

Business model analysis: hammock- maker zewik

Business



This innovative hammock is for outdoor adventurers who want a lightweight hammock with extra comfort out of their camping and hiking equipment. Also provides the already present therapeutic attributes that a hammock offers such as being suspended and allowing the hammock to rock to let people fall asleep quicker. The - Zewik Quadrecline Geometry Hammock (actual hammock name not yet given) is included in the Camping & Hiking equipment industry and in the outdoor furniture industry.

That - provides extra comfort, durability, and support for the lower extremities and lower back to eliminate the U-shaped effect of normal hammocks that causes a person's legs to rise above their chest thus resulting in poor circulation to the legs and making them fall asleep after a short period of time in the hammock. Unlike - Hennesy Hammocks, REI's Eno Hammock, Trek light Gear, Coleman's Weekender hammock. Our product "Quadrecline hammock called so for the provisionally patented quadrecline technology implemented in the hammock.

The mechanism provides five points of support and stability as opposed to two in typical hammocks. These extra the person is in more of a supine position with their knees bent as opposed to having the person bent into a U-shaped causing discomfort. This lift brings the user further off the ground, eliminates the U-shape effect, and still keeps the user's knees bent to provide extra circulation and comfort. The research we conducted in devising this analysis was done primarily through online databases such as Ibisworld.

With the information provided by these databases, we were able to conclude that hammocks are categorized within the hiking and camping equipment

industry and the outdoor furniture industry. Within the hiking and camping industry, the brothers at Zewik divided the camping segment into two different segments: backpack camping and car camping. The target segment for this product are the car campers because backpack campers are the twentysomething year olds who park their car and venture miles out into the wild for days at a time living on the provisions brought from the car.

Car campers are classified as active, recreational, and adventurous but do so with less risk as they remain in close proximity of their car. III. Industry & Market Assessment Zewik would be classified under the competitive category of hiking and camping equipment. Within this category, various products are included such as tents, sleeping bags, outdoor cots, lawn chairs, and other hammock manufacturers. The main competitors to Zewik include Treklight Gear, Coleman, L. L. Bean, and Hennessy Hammocks. The hiking and outdoor equipment store industry is a \$4. billion industry with a projected growth of 5.2% through 2018 (Ibisworld). Of the total revenue earned through sales, outdoor equipment account for 30% of those sales which allows us to infer that hammocks account for an even smaller percentage of those sales (Ibisworld). Connected to the hiking and outdoor equipment store industry is the camping and RV industry, which is another tremendous market with a reported revenue of \$5 billion and a projected growth of 2.1% through 2018 (Ibisworld). According to the RVIA (Recreational Vehicle Industry Association) the average age of RV owners is 48.

These are the people that also account for more than 2/3 of demand for campgrounds. Climate and geography play a tremendous role in Zewik's start <https://assignbuster.com/business-model-analysis-hammock-maker-zewik/>

up as it influences what activities people perform on any given day. Here in the northeast, camping is only achievable 6 months out of the year, whereas when Zewik reaches the southeast, camping will be more accessible throughout the year. Geography plays the largest role in determining the success of Zewik because if the climate of a certain region isn't suitable for camping, then people will be deterred from purchasing outdoor equipment if they have no use for it.

Currently, Zewik has a provisional patent placed on their Quadrecline technology which does indeed protect their property and gives them a competitive advantage as they have established their differentiator in the market. Household discretionary income also plays a factor in determining how successful Zewik may be. After a household pays its taxes, the leftover money can be spent on luxuries and other recreational activities such as traveling and camping. If a household's discretionary income is too high then there is more incentive to travel broad as opposed to traveling a few hours to a rural area outside of a person's residency.

The target demographic is the segment with an average income between The raw materials used for Zewik's Quadrecline hammocks vary from the nylon used in the actual bedding to the wood used in the quadrecline mechanism providing the extra support. All of the different components (nylon, parachords, paint, wood, etc) costs approximately \$100 per hammock. The demographic targeted by Zewik is currently families aged 48 years old with young children in northeastern states such as Vermont, Maine, and western Massachusetts with an average income of \$54, 995.

This segment is typically college educated as they have a discretionary income sufficient enough to travel within the country but not enough to travel abroad. Also they are the segment with the discretionary income and the leisure time available to participate in spending recreational time camping. The psychographic targeted is active, adventurous, health-conscious families that enjoy participating in outdoor activities. As for current trends within the camping industry and the hiking and outdoor equipment industry, according to Ibisworld, the camping industry and the hiking and outdoor equipment industries are growing but at a slow pace.

The hiking and outdoor equipment store industry is growing at a rate of 2.1% with a projected growth rate of 5.2% and the camping and RV industry is growing at a rate of 2.4% with a projected growth rate of 2.1%. Both are in the mature stage of the life cycle as consumer's discretionary income is directly correlated with the state of the economy. Another trend is the increasing amount of participants in sports (Ibisworld). From the years 2004 to 2014, the number of participants has grown by 17.5% to 18.6% and is projected to rise to 19. of health conscious Americans in 2018 (Ibisworld). As health becomes a more disheartening issue, more Americans are becoming aware of the effects poor health can cause. Realizing that life isn't measured in longevity but by the quality of it, is constantly reinforced by green initiatives by companies and food ads that feature the number of calories it has. As Zewik attempts to penetrate this growing and prosperous market, the difficulty to enter is high as their product, the quadrecline hammock, isn't a necessity for camping.

It isn't a substitute for the tent so shelter is still needed and the hammock isn't as accessible or convenient as a lawn chair to provide temporary relaxation from a long hike or venture into the woods. The difficulty of entering this industry is fairly difficult as competitors already utilize mass production and outsourcing for inexpensive manufacturing. Also imported goods dominate US markets so new entrants would often be competing on price. Firms within the industry face pressure from cheaper imports and high material costs as companies compete on price, quality, and product range.

Zewik's business model has its strong and weak points. They are the innovators of a new way to not have to sacrifice comfort for lightweight. Their hammock isn't meant to be a substitute for shelter but it supplements the available furniture one would need to get off his or her legs and rest. The design of the hammock is what gives Zewik their competitive edge in the market. It offers an easy to mount and comfortable hammock that is still lightweight and portable. Recurring revenue will be obtained through sales alone of its hammocks as Zewik does not have any other "legs" to acquire additional cash flows.

Further along in the future to obtain a larger and sleeping bags with added comfort. So far to protect their products and technology implanted, they have registered for a provisional patent. As for financing, the bank they requested a loan from could only give them a percentage of their cash flow but they did not have a current cash flow so they were declined. The \$20,000 invested into Zewik has been from the two founders' pocket. The market for hiking and camping equipment is considerably large. It reports revenues earned at \$4.7 billion (Ibisworld).

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This specialized hammock is a shopping product in that consumers often perform research prior to their purchase because it is seen as an investment. Consumers turn into money managers as they are looking to fulfill a desire and want to ensure that they are making the best decision when their money is at risk. In this case, the particular money manager Zewik is looking for is the car camping family with young children that is looking to add comfort to their array of outdoor furniture. Reaching majority market for Zewik will be nearly impossible as the competition is entirely too high.

REI already has 45.19% of the market share, followed by a not very close second with VF Corporation 12.9% market share. For this firm to flourish, a few things need to happen in a certain amount of time. A location needs to be established for them to conduct business and operate. Zewik needs to be able to segment its markets and effectively reach them. Gaining brand equity and brand loyalty is another issue. A brand like L. L. Bean has established itself as a trustworthy and reliable brand that offers outdoor gear and equipment.

One guaranteed way to gain brand equity and a considerable amount of the market share would be to obtain a military contract as they only employ American companies. One of the founders had slept in his hammock for 3 months and said even with his scoliosis he had no pains or aches for lying in it for an extended period of time. Sailors and soldiers are some of those people who also spend months at a time sleeping on cots, hammocks, or other substitute beds. Also establishing a distributor could dramatically increase sales as they are also working on a website to sell their products via online.

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The 4Ps of Zewik would be an estimated price of \$295. After researching other models of hammocks, their markups were almost 50%. With a cost of \$100 to manufacture, I think the hammock could be priced at a fair \$124.95. The promotion currently is through the internet and word of mouth through their local country clubs but performing demos in outdoor stores and extending their brand name to recognized stores like REI could be deemed beneficial. Placement of the hammock is currently nonexistent for their current model. Standard US Postal Service could prove to be sufficient if it can be accommodated.

For the amount they are currently manufacturing, Zewik does not need to invest in heavy equipment to manufacture their hammocks. After their initial investment of \$20,000, they would need to sell 1000 hammocks before they break even which, under the right measures, is very feasible. In order to deliver their products to the customer, Zewik will have to create an efficient shipping method, as they do not have a retail store. There are ways to minimize costs and take advantage of shipping in this day and age, so that would not be too much of a problem.

For make-or-buy to outsource to Asia for cheaper manufacturing and labor. The Zewik team right now consists of the two founders. One is a Rhode Island School of Design graduate and special effects wizard, and the other, his brother, is an industrial designer. For the small scale business they conduct, I think this is fine but if they do wish to increase their sales and overall market share I think they will definitely need some expertise in the fields of marketing, sales, accounting, and legal as they are trying to establish a nonprovisional patent on their product.

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Lastly a few skilled laborers could build the hammocks allowing the managers to focus on logistical issues rather than manufacturing and lighten the burden for the founders. A SWOT analysis of the hammock entails the following: Strengths: comfort, lightweight, therapeutic, easy setup, set up in most places Weaknesses: price, lack of patterns, need two poles to build, unestablished brand Opportunity: growing market, health is trending, domestic travel is increasing (Ibisworld) Threat: climate, geography, state of economy, liability Since Zewik is not willing to take a bank loan their most critical risk factor is their startup cost.

Since Zewik has their predicted startup costs at \$114, 500, this would be a devastating loss if things turned south in the first year. That number does not even include all the time and money that has already been put into the product. Another critical risk factor is the fact that Zewik will not have a physical headquarters to sell their product, as most of their competitors do. Zewik will have to design a website that can handle all the customer's needs without the use of a physical retail store.

One more critical risk factor would be that the hammock sector of the "hiking and outdoor equipment market," accounts for roughly 3% of sales in that market. Even though Hiking and Outdoor Equipment is a thriving industry 3% is not that much. Zewik will have to use their diversified design to capture a large portion of that hammock market. Their finances are not entirely covered as the only investors are the founders themselves which they want to minimize risk.