

Sales Forecast Report

Prepared For:

Golf Bag Cooler LLC



Prepared By:

Thema Group Inc.

*This report is the property of
Golf Bag Cooler LLC*

Summary and Recommendations.....	2
1.0 Introduction.....	3
2.0 Market Data.....	3
2.1 Industry Description and Outlook.....	3
2.2 Size of the Target Market.....	4
2.3 Competitors	4
2.4 The Growth Cycle.....	4
2.5 Pricing and Promotion	5
2.6 Seasonal Variation in Demand.....	5
3.0 Three-Year Sales Forecast	6
4.0 Breakeven Analysis.....	7
4.1 Cost-Volume-Profit	7
4.2 Breakeven and Seasonal Variation in Sales	8
5.0 Impact of Changes in Pricing and Promotion Policy.....	9
5.1 Changes in Pricing Policy.....	9
5.2 Changes in Promotion Policy	10
6.0 Recommendations.....	11
Appendix.....	
A.1 <i>Data Input Summary</i>	
A.2 <i>Summary of Sales Forecasts</i>	

Summary and Recommendations

This Sales Forecast Report has been developed for Golf Bag Cooler LLC. by Thema Group Inc. Golf Bag Cooler is a start-up operation producing a product intended for the golf accessories market.

The company submitted its data through the themagroup.ca web portal. The data submitted is given in Appendix A-1.

The company requested sales forecasts for three years, a breakeven analysis for Year 1 of the operation and an evaluation of the impact on sales forecasts of changes to the company's pricing and promotion policies.

Thema Group makes the following recommendations to Golf Bag Cooler LLC:

1. Based on the sales forecasts, the company should introduce the golf bag cooler to the target market.
2. Because of the seasonality in sales, the company should monitor its cash flows in the early months of its operations in order to ensure that there will be sufficient funds to operate in the latter months of the first year of operation.
3. The company should assess both its pricing and promotion strategies to determine whether more aggressive strategies; i.e., a lower competitive price and stronger promotional efforts, would generate additional benefits above and beyond the costs for the changed strategies.

1.0 Introduction

Golf Bag Cooler LLC is a start-up company with a product intended for the golf accessories market. The product, a beverage cooler for golfers, enables golfers to keep a beverage cool while playing a round of golf.

The key data submitted concerns the potential target market; namely, its size, the level of competition, and the expected growth cycle.

This Sales Forecast Report has been prepared by Thema Group for Golf Bag Cooler LLC using data submitted by the company through the themagroup.ca portal.

The company has requested that Thema Group develop:

- A sales forecast for three years,
- Breakeven analysis for the first forecast year of operation, and
- An analysis of the impact on sales forecasts of changes to the company's initial pricing and promotion policies.

2.0 Market Data

2.1 Industry Description and Outlook

New Product Description

The product is a beverage cooler for golfers. It consists of a thin tube that fits inside a golf bag and holds six cans. A spring pushes a can to the top of the bag every time one is taken out.

What keeps the can cold is the air space between two PVC tubes, fit one into the other, and small hockey-puck objects filled with freezable gel, which fit between the cans.

Industry Description

The business belongs to the golf accessories market. The golf accessories market pertains to clothing, shoes, and accessories used when playing golf.

The world-wide market is expected to register a compound annual growth rate of close to 5 percent during the period 2018 – 2022. A key factor in the market's growth is the growth of golf tourism. Many experienced and amateur golfers spend a significant amount of their time in popular golf tourism destinations.

The major players in the golf accessories market include Adidas, Nike, ECCO USA, Polo Golf, and Sun Mountain. The major players in the golf bag cooler accessories segment include Yeti, Clicgear, Calloway, and ProActive.

Target Market Description

The target market is the US market for golf accessories, a market which has 25 million golfers. Thirty-three percent of this market are seniors – 50 or older. Forty-five percent are between the ages of 18 and 39. Twenty-two percent are female and twenty-two percent are junior golfers between the ages of 5 and 17 years.

The annual growth rate of this target market is 8 percent, well above the world-wide growth rate. The peak season for the sale of golf accessories is April, with about 25 percent of annual sales within the month. November is the low season, with only 3 percent of annual sales.

The average golfer household income is approximately \$100,000. One in four golfers owns their own business. One in three golfers is in top level management. Ninety-one percent of golfers are home owners, with an average home value of \$480,000.

2.2 Size of the Target Market

The US market of 25,000,000 golfers represents the total available market (TAM). Given that the company intends to use direct marketing as its sales channel, the target market is estimated to be approximately 2,000,000 golfers. The company forecasts that it will sell 20,000 units, or 1 percent of that target market, in the first year.

The growth rate in the target market is estimated to be 8 percent annually. This growth rate is consistent with the national growth rate in the US market.

2.3 Competitors

Given its description of the target market, the company has effectively defined a competitor as someone who sells a product with the same function as its proposed product, is aimed at the same market, and uses the same sales channel.

With this understanding of the market, the company has identified 10 competitors. Within this group of competitors, one has 30 percent of the current market.

2.4 The Growth Cycle

It is clear that competitors have been operating in the market for several years. Yet, the industry as a whole is still showing growth. Based on these industry statistics, the company has indicated that it will take 10 years from the time its product is introduced into the marketplace until demand levels off.

During the ten-year period, the company estimates initial sales growth will be slow, with strong growth occurring in the third and subsequent years, followed by a slowing trend in the latter years of the ten-year cycle. This is a logistics, or s-shaped, pattern of growth and is similar to the pattern of growth of many new products and services.

2.5 Pricing and Promotion

The company has opted to price its Golf Bag Cooler at the average of the prices charged by its prospective competitors.

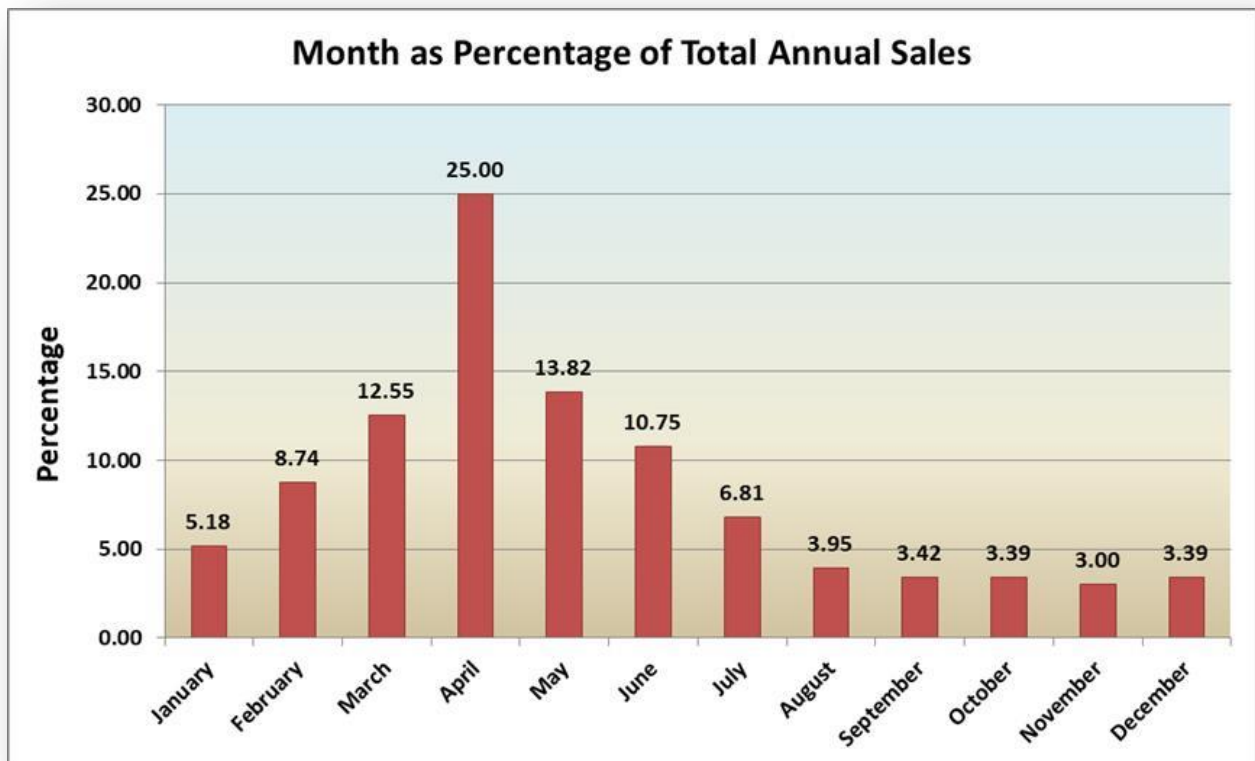
The company intends to match the promotion efforts of competitors and has, therefore, described its promotion strategy as equivalent to the average of its competitors.

2.6 Seasonal Variation in Demand

The company expects that a significant percentage of sales will occur in April of each year. The initial estimate is that the company will be able to sell 25 percent of total annual sales in this month. November is expected to be the slowest month of the year, with only 3 percent of sales.

Using the peak and valley percentages provided by the company, Thema Group used its **NewCast** program to develop the expected seasonal variation in sales for all months. This variation is illustrated in Figure 1.

Figure 1: Seasonal Variation by Month



The impact of this seasonal variation in sales on the company's cash flow is discussed in the breakeven analysis section of this report.

3.0 Three-Year Sales Forecast

The forecast of demand for 2020, 2021, and 2022 is given in Table 1. These forecasts show that demand, in units, is projected to grow by 6.45% from 2020 to 2021, and by 13.64% from 2021 to 2022.

Table 1: Three-Year Sales Forecast

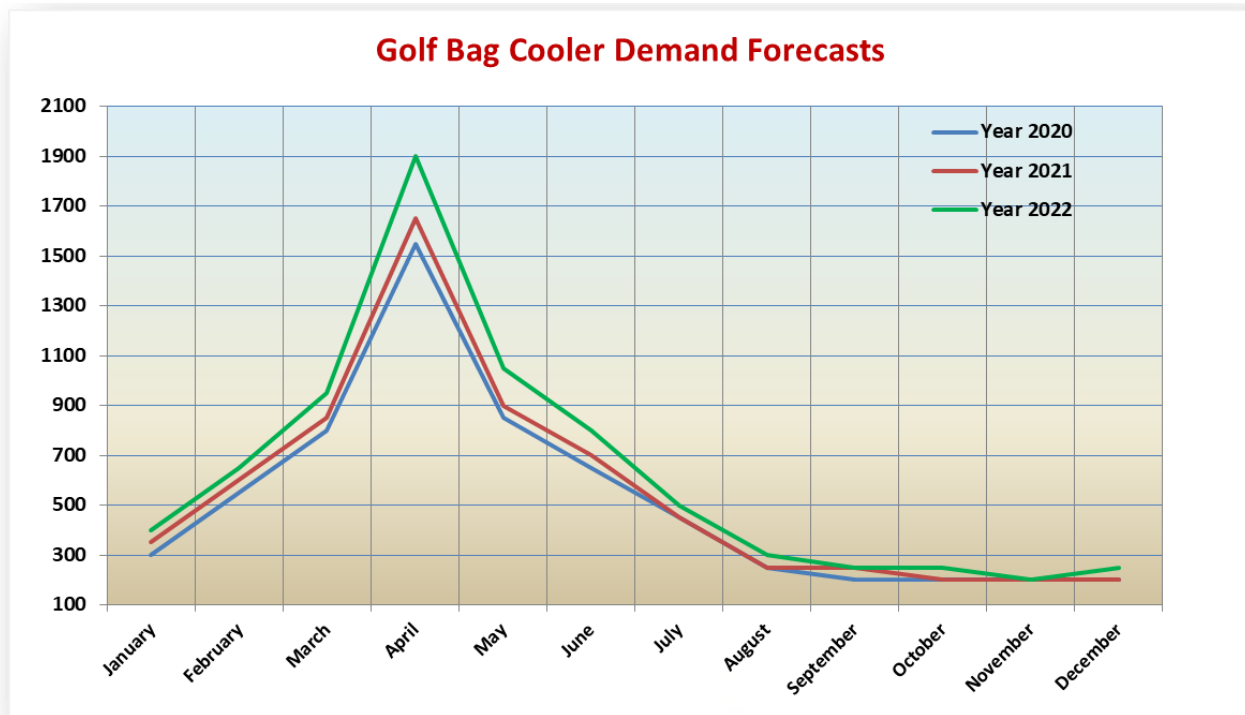
Golf Bag Cooler Plc						
Demand Forecasts						
Period	Year 2020		Year 2021		Year 2022	
	Units	Dollars*	Units	Dollars*	Units	Dollars*
January	300	\$15,000	350	\$17,500	400	\$20,800
February	550	27,500	600	30,000	650	33,800
March	800	40,000	850	42,500	950	49,400
April	1550	77,500	1650	82,500	1900	98,800
May	850	42,500	900	45,000	1050	54,600
June	650	32,500	700	35,000	800	41,600
July	450	22,500	450	22,500	500	26,000
August	250	12,500	250	12,500	300	15,600
September	200	10,000	250	12,500	250	13,000
October	200	10,000	200	10,000	250	13,000
November	200	10,000	200	10,000	200	10,400
December	<u>200</u>	<u>10,000</u>	<u>200</u>	<u>10,000</u>	<u>250</u>	<u>13,000</u>
Total	6,200	\$310,000	6,600	\$330,000	7,500	\$390,000

* Selling Price = \$50 per unit for 2020 and 2021/ Selling Price = \$52 per unit for 2022

The change in the growth rate reflects the impact of the logistics growth cycle, where growth in demand is relatively modest early in the cycle, but begins to show greater growth in the third and subsequent years.

Figure 2 illustrates the highly seasonal nature of the sales forecast. The implications of this seasonal demand pattern are discussed in the section on breakeven analysis.

Figure 2: Three-Year Sales Forecasts



4.0 Breakeven Analysis

Breakeven analysis is used to examine the relationship between the company’s fixed cost, variable cost, and profit. The breakeven point will represent the volume of sales at which total costs equal total revenues (that is, profits equal zero).

The breakeven analysis is normally done on an annual basis. However, for a company with a start-up product, it is useful to calculate a monthly breakeven in order to assess the difference between a forecast of monthly demand and the level of demand necessary to cover all monthly fixed and variable costs.

In addition, breakeven analysis is a valuable tool for measuring the effect of changes in pricing and promotion policies on the output level that the company must achieve before it can generate operating profits.

4.1 Cost-Volume-Profit

Table 2 provides details on the cost-volume-profit analysis that was done as part of the sales forecast. The selling price, fixed costs, and variable cost per unit were part of the data input provided by the company.

Table 2: CVP Analysis

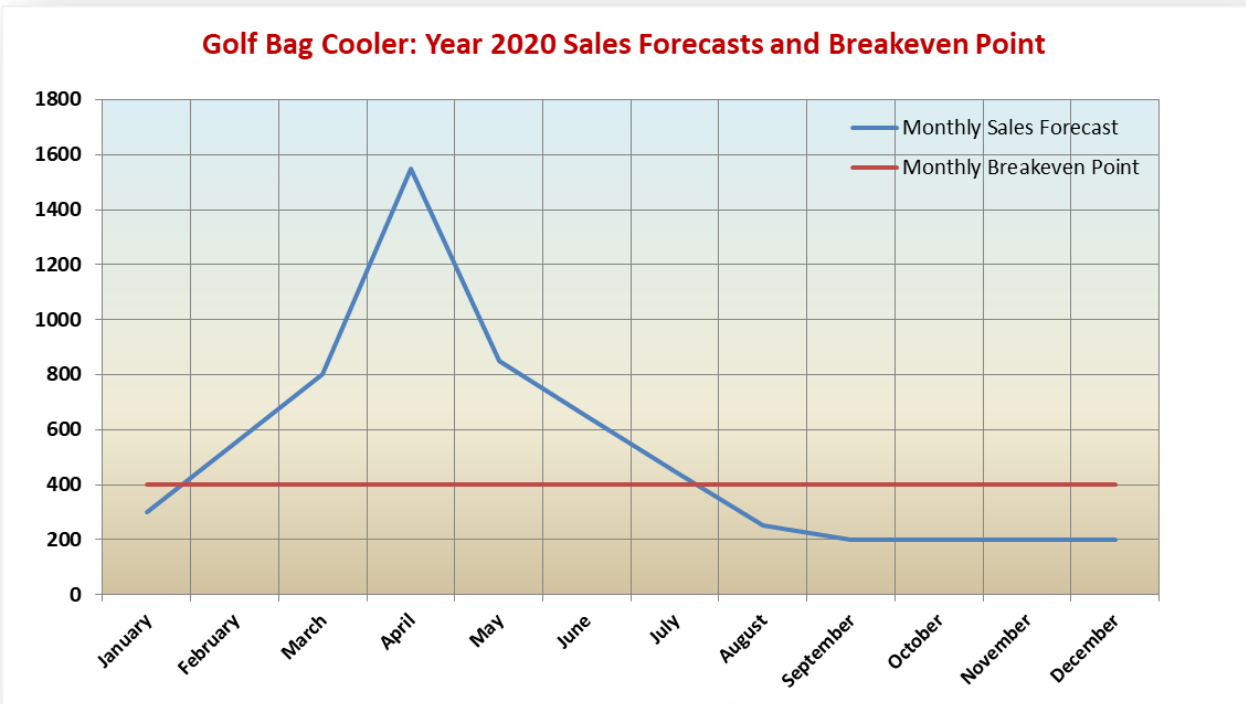
	Year		
	2020	\$2,012	\$2,022
SALES FORECAST	6,200	6,600	7,500
SELLING PRICE PER UNIT	\$50	\$50	\$52
VARIABLE COST PER UNIT	\$39	\$39	\$38
ANNUAL FXED COSTS	\$52,650	\$55,809	\$59,023
BREAKEVEN POINT (Sales Dollars)	\$239,318	\$245,914	\$220,805
BREAKEVEN POINT PER YEAR (units)	4,786	4,918	4,246
BREAKEVEN POINT PER MONTH (units)	399	410	354

The increase in the breakeven point from 2020 to 2021 is attributable to a rise in annual fixed costs without any corresponding increase in the contribution margin of \$11, the spread between selling price and variable costs. The decrease in the breakeven point from 2021 to 2022 is due to an increase in the contribution margin to \$14 (\$52 - \$38).

4.2 Breakeven and Seasonal Variation in Sales

The impact of seasonal variation in the sales forecast is illustrated in Figure 3.

Figure 3: Impact of Seasonal Sales on Monthly Breakeven



For the months of August through December of 2022, sales forecasts will be below the breakeven point. For these months, ***cash inflows from sales will likely be below cash outflow for expenses***. The company will need to plan its cash flows carefully, particularly during the first year of operation.

5.0 Impact of Changes in Pricing and Promotion Policy

The company has requested an assessment of the impact on sales forecasts of changes in its pricing and promotion policies. The company's original pricing policy was to set its price for its product at the average of competitors' prices. The company's promotion policy is its assessment that its level of promotion activity will be comparable to that of competitors.

5.1 Changes in Pricing Policy

Table 3 shows the impact of changes in the pricing policy on the sales forecasts.

Table 3: Impact from Changes in Pricing Policy

Golf Bag Cooler PLC			
Year 1 Demand Forecasts With Different Promotion Strategies			
	Below Average Promotion (Units)	Average Promotion (Units)	Above Average Promotion (Units)
Period			
January	278	300	318
February	483	550	603
March	688	800	888
April	1348	1550	1708
May	738	850	938
June	583	650	703
July	383	450	503
August	228	250	268
September	178	200	218
October	178	200	218
November	178	200	218
December	<u>178</u>	<u>200</u>	<u>218</u>
Total	5435	6200	6795
	Original Decision		

Choosing to price below the average of competitors' prices results in a 13.71% increase $((7050 - 6200)/6200)$ in forecast demand. On the other hand, pricing above the average of competitors' prices results in a 27.4% decrease $((6200 - 4500)/6200)$ in forecast demand.

Figure 4: Impact of Pricing Policy Changes

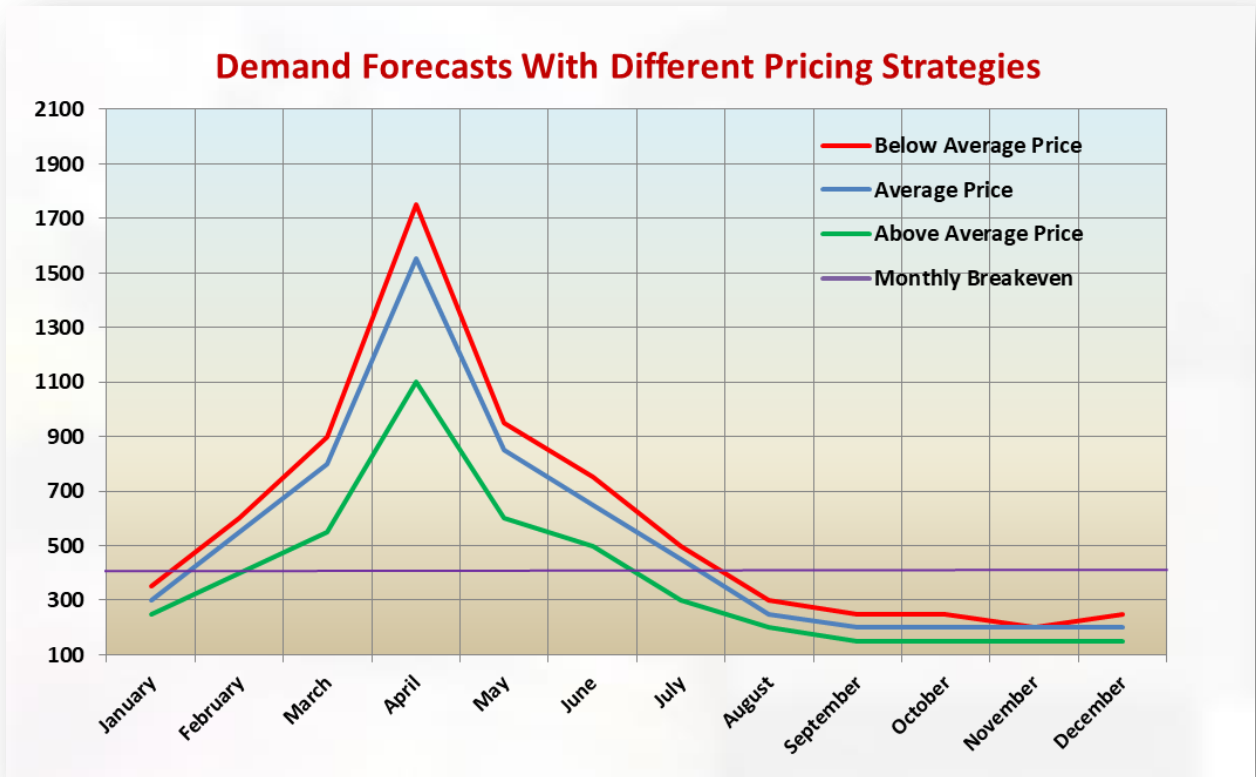


Figure 4 illustrates that the largest impact of changes in the company's pricing policy will occur in the peak month of April; with the smallest impact in the month of November, which is the valley month of the year.

As well, it should be noted that using an above average pricing policy results in adding the month of July to the months in which forecast demand is below the monthly breakeven.

5.2 Changes in Promotion Policy

Table 4 shows the impact of changes in the company's promotion policy on the sales forecasts.

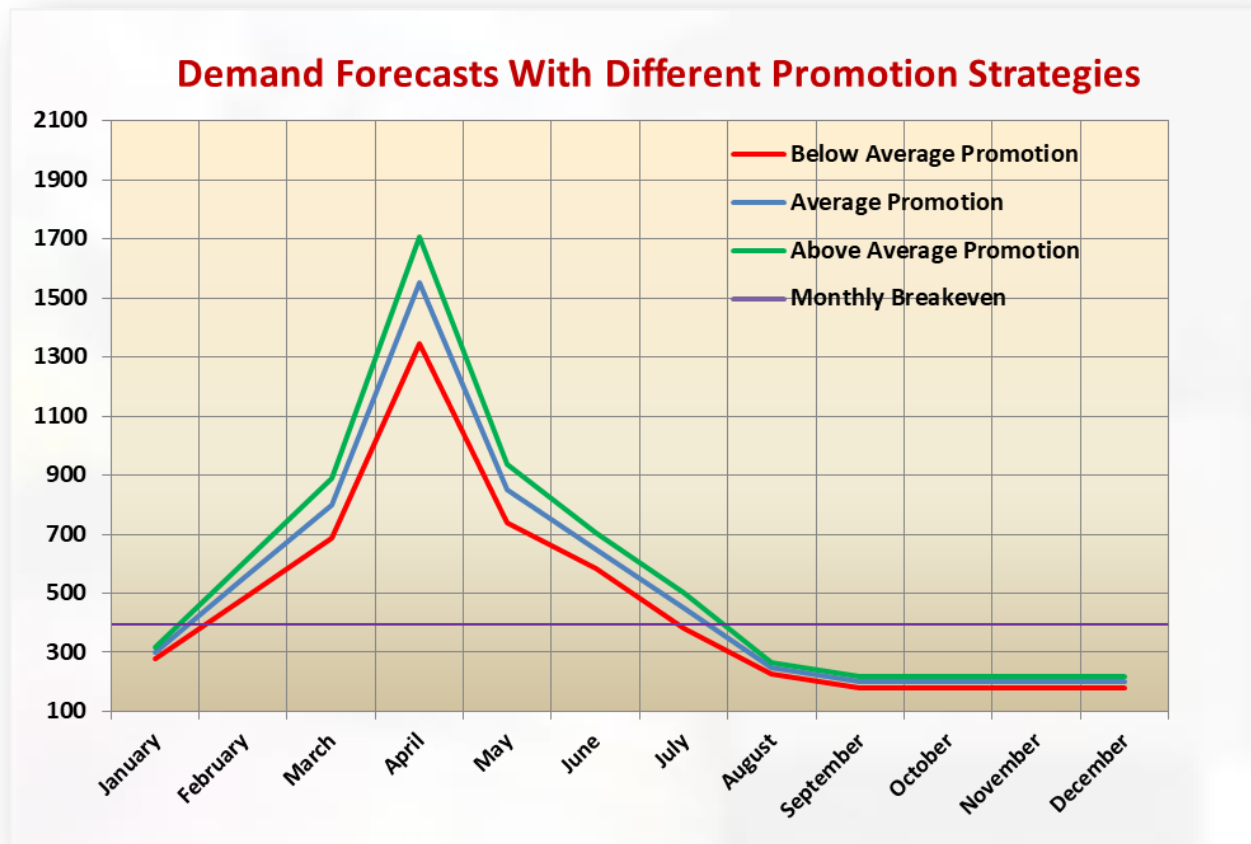
Table 4: Impact from Changes to Promotion Policy

Golf Bag Cooler PLC			
Year 1 Demand Forecasts With Different Promotion Strategies			
	Below Average Promotion (Units)	Average Promotion (Units)	Above Average Promotion (Units)
Period			
January	278	300	318
February	483	550	603
March	688	800	888
April	1348	1550	1708
May	738	850	938
June	583	650	703
July	383	450	503
August	228	250	268
September	178	200	218
October	178	200	218
November	178	200	218
December	<u>178</u>	<u>200</u>	<u>218</u>
Total	5435	6200	6795
	Original Decision		

Choosing to promote below the average of competitors’ promotion efforts results in a 12.34% decrease $((6200 - 5435)/6200)$ in forecast demand. On the other hand, promoting above the average of competitors’ promotion efforts results in a 9.6% increase $((6795 - 6200)/6200)$ in forecast demand.

Figure 5 illustrates that the largest impact of changes in the company’s promotion policy will occur in the peak month of April; with the smallest impact in the month of November, which is the valley month of the year.

Figure 5: Impact of Promotion Policy Changes



As well, it should be noted that using a below average promotion policy results in adding the month of July to the months in which forecast demand is below the monthly breakeven.

6.0 Recommendations

Thema Group makes the following recommendations to Golf Bag Cooler LLC:

1. Based on the sales forecasts, the company should introduce the golf bag cooler to the target market.
2. Because of the seasonality in sales, the company should monitor its cash flows in the early months of its operations in order to ensure that there will be sufficient funds to operate in the latter months of the first year of operation.
3. The company should assess both its pricing and promotion strategies to determine whether more aggressive strategies; i.e., a lower competitive price and stronger promotional efforts, would generate additional benefits above and beyond the costs of the changed strategies.

Appendix A.1

Data Input Summary

Sales Forecast with Breakeven Analysis and Pricing and Promotion Change Analysis

Request By/For

- Name: Dan Knight
- Email Address: dknight@somewhere.com
- Project Name: Golf Bag Cooler
- Company Name: Golf Bag Cooler LLC

Product and Market

- **Product or Service Description:** The product is a beverage cooler for golfers. It consists of a thin tube that fits inside a golf bag and holds six cans. A spring (made out of musical instrument wire) pushes a can to the top of the bag every time one is taken out. What keeps the can cold – even in the heat of summer – is the air space between two PVC tubes, fit one into the other, and small hockey-puck like objects filled with freezable gel, which fit between the cans.
- **Industry Description:** The business, Golf Bag Cooler LLC, belongs to the golf accessories market. The golf accessories market pertains to clothing, shoes, and accessories used while playing golf. This market is expected to register a compound annual growth rate (CAGR) of close to 5% during the period 2018 – 2022.

A key factor in the market's growth is the growth of golf tourism. Many experienced and amateur golfers spend a significant amount of their time in popular golf tourism destinations. The major players in the golf accessories market include Adidas, Nike, ECCO USA, Polo Golf, and Sun Mountain. The major players in the golf bag cooler accessories segment include Yeti, Clicgear, Calloway, and ProActive.
- **Target Market:** The target market is the US market which has 25 million golfers. Thirty-three percent of this market are seniors – 50 or older. Forty-five percent are between the ages of 18 and 39. Twenty-two percent are female and twenty-two percent are junior golfers between the ages of 5 and 17 years. The annual growth rate of this target market is 8 percent.

The peak season for the sale of golfing accessories is April, with about 25 percent of annual sales within the month. November is the low season, with only 3 percent of sales.

The average golfer household income is \$101,000. One in four golfers owns their own business. One in three golfers is in top level management. Ninety-one percent of golfers are home owners, with an average home value of \$480,000.

Forecast Setup

- Number of Years of Forecast Requested: 3
- Forecast Starting From Month: January
- Forecast Starting From Year: 2020

Market Conditions

- Number of Customers in Trading Area: 2,000,000
- Percentage of Customers That Are Good Prospects: 1%
- Number of Purchases Per Year: 1
- Number of Units Per Purchase: 1
- Annual Growth Rate for the Target Market: 8 %
- Number of Competitors: 10
- Dominant Competitor: Yes
- Dominant Competitor's Market Share: 30 %

Product/Service Life Cycle

- Length of the Growth Cycle: 10 years
- Growth Cycle Pattern: logistics

Pricing and Promotion Policies

- Pricing Policy: Average
- Promotion Policy: Average

Seasonal Variation

- Yes
- Peak Month: April
- Peak Percentage: 25 %
- Valley Month: November
- Valley Percentage: 3 %

Breakeven Analysis

	Year 1	Year 2	Year 3
Annual fixed cost (\$):	52650	55809	59023
Variable cost per unit (\$):	39	39	38
Selling price per unit (\$):	50	50	50

Pricing and Promotion Change Analysis:

Original Pricing Policy

Average

Original Promotion Policy

Average

Alternate Pricing Policy

Below Average And Above Average

Alternate Promotion Policy

Below Average And Above Average

Appendix A.2

Summary of Forecasts

3-Year Sales Forecast

Golf Bag Cooler Plc Demand Forecasts						
Period	Year 2020		Year 2021		Year 2022	
	Units	Dollars*	Units	Dollars*	Units	Dollars*
January	300	\$15,000	350	\$17,500	400	\$20,800
February	550	27,500	600	30,000	650	33,800
March	800	40,000	850	42,500	950	49,400
April	1550	77,500	1650	82,500	1900	98,800
May	850	42,500	900	45,000	1050	54,600
June	650	32,500	700	35,000	800	41,600
July	450	22,500	450	22,500	500	26,000
August	250	12,500	250	12,500	300	15,600
September	200	10,000	250	12,500	250	13,000
October	200	10,000	200	10,000	250	13,000
November	200	10,000	200	10,000	200	10,400
December	<u>200</u>	<u>10,000</u>	<u>200</u>	<u>10,000</u>	<u>250</u>	<u>13,000</u>
Total	6,200	\$310,000	6,600	\$330,000	7,500	\$390,000

* Selling Price = \$50 per unit for 2020 and 2021/ Selling Price = \$52 per unit for 2022

Year 1 Sales Forecasts With Pricing Change Analysis

Golf Bag Cooler PLC Year 1 Sales Forecasts With Different Pricing Strategies			
Period	Below Average Price	Average Price	Above Average Price
	(Units)	(Units)	(Units)
January	350	300	250
February	600	550	400
March	900	800	550
April	1750	1550	1100
May	950	850	600
June	750	650	500
July	500	450	300
August	300	250	200
September	250	200	150
October	250	200	150
November	200	200	150
December	<u>250</u>	<u>200</u>	<u>150</u>
Total	7050	6200	4500

Original Decision

Year 1 Sales Forecasts With Promotion Change Analysis

Golf Bag Cooler PLC			
Year 1 Demand Forecasts With Different Promotion Strategies			
	Below Average Promotion	Average Promotion	Above Average Promotion
Period	(Units)	(Units)	(Units)
January	278	300	318
February	483	550	603
March	688	800	888
April	1348	1550	1708
May	738	850	938
June	583	650	703
July	383	450	503
August	228	250	268
September	178	200	218
October	178	200	218
November	178	200	218
December	178	200	218
Total	5435	6200	6795
<div style="display: flex; align-items: center; justify-content: center;"> <div style="width: 15px; height: 15px; background-color: #c6e0b4; margin-right: 5px;"></div> Original Decision </div>			