack It Up**, **Wheelie Cool Bikes**, **Wheelin N Dealin**, and **E.N.T.E.R.T.A.I.N**—are over doing quality.



One of the ways firms are trying to boost their profit is by slashing the margin they give to retailers. This downward trend (that everyone seems to be pursuing), must be having negative consequences. I wonder if their distribution reach has been sacrificed.

The net effect of all of this is that the two regions are pretty much worth the same. But that shouldn't be taken as a good thing. As noted, there is a substantial consumer surplus, and even setting that aside some firms had lost wholesale sales (they could have sold more bikes).

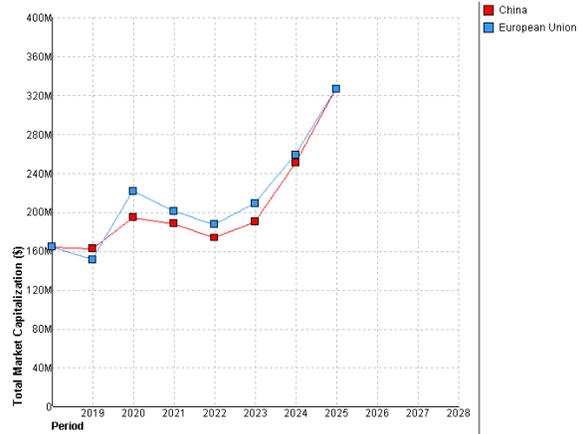
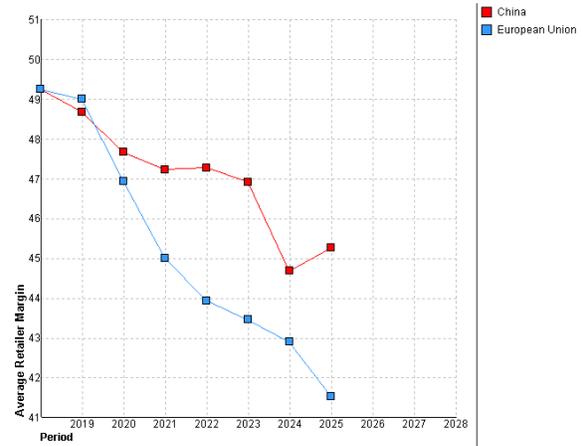
Firm	Lost Wholesale Sales (millions)
E.N.T.E.R.T.A.I.N	4.4
Munchy Bikes	3.2
PsiclePath	1.6
Pedal	1.3
Sigma	0.7

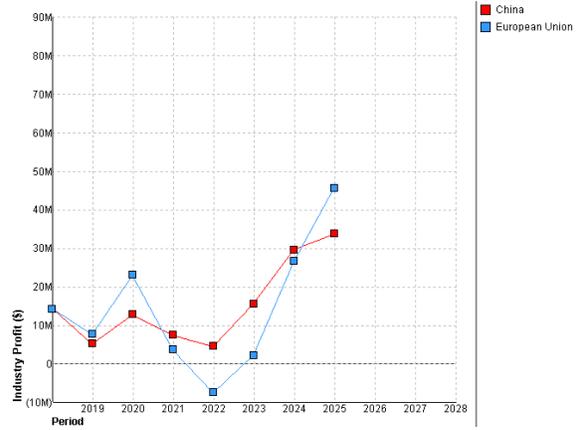
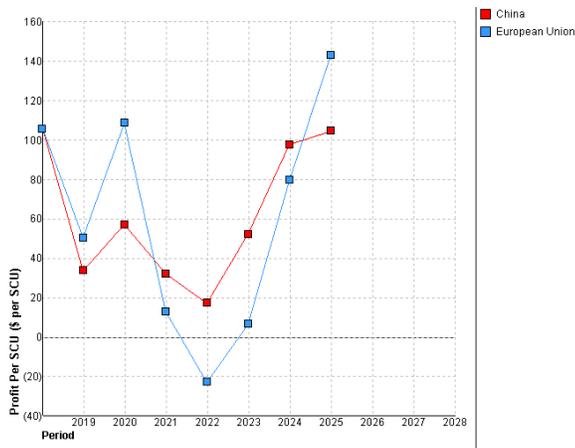
That would translate into some good profit ... just look at the margins of those firms.

Firm	Profit	Revenue	Margin
Rackk City Bikes	\$16,689,151	\$88,504,247	19%
Sugma	\$17,204,042	\$92,595,095	19%
PeakPerformanceBros	\$12,849,655	\$85,828,600	15%
Jack It Up	\$7,669,583	\$60,117,005	13%
Sigma	\$6,216,014	\$61,981,053	10%
PsiclePath	\$4,816,352	\$50,281,644	10%
Wheelie Cool Bikes	\$938,125	\$10,108,153	9%
RHO Inc.	\$3,941,611	\$47,189,806	8%
E.N.T.E.R.T.A.I.N	\$3,863,063	\$55,311,105	7%
Pedal	\$1,548,396	\$22,474,339	7%
Munchy Bikes	\$2,161,888	\$34,859,088	6%
Wheelin N Dealin	\$1,668,437	\$52,755,371	3%

And so that takes the conversation to one of profit. Not only are the regions profitable, but every firm is now making a profit. Well done all. The challenge now is to keep doing that.

But to return to the issue of efficiency, at the end of the day, in terms of SCU and Profit, the regions are getting better.





This is even more evident when we look at it on a firm-by-firm basis.

Firm	Profit	Capacity	ProfitPerSCU
Rackk City Bikes	\$16,689,151	64,784	\$257.61
Sugma	\$17,204,042	84,513	\$203.57
Jack It Up	\$7,669,583	41,493	\$184.84
PeakPerformanceBros	\$12,849,655	73,603	\$174.58
Sigma	\$6,216,014	61,904	\$100.41
RHO Inc.	\$3,941,611	45,671	\$86.30
E.N.T.E.R.T.A.I.N	\$3,863,063	53,439	\$72.29
PsiclePath	\$4,816,352	72,667	\$66.28
Munchy Bikes	\$2,161,888	36,336	\$59.50
Wheelie Cool Bikes	\$938,125	17,086	\$54.91
Pedal	\$1,548,396	31,136	\$49.73
Wheelin N Dealin	\$1,668,437	60,729	\$27.47

To refresh you memory, when you took the firms over they were doing \$106 in profit per SCU. (But some firms have been 'in the wars' since then).

And so to the leaderboard.

Industry	Firm	SHV	Profit	Revenue	Capacity	Shares	EPS	Capitalization	TotalSHV	EVA	Cash	Owner
China	Sugma	\$103.39	\$17,204,042	\$92,595,095	84,513	2,000,000	\$8.60	\$183,246,436	\$206,776,413	\$14,308,435	\$25,519,273	
European Union	PsiclePath	\$51.16	\$4,816,352	\$50,281,644	72,667	2,000,000	\$2.41	\$90,130,326	\$102,322,285	\$8,014,337	\$5,754,275	
European Union	Rackk City Bikes	\$48.03	\$16,689,151	\$88,504,247	64,784	1,821,637	\$9.16	\$85,463,699	\$87,506,733	\$16,554,398	\$32,641,916	
European Union	Jack It Up	\$42.39	\$7,669,583	\$60,117,005	41,493	2,000,000	\$3.83	\$70,925,290	\$84,771,391	\$5,716,178	\$26,769,636	
European Union	PeakPerformanceBros	\$41.88	\$12,849,655	\$85,828,600	73,603	2,000,000	\$6.42	\$71,634,664	\$83,764,665	\$10,484,221	\$37,445,629	PsiclePath
China	Sigma	\$34.77	\$6,216,014	\$61,981,053	61,904	1,972,425	\$3.15	\$67,399,875	\$68,585,804	\$6,840,045	\$28,092,986	RHO Inc
China	E.N.T.E.R.T.A.I.N	\$22.71	\$3,863,063	\$55,311,105	53,439	2,000,000	\$1.93	\$43,116,212	\$45,418,212	\$2,363,359	\$19,923,146	Sugma
China	Wheelin N Dealin	\$10.91	\$1,668,437	\$52,755,371	60,729	1,875,125	\$0.89	\$20,257,448	\$20,461,204	\$482,949	\$7,498,599	
China	RHO Inc.	\$6.17	\$3,941,611	\$47,189,806	45,671	2,000,000	\$1.97	\$12,109,228	\$12,347,268	\$3,188,681	\$9,542,282	
European Union	Munchy Bikes	\$3.89	\$2,161,888	\$34,859,088	36,336	2,000,000	\$1.08	\$6,372,834	\$7,770,384	\$1,488,456	\$10,960,388	Rackk City Bikes
European Union	Pedal	\$1.28	\$1,548,396	\$22,474,339	31,136	2,000,000	\$0.77	\$2,555,076	\$2,555,077	\$1,244,754	\$5,115,227	
China	Wheelie Cool Bikes	\$0.44	\$938,125	\$10,108,153	17,086	2,800,000	\$0.34	\$1,220,789	\$1,220,788	\$764,133	\$3,788,532	** Sold **

What do you see happening here? Leave your comments below.