

Instructions

- Step 1 Lets say an airplane company has fixed costs of \$100 million and variable costs per unit of \$2 million. Planes sell for \$3 million each. What is the company's breakeven point in terms of the number of planes that need to be sold just to break even?
- Step 2 If the airplane company wants to make a profit of \$99 million annually, how many planes will it have to sell?
- Step 3 If the company can sell 200 airplanes in a year, how much annual profit will the firm make?

 EXERCISE 4B
Comparing Priceline.com with Expedia.com

Purpose

Showcased at the beginning of this chapter, Priceline and rival Expedia rely almost exclusively on their website for business. Thus, it is obviously essential in this industry to have the most effective, efficient, and user-friendly website possible. This exercise gives you practice identifying key strengths and weaknesses for two rival firms.

Instructions

- Step 1 Visit the priceline.com and the expedia.com websites and study their features, prices, ease of navigation, user friendliness, and general layout.
- Step 2 Identify four strengths and four weaknesses of the Priceline.com website as compared to its major rival Expedia's website.
- Step 3 Prepare an analysis and report for Priceline's website manager to reveal how her company can improve its performance by improving its website.

 EXERCISE 4C
Perform a Financial Ratio Analysis for PepsiCo

Purpose

Financial ratio analysis is one of the best techniques for identifying and evaluating internal strengths and weaknesses. Potential investors and current shareholders look closely at firms' financial ratios, making detailed comparisons to industry averages and to previous periods of time. Financial ratio analyses provide vital input information for developing an IFE Matrix.

Instructions

- Step 1 On a separate sheet of paper, number from 1 to 20. Referring to PepsiCo's income statement and balance sheet (pp. 29–30), calculate 20 financial ratios for 2012 for the company. Use Table 4-6 as a reference.
- Step 2 In a second column, indicate whether you consider each ratio to be a strength, a weakness, or a neutral factor for PepsiCo.
- Step 3 Go to the websites in Table 4-5 that calculate PepsiCo's financial ratios, without your having to pay a subscription (fee) for the service. Make a copy of the ratio information provided and record the source. Report this research to your classmates and your professor.

 EXERCISE 4D
Construct an IFE Matrix for PepsiCo

Purpose

This exercise will give you experience in developing an IFE Matrix. Identifying and prioritizing factors to include in an IFE Matrix fosters communication among functional and divisional managers. Preparing an IFE Matrix allows human resource, marketing, production and operations, finance and accounting, R&D, and MIS managers to articulate their concerns and thoughts regarding the business condition of the firm. This results in an improved collective understanding of the business.

Instructions

- Step 1 Join with two other individuals to form a three-person team. Develop a team IFE matrix for PepsiCo. Use information from Exercise 1B on page 36.
- Step 2 Compare your team's IFE Matrix to other teams' IFE matrices. Discuss any major differences.
- Step 3 What strategies do you think would allow PepsiCo to capitalize on its major strengths? What strategies would allow PepsiCo to improve on its major weaknesses?

 EXERCISE 4E
Construct an IFE Matrix for Your University

Purpose

This exercise gives you the opportunity to evaluate your university's major strengths and weaknesses. As will become clearer in the next chapter, an organization's strategies are largely based on striving to take advantage of strengths and improving upon weaknesses.

Instructions

- Step 1 Join with two other individuals to form a three-person team. Develop a team IFE Matrix for your university. You may use the strengths and weaknesses determined in Assurance of Learning Exercise 1D on page 37.
- Step 2 Go to the board and diagram your team's IFE Matrix.
- Step 3 Compare your team's IFE Matrix to other teams' IFE matrices. Discuss any major differences.
- Step 4 What strategies do you think would allow your university to capitalize on its major strengths? What strategies would allow your university to improve upon its major weaknesses?

Notes

1. Reprinted by permission of the publisher from "Integrating Strength-Weakness Analysis into Strategic Planning," by William King, *Journal of Business Research* 2, no. 4: 481. Copyright 1983 by Elsevier Science Publishing Co., Inc.
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