

# **Resource audit of Giant Bicycles Company**

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**Introduction**

Giant Manufacturing Co. Ltd. is a bicycle producer based in Taiwan which labels itself as the globe's largest bicycle producer. Founded in 1972, Giant began as a produce of original equipment, creating bicycles to be marketed mainly under other brand names. In 1986, Giant, under the leadership of Bill Austin, created its individual brand of bicycles to rival other products in the quickly developing \$200 and over price level. At present, Giant generated sales in more than fifty nations, in more than 15,000 retail outlets. In 2007, its world sales went over six million bicycles and \$850 million USD in overall profits, which was considered one of the highest among all top bicycle companies in the world.

In 2006, Giant unveiled the TCR modern bicycle frame, a top notch carbon fiber racing structure which merges the seat post and frame together as one unit. Utilizing this design the seat post on a new structure must be cut accurately to suit well to the customer by an expert Giant dealer (Berger, 2005). Advocates of this design state the weight benefits and improved strength of the frame, in exchange of being able to adjust the bicycle to a new customer and new set of preferences in the long run.

Giant also unveiled the rigid geometry foundation for racing bicycles. The Union of Cyclists International changed the particular requisites to enable for the integration of a slanting top tube. They also unveiled its Maestro suspension systems in 2006. Maestro Suspension, based on the company, is created to provide an effective suspension power shift at the back. Maestro uses a frame of four pivot areas and two connections to establish a floating pivot area which is meant to minimize pedal bob and allows the wheel at the back to move vertically without any obstructions.

## **SWOT Analysis**

### ***Strengths***

#### **1) Top market position**

Giant Bicycles is a significant competitor in the bicycle manufacturing industry of the world. The company is a market leader in these segments especially in terms of overall profit.

#### **2) Excellent Research and Development Department**

Giant Bicycles has an excellent research and development (R&D) department. The company's R&D activities are focused on innovations concerning bicycles.

### ***Weakness***

#### **1) Significant operations in developed markets**

Giant Bicycles' operations are established in developed markets like America and Asia. In the year 2007, the organization's profit from America made up 40% of the whole profits, and other Asian markets comprised for 30%. These markets are completely saturated and their GDP development has sloped down over the past few years, and is anticipated to freefall even further in years to come (Mariotti, 2008).

### ***Opportunities***

#### **1) Separate R&D sector**

Giant Bicycles started analyzing the structural reorganization of the company and its business activities in 2008 to better enhance its productivity to stay in a dominant position in the global market and to enhance stockholder value. This plan is perceived to provide better flexibility and better managerial focus on the business.

## ***2) Strategic acquisitions***

The company engaged in some strategic acquisitions over the past few years to improve its bicycle manufacturing activities.

### ***Threats***

#### **1) Consolidation in the bicycle manufacturing industry**

The bicycle manufacturing industry is in the midst of consolidation through an increasing volume of mergers and acquisitions (Amsden, 2003). Pricing increase because of tremendous rivalry has resulted in the freefall of margins and initiated consolidation amongst all bicycle manufacturing companies.

#### **2) Obstacles in joint ventures**

Giant Bicycles has numerous joint ventures which may result in decision making complications. The organization is involved in various joint ventures resulting in joint management of the organization.

### **PEST Analysis**

#### ***Political/Legal***

The bicycle manufacturing industry includes a political / legal aspect. From a global standpoint, there have been political disagreements and legislative measures regarding the monopoly of bicycle products and technologies. The beginnings of Giant Bicycles provide details regarding the obstacles of obtaining and managing the powers between basic or common bicycles and technologies. The onset of the 20<sup>th</sup> century initiated the initial progress of global movement for excellent bicycles and technologies.

### ***Economic***

On the microeconomic perspective, companies like Giant Bicycles have utilized Information Technology to support the progress of their business. They have taken advantage of modern technologies as opposed to its rivals. In major spots all over Taiwan and China, people use Giant Bicycles to handle majority of their traveling necessities.

On the macroeconomic perspective, experts in Giant Bicycles discovered a fundamental connection between high quality bicycles and economic development. Few argue the existence of a link even though some state that it is a major fault to see the connection as causal. Because of the economic benefits being provided by top quality bicycles and technologies, there is an emerging uncertainty concerning the disproportionate access to bicycles amongst various nations of the globe—this is pertained to as the digital divide.

### ***Socio-cultural***

Bicycles and its technologies are having an important role in social relationships. Over the past few years, the emergence of social networking websites that are marketing bicycles and technologies has ballooned tremendously (Fine, 1999). These websites allow the bicycle enthusiasts to communicate with each other as well as post images, happenings and profiles for other individuals to check.

### ***Trends/Factors of Technology***

High quality yet affordable bicycles and technologies are still Giant Bicycles' largest profit generator, but due to the developments in the bicycle manufacturing industry, this is now developing. Bicycles are not about all basic traveling machines anymore but now more about being creative.

## **Porter's Five Forces Analysis**

### ***1) Threat of New Entrants***

It is not totally unbelievable that in the innovation-based bicycle manufacturing industry the main hindrance to entry is access to finance. To satisfy the ballooning fixed expenses, serious bicycle manufacturers usually need significant funding. When capital markets are capable to provide funds, the risk of competitive entrants is increased.

### ***2) Power of Suppliers***

At first sight, it might look like bicycle manufacturers possess tremendous bargaining supremacy over suppliers. Indeed, without top quality technologies, organizations like Giant Bicycles would not possess the capability to build innovative bicycles that are able to surpass standards. But there are truly quite a big number of bicycle manufacturing companies all over the globe.

### ***3) Power of Buyers***

With improved options of bicycles and its technologies, the bargaining power of consumers is growing up. Let's face it; bicycle parts and technologies do not differ significantly, regardless of which companies are manufacturing them. For the most part, the services given by bicycles are perceived as a commodity. This converts into people wanting for affordable prices from bicycle manufacturers that provide top notch bicycles. At the same time, consumer power can provide somewhat between market segments.

### ***4) Availability of Substitutes***

Bicycles and services from unknown manufacturers can provide enormous substitution threats. Just as alarming for bicycle manufacturers is the internet: it is developing as an excellent medium for cheap marketing services.

### ***5) Competitive Rivalry***

The presence of industry deregulation along with the receptive capital markets of the late 1990s established the pathways for the emergence of new entrants. New bicycle technologies are establishing a list of replacements. Almost all people own a bicycle, so all rival manufacturers now must attract customers with cheap prices and more innovative bicycles.

### **Porter's Diamond Model Analysis**

#### **1) Factor Conditions**

This pertains to the circumstances in the countries where Giant Bicycles operates concerning manufacturing elements, such as labor and infrastructure, which are important for rivalry in the bicycle manufacturing industry. Both human resources (expenses of labor, dedication.) and the material resources (natural resources, manufacturing areas) are important for Giant Bicycles. The company also considers elements such as the quality of studies on academic institutions, deregulation of the bicycle manufacturing industry, or liquidity of share markets.

These local factors most of the time give small benefits for Giant Bicycles, which are subsequently used as a stepping stone (Blythe, 2008). Every nation where Giant Bicycles has operations has its own specific set of factor criteria; therefore, in every nation will develop the bicycle manufacturing industry for which the specific set of factor criteria is satisfied. Giant Bicycles also take into account political actions, technological development or socio-cultural developments among the nations where they have operations, because they may influence local factor conditions.

#### **2) Home Demand Conditions**

This pertains to the status of home demand for bicycle products and technologies manufactured in nations where Giant Bicycles operate. Home demand circumstances affect the

molding of specific factor conditions. They have influence on the speed and path of innovation and bicycle enhancement. In the case of Giant Bicycles, home demand is identified by three main attributes: their combination (the combination of client demands and desires), their range and development rate, and the systems that transfer local choices of bicycles to international markets.

Usually, Taiwan and China attains national benefits in the bicycle manufacturing industries once the home demand gives initial signs of demand trends to local providers than to international rivals. Usually, home markets have a much greater impact on Giant Bicycles' capability to identify clients' demands than international markets do.

### **3) Related and Supporting Industries**

This pertains to the presence or absence of globally competitive bicycle manufacturing industries and assisting industries. One globally progressive industry like that of bicycle manufacturing may result to benefits in other relevant industries. Competitive bicycle manufacturing industries have integrated creativity and modernization in industries at the latter stages in the value system.

Aside from the suppliers of parts and components of bicycles, relevant industries are of utmost significance as well (Luo, 2000). The bicycle manufacturing industry can utilize and coordinates specific endeavors in the value chain together.

### **4) Firm Strategy, Structure, and Rivalry**

This pertains to the circumstances in a nation that identify how the operations of Giant Bicycles are created, are systematized and are controlled, and that identify the attributes of local rivalry. Here, cultural factors have an essential role. In the 50 countries where Giant Bicycles operates, aspect such as management frameworks, working motivation, or communications

between organizations are molded differently. This gives benefits and disadvantages for the bicycle manufacturing industry in these countries.

The basic company goals of Giant Bicycles in connection to trends of dedication among the employees are of tremendous value. They are significantly affected by frameworks of governance and management. The local rivalry and the quest for competitive advantage within the countries where Giant Bicycles operates help give the company with foundations for accomplishing such benefit on a wider scale.

### **Resource Audit**

The financial resources of Giant Bicycles that have helped propelled the company as the biggest bicycle manufacturer in the world is the most important and unique resource of the company which is absolutely hard to replicate by competitors. The financial profitability of the company has allowed them to pursue various expansion activities that have resulted in the widening of their operations to more than fifty nations in 5 different continents.

Another important irreplaceable resource of Giant Bicycles is its research and development unit. This unit has been responsible for the introduction of innovative bicycle technologies that not even rival companies can surpass. The research and development arm takes full advantage of the funding being given by the corporate management to come up with top quality innovations like Maestro Suspension and durable frames to mention a few.

### **Conclusion**

In order to remain productive in the ultra-tough bicycle manufacturing industry, Giant Bicycles had to redefine their business plans. The objective of their plans had to be grounded on utilizing their two main resources: stable finances and an excellent research and development

arm. So far, the formula has worked well as the company has remained as a potent force in the bicycle manufacturing industry.

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