

Bobble In Style Company Analysis

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Introduction

Bobble In Style is a home-based custom bobblehead business owned and operated by Mr. and Mrs. Lee. The case presents sales volume, price, shipping cost, advertising, communication, travel, utilities, banking charges, proposed labor, and a possible machine investment. Its purpose is to evaluate current performance and recommend financially responsible growth. The original analysis is optimistic, but several figures are internally inconsistent and essential costs are missing. A reliable company analysis must separate production capacity from units sold, variable costs from fixed costs, cash flow from accounting profit, and business growth from unpaid owner labor. The company may be promising, but decisions should be based on corrected calculations and documented assumptions rather than enthusiasm alone.

Business Model and Value Proposition

The company sells personalized bobbleheads through online channels from a home office and production space. Its proposed competitive advantage is a material and design process described as more realistic, flexible, and distinctive than competing products. Customization can support a premium price because buyers may purchase bobbleheads as gifts, commemorative items, event merchandise, or organizational awards. The value proposition should be expressed more precisely through product quality, turnaround time, resemblance, durability, packaging, and customer service. A claim of uniqueness has financial value only when customers recognize it and remain willing to pay. The owners should collect reviews, return data, repeat purchases, and conversion rates to test whether the advantage is real.

Correcting the Sales Calculation

The case states that 420 units were sold at a price of \$85 each but reports monthly sales of \$51,000. These figures do not agree. Multiplying 420 by \$85 produces revenue of \$35,700. Revenue of \$51,000 would require 600 units at \$85, suggesting that 600 may represent production capacity or a sales target rather than actual sales. This distinction materially changes every profitability measure. Management should reconcile orders, invoices, payment deposits, refunds, discounts, and units shipped before using the data. A simple monthly sales schedule should show beginning orders, new orders, completed units, units shipped, cancellations, and ending backlog. Reliable records are the foundation of pricing, staffing, and investment decisions.

Contribution Margin under the Stated Data

The case identifies shipping materials of \$3 per unit and calculates a contribution margin of \$82 on an \$85 sale. If shipping materials are the only variable cost, the arithmetic is correct: \$85 minus \$3 equals \$82 per unit. At 420 units, total contribution margin would be \$34,440, not \$49,200. The larger figure corresponds to 600 units. However, the calculation is economically incomplete because a bobblehead must also require modeling material, paint, packaging, transaction fees, production labor, spoilage, and possibly delivery postage. Each cost that changes with units or orders should be included. Until those amounts are known, the reported contribution margin substantially overstates what each sale contributes toward fixed costs and profit. (Horngren et al.)

Fixed and Mixed Monthly Costs

Reported monthly costs include \$3,000 for social-media advertising, \$150 for internet communication, \$200 in banking or withdrawal charges, \$100 for utilities, and \$1,200 for travel. Proposed part-time packing labor adds \$400 for forty hours at \$10 per hour. Together, these items total \$5,050, although some may be mixed rather than entirely fixed. Utilities and transaction charges can rise with activity, and travel may be discretionary or connected to specific selling events. Management should classify costs by behavior and purpose. A monthly budget should also include insurance, licenses, software, website fees, equipment maintenance, taxes, rent attributed to home use, and professional services where applicable.

The Hidden Cost of Owner Labor

The owners currently do not pay themselves, which preserves cash but does not make their labor free. If both founders spend substantial time designing, producing, marketing, communicating, and shipping, the business may appear profitable only because their economic contribution is excluded. Management accounting should record an imputed or target wage when evaluating product profitability and capacity. Cash accounting can separately show that the wage has not yet been withdrawn. This distinction matters when deciding whether the company can hire, expand, or replace owner tasks with machinery. A sustainable business should eventually compensate its founders for labor and provide a return on capital; otherwise, it may be a demanding hobby supported by unpaid work.

A Preliminary Monthly Profit View

Using only the stated figures, revenue is \$35,700 and shipping materials are \$1,260, producing a preliminary contribution of \$34,440. Subtracting the reported fixed and proposed labor costs of \$5,050 leaves \$29,390 before raw materials, direct production labor, postage, refunds, taxes,

depreciation, and owner compensation. Because several major expenses are missing, this is not a valid net profit. It is a diagnostic subtotal showing why complete cost records are urgent. If raw material and labor costs are high, the true margin may be far smaller. The owners should prepare a product cost sheet for each design type and reconcile it with actual monthly cash and inventory movements. (Garrison et al.)

Pricing Strategy

The \$85 price should not be reduced merely because some customers cannot afford it. Lower prices increase demand only when buyers are price-sensitive, and they reduce contribution on every existing sale. The company should calculate full unit cost, compare competitor offerings, and identify customer segments before changing price. It may offer tiers: a standard design, premium customization, faster delivery, or bulk event orders. Deposits can protect cash flow for customized products that are difficult to resell. Discounts should have a defined purpose and deadline rather than becoming a permanent expectation. Management should measure whether promotions create incremental profitable orders or simply reduce revenue from customers who would have paid the regular price.

Marketing Effectiveness

Advertising of \$3,000 per month is one of the largest reported expenses and should be evaluated through customer acquisition cost and contribution. The owners need to track which platform, campaign, creative format, and audience generated each inquiry and completed order. If 100 new customers result from the advertising, acquisition cost is \$30 before considering repeat business. If only ten result, the cost is \$300 and may exceed contribution. Likes, views, and followers are intermediate measures, not financial outcomes. The company can improve efficiency through customer photographs, referral programs, email follow-up, search optimization, partnerships with event planners, and retargeting, but each tactic should be tested against margin and capacity. (Federal Trade Commission)

Cash Management and Banking Charges

A recurring \$200 withdrawal charge suggests that the company may be using an inefficient payment or banking arrangement. Management should compare business accounts, payment processors, deposit timing, chargeback protection, and transfer fees. Daily deposits improve control, but repeated withdrawals may be unnecessary if business expenses are paid directly from a dedicated account. Personal and business funds should remain separate to support tax reporting and accurate analysis. A weekly cash forecast can show expected customer deposits, supplier payments, payroll, advertising, taxes, and equipment purchases. Retained earnings of \$4,500 are not automatically available cash;

the amount must be reconciled with the bank balance, inventory, receivables, and liabilities. (U.S. Small Business Administration)

Evaluating the New Machine

The proposed machine costs \$42,000 and is expected to generate cash inflows of \$17,000, \$29,000, and \$40,000 over three years. On an undiscounted basis, total inflows are \$86,000, creating \$44,000 above the purchase price. The simple payback period is approximately 1.86 years because the first year recovers \$17,000 and about \$25,000 of the second year's \$29,000 completes recovery. Payback is useful for liquidity but ignores the time value of money and later cash flows. The investment should be evaluated through net present value, internal rate of return, capacity demand, maintenance, training, taxes, and the risk that forecast sales do not occur. (Brigham and Ehrhardt)

Discounted Investment Analysis

At an assumed discount rate of 10 percent, the stated cash flows produce a net present value of approximately \$27,474 and an internal rate of return near 39 percent. These results appear attractive, but they are only as reliable as the cash-flow forecast. The case does not state whether inflows are incremental operating cash after materials, labor, maintenance, tax, and working capital. It also omits salvage value and machine life beyond year three. The owners should create conservative, expected, and optimistic scenarios and determine how many additional units the machine must sell or how much labor it must save. Purchasing capacity without demand could convert a promising investment into idle equipment and debt.

Hiring the Part-Time Employee

Hiring someone for forty hours per month at \$10 per hour appears inexpensive, but payroll cost normally includes more than wages. Depending on jurisdiction and employment status, the company may face payroll taxes, insurance, training, supervision, equipment, and compliance obligations. The role should be justified by a measurable bottleneck. If packing and shipping consume owner time that could generate more design or sales contribution, delegation may be valuable. The owners should document tasks, expected output, error standards, data confidentiality, and safety. They should also compare employment with legitimate contract services without misclassifying a worker. Hiring is successful when it increases capacity and reliability while preserving product quality and customer information.

Growth Controls and Risk Management

Expansion creates risks involving product liability, intellectual-property rights, customer images, data privacy, delivery delays, platform dependence, and cash commitments. Personalized figures may involve trademarks, celebrities, or copyrighted characters, so the owners need clear policies on permitted designs. Customer photographs should be stored securely and deleted according to a stated retention practice. Orders need written approval of proofs, delivery estimates, refund terms, and responsibility for damage. The company should maintain inventory controls and backup suppliers for key materials. Growth should be staged through monthly capacity plans rather than through a retail office chosen mainly for visibility. Online demand may not justify the fixed cost of a public location.

Conclusion

Bobble In Style may have a viable custom-product opportunity, but the current data cannot support the original conclusion that profitability is already strong. Correct revenue for 420 units at \$85 is \$35,700, and the \$82 contribution margin ignores important variable costs. Owner labor, raw materials, postage, tax, and depreciation must be recognized before pricing or expansion decisions are made. The proposed machine appears financially attractive under the stated cash flows, with a short payback and positive discounted value, but the assumptions require testing. The best next step is disciplined recordkeeping: reconcile sales, build product cost sheets, measure advertising results, forecast cash, and expand only when documented demand supports capacity.

References

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