

Cannondale Corporation

Nathan Balon
MGMT 490 SEC 2

INTRODUCTION

Cannondale Corporation was established in 1971. The company initially produced a bicycle trailer. Today, Cannondale's most popular product is the mountain bike. Cannondale has expanded its product line to include over 71 models of bicycles and has become one of the leading bicycle manufactures in the world. Although the company's main activity is manufacturing and distributing bicycles, today Cannondale also produces a variety of bicycle accessories and equipment. Recently, Cannondale journeyed into a new market and added dirt bikes and all-terrain vehicles (ATV) to its product line. Cannondale has pursued the high-end area of the bicycle market. The company's mission and vision statement will be evaluated along with the company's competitive and functional strategies.

MISSION AND VISION

Cannondale's mission is to be the best cycling and off-road motor sports company in the world. The focus is on people – employees, customers, retailers, and vendors – working to accomplish the mission. The philosophy of Cannondale states:

1. We care about each other, our customers, our retailers and our vendors.
2. We produce a stream of quality innovative products.
3. We devise a flexible-manufacturing process that lets us to deliver those innovative, quality products to the market quickly and then back them with excellent customer service.
4. We limit our distribution to the best specialty retailers in the world.
5. We stay lean, remain competitive and entrepreneurial.
6. We put 90% of our profits back into the company to underwrite future growth; the balance we share with all of our employees.
7. We promote from within whenever possible.
8. We concentrate on detail, because the last 5% is often the difference between success and failure.
9. We continuously improve everything.
10. We govern our every deed by what is 'just and right'.

The mission statement and philosophy of Cannondale are rather broad. Nearly every company in existence wants to be the best. Cannondale's mission statement could easily be applied to manufacturers in other industries by changing a few words, just as easily as it is applied to Cannondale. One problem with the mission statement is it does not set a clear direction of where Cannondale is heading in the future. Cannondale recently made their company more diverse by adding dirt bikes and ATV to its product line. The vision does not expand on how the company is going to pursue this market or how to become the best.

COMPETITIVE STRATEGY

Today, there are over a billion bicycles throughout the world used for a variety of purposes. In many countries, bikes are a primary means of transportation. Today, 70% of bicycles are used for transportation, 29% for recreation and 1% for racing. Cannondale's competitive strategy is the focused differentiation strategy. A focused differentiation strategy is aimed at a niche group of customers with unique tastes. The bikes produced by Cannondale are targeted towards the high-end market niche of the bicycle market such as professional bike racers or the serious mountain bikers. The price of a Cannondale bike ranges from \$500 to \$4,000. Cannondale tries to produce bikes that are lighter, stronger, faster and more comfortable than its competition.

In the United States, there are two primary outlets used for selling bikes, retail stores and bicycle specialty shops. Specialty stores offer high quality bikes, ranging in price from a few hundred dollars into the thousands. Most specialty stores have trained salesmen and offer repairs to bikes. Retail stores, on the other hand, offer lesser quality bikes, with fewer features and little or no support to the customer. The bikes sold through retail stores are starting to incorporate some of the past innovations that come with high-end bikes. While the lower end bikes are incorporating features such as shocks on their bike, they are not of the same quality of those found in specialty shops. Thirty percent of all bikes sold in the US are from these specialty shops. Cannondale only sells its bikes through these specialty stores. The company selectively chooses the specialty stores to carry their bikes, and Cannondale use these specialty shops to give its bicycles the perception of superior quality.

Cannondale differentiates their bicycles by adding additional features that aren't available on other bikes. One primary means of differentiating its bikes is through its research and development department. The company continually develops and adds new features that the customer values. Cannondale's rise in popularity came as a result of offering the first aluminum frame mountain bike to the market. Over the years, Cannondale has won awards by magazines such as Popular Science, and Popular Mechanic for its design innovations. Joe Montgomery states, "We approach everything we do - and I mean everything - with an eye toward innovation. And to a large extent, it's the innovations we've developed on design and manufacturing side that allow us to continually bring these exciting new products to the market." Cannondale tries to be a first mover with offering new products and features to the public. Some recent innovations of Cannondale's that differentiates their products are the MX400 dirt bike and HeadShok Lefty fork. The MX400 is one of the first aluminum frame dirt bike and *Dirt Rider* magazine labeled it "The Bike of the Year for 1999." The engine and suspension system of the MX400 is designed differently from any dirt bike in existence.

FUNCTIONAL STRATEGY

Production Strategy

Cannondale uses a flexible manufacturing system. This allows the company to produce small batches of bikes without a high change over cost between models. Cannondale has reduced the amount of time to assemble a bike from 17 to 3 days as a result of this system. The company also extensively uses CAD and CAM technology. Cannondale is committed to finding other ways to shorten its production cycle and reduce manufacturing costs. One of the biggest benefits of Cannondale's production strategy is its ability to produce custom-made bicycles for its customers. Cannondale recently began custom fitting bikes to an individual's needs. There are over 7000 variations that can be used to fit a bike perfectly to a customer.

Cannondale has used vertical integration as another way to improve its production process. Most bike manufactures purchase their bike frames from overseas. The length of time required to get a new bike to the public can be greatly increased because of waiting on the shipment of frames. Cannondale recognized the problem with the slow response time and started to build all of its frames itself at its factories. This has cut down on the time it takes to get bikes out to the market and allow Cannondale to be a first mover when putting out a new product.

Cannondale spent over \$20 million in research and development from 1997 to 1999. The company realizes that to stay competitive it must continually bring new product innovations to the market place. Cannondale has a team of engineers that works along side its racing team. The company use athletes for inspiration of new innovations. They ask the athletes what would make for a more complete bicycle experience and the work with the engineers to make it a reality. They view their racing team as a means for research instead of solely a marketing tool. Also, many of the engineers that Cannondale hires have racing background.

Marketing Strategy

The growth rate of the bicycle industry in the United States is currently 2%. Cannondale recognizes that the same opportunities do not exist that were once enjoyed in the US market because of today's slow rate of growth. The company has now globalized its operation and has moved into other markets throughout the world. In Europe, cycling is the second most popular sport behind soccer and offers the opportunity to increase the companies growth. The company has established subsidiaries in Europe, Japan and Australia to become a major player in the world market of bicycles. Cannondale bikes are sold today in over 60 international markets.

One of the marketing tools of Cannondale is its partnership with Volvo to create the Volvo/Cannondale Mountain Bike Racing Team. The championships won by this team have given the company a prestigious presence in the mountain bike market. Cannondale has also used magazines as a way to promote its bicycles. The company typically advertises in cycling magazines, along with general magazines that are intended to reach

the health conscious. In 1998, Cannondale created a licensing agreement with Tommy Hilfiger, which incorporated both of the companies' logos on a mountain bike.

Human Resource Strategy

As of June 2001, Cannondale employees 923 full-time employees. One of Cannondale's philosophies is to promote employees from within whenever possible.