

South delaware coors summary essay sample



**ASSIGN
BUSTER**

Larry is faced with the challenging decision of whether or not to invest in a Coors beer distributorship in southern Delaware. He must first have a thorough understanding of the preferences of potential buyers of Coors beer in southern Delaware in order to assess the potential profitability of a distributorship in this market. Larry should purchase Manson and Associates performance Studies D, E, F, G, H, and I. These studies will best describe the preferences of the southern Delaware beer-consuming population. They will also indicate the feasibility of a Coors beer distributorship in southern Delaware. The total cost for these studies will be \$14, 049. 50.

The Consumer Study (G), best captures the drinking preferences of the local population. The benefit of Study G is that it indicates whether or not consumers intend to buy Coors beer. This study will also indicate whether any negative perceptions about the Coors company in general exist in this market. The drawbacks of this study are that it only analyzes a small population (focus groups) and the return rate of the questionnaires may be low. Nevertheless, the study is worth performing because it will provide Larry with primary data on consumer expectations of Coors beer.

Larry should as well invest in the Retailer Study (H). This study will provide him with an estimate of sales to retailers. It will also provide him with data on competitors' beer sales to local retailers. This will help Larry predict how much beer he will be able to sell to local retailers. The two drawbacks to this study are that it is costly, and only seven retailers will be personally interviewed. There may be a low return rate on the retailer questionnaires.

The Survey of Retail and Wholesale Beer Prices (I) is also important, as it will give Larry an idea of the level of profitability he can expect in the southern Delaware market. This study is worth investing in because it targets a large sample of retailers in the two-county region. The “ Estimates of Number of Liquor and Beer Licenses for the Market Area, 1990-1995” Study (D) will help Larry determine the level of competition his distributorship will be facing from other beer distributorships in the two-county area. We expect the “ Beer Taxes Paid by Delaware Wholesalers for 1988 and 1989 in the Market Area” Study (E) to provide Larry with the volume of beer sold in the two-county market. This will help him determine the volume of beer his distributorship will be able to sell in this market.

Finally, the “ Financial Statement Summary of Wine, Liquor, and Beer Wholesalers for Fiscal Year 1988” Study (F) will help Larry assess the potential profitability and capital structure of a beer distributorship. This will be a crucial piece of information that Larry can use to compare his projections of assets and liabilities to those of similar wholesalers throughout the United States. It is being assumed that all wholesalers have similar balance sheets.

In conclusion the studies D, E, F, G, H will provide Larry with relevant information, save him a lot of time, and help him decide whether or not to invest in a Coors distributorship.

Larry should at least make a net profit of \$40, 000 to make it rational for him to substitute his annual trust income in this investment.

Unit volume to achieve profit goal = (Total fixed cost + profit goal)/contribution per unit (160, 000 + 40, 000)/(selling price - variable cost)

Variable cost = cost of goods sold (inventory cost) + commissions... = 240, 000 + 0 = \$240, 000 Selling price: for every \$100 sales, wholesalers buy \$66 bottle beers + \$33 Keg (bottles and cans outsold keg beer by a (3-1 margin). They also buy the Keg beer at a 45% cheaper price. So the total sales volume equation is: Total sales = 66X + 33(0. 45X) = 80. 85 (X: the selling quantity) Unit volume to achieve profit goal (X) = 200, 000/80. 85X - 240, 000 X= 5443 units => therefore Larry has to sell at least 5443 units to be able to achieve his existing income The break even analysis: dollar break-even volume = Total fixed costs/(Total sales - Variable costs) = 160, 000/(80. 85X - 240, 000) = 4948 units