

In June, we attended ACG's 12th Annual Industrial Conference. Here are five of our top takeaways from Jamie Forsyth's presentation – 'Enthusiast Consumer Market'

Prepared by TresVista

5 THINGS YOU MISSED –

1 Tapping the Enthusiast Consumer: Enthusiasts are loyal consumers—mostly eager hobbyists with significant disposable income to fund their hobby. They look out for the latest products, for which they are often their biggest advocates, helping create ripple effects on demand. Private Equity sees this market as an opportunity to capture the high profit margins and consistent revenue streams that such businesses can generate. The Enthusiast market is also generally insulated to economic downturns, which is a compelling factor that draws the attention of investors.

2 Challenges in the Enthusiast Market: Despite its favorable characteristics, several challenges persist in the Enthusiast Consumer market. For example, with the boomer demographic shrinking and the millennial one growing, companies often find it difficult to attract the whimsical younger generation to their products. Staying relevant, adapting to changing behaviors, and needing significant R&D are some other challenges. In addition, businesses in this space are relatively more seasonal, and need effective inventory management to strike a balance between financial and operational considerations. Further along the growth curve, business models need to adapt to international trends; broader brand visibility; and the shift from a concentrated market to a globalized supply chain.

3 Performance Improvement via Pricing: Private Equity firms who invest in Enthusiast Consumer businesses tend to place their bets on pricing strategies in order to boost performance. One such strategy would be to maximize overall price realization through optimal segmentation, by identifying segments of the business where demand is relatively inelastic to increases in price.

4 Current Market Considerations: It is important for companies to navigate new distribution channels like e-commerce and DTC in order to cater to changing shopping patterns. Additionally, tightness in the labor market, tariffs, and other cost pressures increase the costs of goods and raw materials, directly affecting margins as well as product availability. As a result, companies are finding it necessary to reassess their supply chain in order to stay ahead of the game. Alternate strategies being adopted are to refresh brands and convert more of the younger generation, or to look at M&A for driving step-change.

5 Distribution Drives the Market: Ease of purchase and timely delivery continue to be important even in this market. In order to execute on these objectives, the company needs flexible manufacturing systems, better sourcing models and expertise in the supply chain. Companies need to realize that advanced distribution and quickly adapting to shifts in consumer behavior are key to a growing business —and these factors will decide their fate in today's market.

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