

Task 3

Sophie Luke

*SurfSpace Marketing & Financial Strategies*

2021

# Executive Summary

*SurfSpace*’s objective is to provide surfers with convenient surfboard storage, solving problems surrounding board transport. Marketing strategies include development of an eco-conscious brand centred around surf culture; exposure through physical lockers; and a unique app. Through utilising two revenue models, pay-per-use, and advertising, *SurfSpace* can cover costs and expect a reasonable profit. These qualities allow *SurfSpace* to maintain competitive advantage.

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# Market Analysis

## Growth & Trends

*SurfSpace* aims to operate within the surfing industry.

An estimated 2.5 million Australians surf.[[1]](#endnote-2) Globally the surfing market is anticipated to reach US$3.1 Billion by 2026,[[2]](#endnote-3) which is reflected in the current trajectory of Australian surf spending.

*SurfSpace* aims to exploit these market trends to enhance competitive advantage:

1. Sustainability
2. Increased women’s participation[[3]](#endnote-4)
3. Paddleboards[[4]](#endnote-5)

## Size

|  |  |
| --- | --- |
| **Market Type:** | **Customers:** |
| Total Addressable Market  | >2.5 million surfers in Australia[[5]](#endnote-6) |
| Serviceable Available Market  | <950,000 surfers in SA, NSW[[6]](#endnote-7) |
| Service Obtainable Market  | <600,000 Surfers in Greater Adelaide, Fleurieu Peninsula and Sydney(Considering limitations) |

Figure : Market Size Analysis

*SurfSpace*’s market is expected to increase as business expands and more lockers are installed.

## Target Market

*SurfSpace*’s target market are surfers; an estimated 72% are passionate about sustainability.[[7]](#endnote-8) Considering this trait, to reduce purchase resistance, *SurfSpace* will utilise eco-friendly materials.

*SurfSpace*’s focus location is urban areas, with travel to beaches required. One presumption is public transport may be utilised, increasing inconvenience, and thus *SurfSpace’*s appeal.

Focus states will include NSW, which has the greatest surfing participation at 10%, followed by SA, 9%.[[8]](#endnote-9)

Figure 2: Australian Surfing Participation by State

*SurfSpace*’s primary target age is 18 to early 30s, which has the highest surfing participation at 33%; age 50+ surfers accounts for 30%, therefore this will be *SurfSpace*’s secondary focus.

Figure : Australian Surfing Participation by Age[[9]](#endnote-10)

Despite identification of target markets, due to the versatility of its service and enhanced exposure, *SurfSpace* will reach a variety of customers within the surfing industry.

### Primary Target Market:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Age:** | **Location:** | **Gender:** | **Income Level:** | **Education Level:** | **Societal Status:** |
| 18-early 30s | SA, QLD, NSWPredominantly inland urban areas.Travel to beach required. | Any | 70,000+/- | High-school Graduate | Middle-class |

Figure : Market Demographics

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Personality:** | **Values:** | **Interests:** | **Lifestyles:** | **Wants:** |
| Passionate, energetic, laidback, social | Sustainability, security (for surfboard) | Surfing | Surfing, wellness, active | Extended surf timeSurfing preparation to involve less effort |

Figure : Market Characteristics

Key traits are access to beaches and a surfing hobby, ensuring *SurfSpace* is valid. Due to prominent surf culture, targeted and tactical promotion will attract this market.

 This market is more likely to interact with social media.

### Secondary Target Market:

* Age 50+[[10]](#endnote-11)
* Long-boarders (heavy boards)
* Surf at same spots regularly
* Greater income
* Greater desire for surfing preparation to involve less effort

This market is more likely to utilise *SurfSpace* for long-term storage.

## Competitor Analysis

|  |
| --- |
| *Competitors*  |
| Business: | ***UnderGroundSurf*** | ***MetroStorage*** |
| Summary | Surf shop in Noosa Heads.Provides a short & long-term surf storage option.2-minute walk to beach | Online storage service.Offer surf storage at Bondi.7-minute drive & 36-minute walk to beach. |
| Cost | Day: $10Week: $35 Month: $150 | Month: $100 |
| Advantages | * Short & long-term storage
* Distance
 | * Short & long-term storage
 |
| Disadvantages | * Single location
* Secondary service
 | * Single location
* Distance
* Secondary service
* Irrelevant brand
 |

Due to *SurfSpace*’s unique service, few competitors can be identified. Competitor analysis was conducted with aid of SWOT analysis (figure 7).

Figure 6: Competitors UnderGroundSurf & MetroStorage

Figure 7: Competitor Analysis

*SurfSpace’s* competitive advantageincludes:

* Specificity of Service
	+ Surf storage is primary focus, enhancing targeted marketing and brand
* Accessibility & Convenience
	+ Beachside location
	+ App ensures rapid booking
	+ Location variety
	+ Booking flexible according to customer needs
* Customer relationships
	+ App account creation ensures services are reutilised
	+ Community developed through social media
* Enhanced Exposure & Market
	+ Location variety increases exposure
	+ Targeted marketing appeals to target markets

Therefore, minimal threat from competitors, localised to specific locations, is overridden.

# Marketing Strategies

## Branding

*SurfSpace* aims to develop a brand that identifies with the target market.

**Eco-conscious**

* Target market is environmentally aware 🡪 *SurfSpace* will focus on sustainability.
	+ Done through utilising eco-friendly materials in lockers and solar energy, and contributing to environmental charities

**Surf Culture**

* To appeal to target markets, *SurfSpace* aims to take advantage of the prominent surf culture, including the: community, lifestyle and language.
	+ As surf culture is centred around surfing, *SurfSpace’*s main philosophies will be ‘ensuring surfing is easy’ and ‘increasing surfing time’.
	+ Achieved through social media.

### Name & Logo

* Captures *SurfSpace*’s purpose and develops its brand
* Posted on lockers for promotion



Figure 8: Logo

## Summary – 7 Ps

**Product**

* Unique and convenient
* Flexible according to customer needs
* Automatic locking system – security ensured
* High quality
* App
	+ Creation of account – develops customer relationships
	+ Increased convenience

**Pricing**

* Based off competitor’s pricing
* Customers choose rates – hourly, daily, weekly, monthly
	+ Save on long-term

**Place**

* Product: Surf beaches particularly urban
	+ Beachside – increased exposure to target market
		- Surf-lifesaving clubs potential site for lockers
	+ E.g., Bondi, Byron Bay, Middleton, Goolwa
		- Target South Australia (base) & NSW first – convenience, many surf-beaches
* Base of Operations: Victor Harbour

**Promotion**

* Product – bright colours & logo attract attention
	+ Increases addressable market
* Social media – free posts & paid ads
	+ Branding based on surf culture – identifies with target market
	+ Targeted approach
	+ Low cost
* Emails to app users
* App notifications
	+ loyalty rewards

**People**

* Surfers

**Process**

* App for booking
* Customers’ control

**Physical Evidence**

* App

## Social Media

**Objectives:**

* Develops brand through targeted posts
* Engage with surfing communities
* Builds customer relationships
* Targeted paid advertising
* Promote *SurfSpace*

**Platforms to utilise:**

* Instagram
* Facebook

Social media offers low-cost, targeted ads for a large reach, and is simple to use.

# Finance

## Revenue Model

*SurfSpace* has two revenue models to reduce break-even point and increase profits.

**Primary Revenue Model**

*SurfSpace* will utilise pay-per-use model, where customers pay for the service when required, increasing service flexibility, according to customer needs.

Customers select from hourly, daily, weekly, and monthly rates.

**Secondary Revenue Model**

A secondary revenue model is advertising, specifically for surf brands. This will allow space on lockers to be utilised to reduce overall locker costs.

Additionally, this will develop brand, allowing *SurfSpace* to identify as eco-conscious, localistic, and centred around surf culture.

## Pricing Strategy

When developing a pricing strategy, these factors were considered:

* Competitor’s Pricing – provides model for price customers are willing to pay; ensures competitive advantage
* Costs – ensures profit is achieved

Competitor’s pricing was the main basis for *SurfSpace*’s pricing strategy. However, due to high costs, prices had to be raised above average to ensure reasonable profit-margins and viable prices. *SurfSpace* is still ensured competitive advantage.

|  |
| --- |
| **Locker Hire** |
| **Rates** | **Cost** |
| **Hourly** | $5 |
| **Daily** | $30 |
| **Weekly** | $65 |
| **Monthly** | $200 |

|  |
| --- |
| **Ads** |
| $200 per ad, per month |

The viability of this pricing strategy can be seen in the income and cash flow statement (appendix 1 & 2).

### Break Even Analysis

Average cost of sale: $75

Majority of *SurfSpace*’s costs are fixed. A large quantity of sales is required to break-even, however revenue rapidly outweighs costs once it has been achieved.

Figure 9: Break Even Analysis

### Cash Flow Statement

*(See appendix 1)*

The cash flow statement demonstrates *SurfSpace*’s anticipated revenue and costs.

* To cover initial costs, a $50,000 loan will be taken, with $4,500 repaid per month.
* 70 lockers installed at 5 locations
* As shown, revenue is predicted to decline from Autumn, dropping 80% in winter. To ensure sufficient cash in-flow, cost reductions during these months and high revenue during summer and spring is required.
* Sales grow in Spring as beachgoers increase.
* December is predicted to receive highest revenue due to increased exposure from initial summer months.

### Income Statement

*(See appendix 2)*

*SurfSpace* aims to start small. Years 2 and 3 will see expansions, with more lockers installed, increasing costs, whilst increasing profit margins.

*SurfSpace* is predicted to make significant profit.

# Conclusion

Overall, *SurfSpace* aims to provide customers with convenient surfboard storage through a pay-per-use revenue model, increasing the flexibility of the service according to customer needs. *SurfSpace*’s secondary revenue model, advertising, and pricing strategy ensures achievable break-even point with high profit-margins, ensuring *SurfSpace*’s success.

**Word Count: 1,194**

# Appendices:

1. Cash Flow Statement
2. Income Statement

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