

Northern Michigan University

CASE: YETI HOLDINGS, INC.

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YETI CREATION

Brothers Roy and Ryan Seiders, searched for a business plan in the outdoor field after graduating from college. Inspired by their father, a successful entrepreneur of the fishing and tackle industry, Ryan began a custom fishing rod business, while Roy started building fishing boats of which included three coolers. With the coolers being unsatisfactory, they searched for ways they could be successful; which led them to an imported Thai cooler brand. Ryan began importing Thai coolers, which generated sales, however the warranty and cost caused disappointment and therefore they sought to find a different manufacturer. The new manufacturer, based in the Philippines, provided the cooler that Ryan had envisioned. In 2006 Yeti was born, and money from the Thai coolers and the fishing-rod business were put towards an exciting prototype. The brothers found that because of the cooler's features and durability it would have to be sold for \$300. Therefore the marketing and distribution plan was to sell in tackle shops instead of competing with cheaper Walmart coolers. Eventually the brothers sold the majority owner in Yeti to Cortex Group Management Services, LLC, a private equity firm. They provided their services for a fee of 1 percent of sales. In 2018, Yeti went public as a company and the management agreement with Cortex was eventually terminated. Over time Yeti has grown and matured in its products, marketing, and strategies to be the prominent brand it is today.

YETI 4 P'S

Yeti's product portfolio is composed of three categories being Coolers & Equipment, Drinkware, and Other. Historically Yeti has expanded their premium-priced product line to continually meet its growing customer base. By doing this Yeti has been systematic at identifying consumer needs and wants.

Yeti Holdings, Inc.'s Net Sales by Category (In Thousands) (2017-2021)					
	2021	2020	2019	2018	2017
Coolers & Equipment	\$ 551,900	\$ 446,600	\$ 368,874	\$ 331,224	\$ 312,237
Drinkware	\$ 832,400	\$ 628,600	\$ 526,241	\$ 424,164	\$ 310,287
Other	\$ 26,689	\$ 16,521	\$ 18,619	\$ 23,445	\$ 16,715
Total Net Sales	\$ 1,410,989	\$ 1,091,721	\$ 913,734	\$ 778,833	\$ 639,239

Figure. 1.1 Exhibits the revenue generated through the three main product lines: Cooler & Equipment, Drinkware, and Other for years 2017 to 2021 (Yeti Annual Reports).

Yeti Holdings, Inc. Porportion of Sales by Category (2017-2021)					
	2021	2020	2019	2018	2017
Coolers & Equipment	39.11%	40.91%	40.37%	42.53%	48.85%
Drinkware	58.99%	57.58%	57.59%	54.46%	48.54%
Other	1.89%	1.51%	2.04%	3.01%	2.61%

Figure. 1.2 Exhibits the proportion of sales allocated to each category: Coolers & Equipment, Drinkware, and Others for years 2017 to 2021 (Yeti Annual Reports).

Coolers & Equipment:

This product segment includes hard and soft coolers, storage, transport, outdoor living, and accessories.

Hard Coolers:

Hard coolers are unique because they are composed of seamless rotationally molded construction to keep them extremely durable. There is also pressure injected polyurethane foam in the walls and lid and an

utilized freezer-quality gasket to seal the lid. These are to ensure increased ice retention. In addition to the cooler the company offers accessories like cooler locks (\$13.00-\$35.00) and beverage holders (\$25.00).

Products & Price

1. YETI Tundra- 45 quart, \$299.99- 210 quart, \$799.99
2. YETI Tank: \$199.99-\$249.99
3. YETI Roadie: \$199.99
4. Tundra Haul wheeled cooler: 399.99
5. YETI Silo 6G: \$299.99
6. YETI V Series Hard Cooler: \$800.00

Soft Coolers:

Soft coolers are designed to be leak proof and deliver excellent durability and ice retention in comparison to other competing soft coolers. Along with these coolers Yeti offered accessories such as SideKick Dry gear case (\$50.00), MOLLE Zinger lanyard (\$30.00), and a mountable MOLLE bottle opener (\$10.00).

Products & Price

1. Hopper M30: \$299.99
2. Hopper BackFlip: \$299.99
3. Hopper Flip: \$199.99-\$299.99
4. Daytrip Lunch Bag: \$79.99

Storage, Transport, and Outdoor Living:

Products & Price

1. Panga submersible duffel bag: \$299.99-\$399.99
2. LoadOut Bucket: \$39.99
3. Panga Backpack:\$299.99
4. Crossroads Backpack: \$199.99
5. Crossroads Tote: \$179.99
6. Camino Carryall: \$149.99
7. SideKick Dry gear case: \$49.99
8. Hondo Base Camp Chair: \$299.99
9. Lowlands Blanket: \$200.00
10. Trailhead Dog Bed: \$50.00-\$300.00
11. Boomer Dog Bowls: \$40.00-\$50.00

Drinkware:

Yeti drinkware was manufactured with 18/8 stainless steel, double wall vacuum installation, and a No Sweat design. These products are designed to keep beverages at preferred temperatures for long periods of time without condensation. Along with these products, there are accessories like Rambler Bottle Straw Cap (\$13.00), Rambler Tumbler Handles (\$10.00), Rambler Jug Mount (\$40.00), and Rambler Bottle Sling (\$35.00-\$40.00).

Products & Price

1. Rambler Colster: \$29.99
2. Rambler Lowball: \$19.99
3. Rambler Wine Tumbler: \$24.99

4. Rambler Stackable Pints: \$24.99-\$49.99
5. Rambler Mugs: \$24.99-\$29.99
6. Rambler Tumblers: \$34.99-\$39.99
7. Rambler Bottles: \$29.99-\$49.99
8. Rambler Jugs: \$99.99-\$129.99

Distribution Channels/ Place:

Yeti's wholesale channels sold to large national retailers which included Dick's Sporting Goods, Bass Pro Shops, REI, Academy Sports + Outdoors, Ace Hardware, other retail partners with strong regional presence, and independent retail partners in the United States, Canada, and Australia. The independent retail partners consisted of outdoor specialty, hardware, sporting goods, and farm and ranch supply stores, and others. As of the end of the year 2018, Yeti sold through a various base of about 4,800 independent retail partners.

As a part of Yeti's growth plan they have increased their direct-to-customer channel through YETI.com, au.YETI.com, and YETI Authorized on Amazon Marketplace. This ecommerce channel assists in developing a strong customer relationship, brand control, understanding consumer behaviors and wishes, and offers a customization option. Adding on to the previous channels, a full line of products are sold in Austin, Texas at the company's first retail location and in corporate stores in Dallas, Texas; Charleston, South Carolina; and Chicago, Illinois. Internationally, Yeti launched its Canadian website in 2019. Also in the same year websites were opened in Europe, the United Kingdom, and New Zealand. Because of this Yeti has increased international sales revenue.

Yeti Holdings, Inc.'s Net Sales by Channel (In Thousands) (2017-2021)					
	2021	2020	2019	2018	2017
Wholesale	\$ 620,835.16	\$ 513,108.87	\$ 527,634.00	\$ 491,431.00	\$ 444,854.00
Direct-to-consumer	\$ 790,153.84	\$ 578,612.13	\$ 386,100.00	\$ 287,402.00	\$ 194,385.00
Total Net Sales	\$ 1,410,989.00	\$ 1,091,721.00	\$ 913,734.00	\$ 778,833.00	\$ 639,239.00

Figure 2.1 Exhibits Yeti Holdings, Inc. net sales per channel and total net sales throughout the years of 2017 to 2021 (in thousands of dollars) (Yeti Annual Reports).

Yeti Holdings, Inc. Porportion of Revenue By Channel (2017-2021)					
	2021	2020	2019	2018	2017
Wholesale	44.00%	47.00%	57.74%	63.10%	69.59%
Direct-to-consumer	56.0%	53.00%	42.26%	36.90%	30.41%

Figure 2.2 Exhibits Yeti Holdings, Inc. percent proportion of revenue by channel throughout the years of 2017 to 2021 (Yeti Annual Reports).

Yeti Holdings, Inc. Domestic and International Channels (In Thousands) (2017-2021)					
	2021	2020	2019	2018	2017
United States	\$ 1,277,177.00	\$ 1,025,393.00	\$ 873,867.00	\$ 761,880.00	\$ 635,195.00
International	\$ 133,812.00	\$ 66,328.00	\$ 39,867.00	\$ 16,953.00	\$ 4,044.00
Total Net Sales	\$ 1,410,989.00	\$ 1,091,721.00	\$ 913,734.00	\$ 778,833.00	\$ 639,239.00

Figure 2.3 Exhibits Yeti Holdings, Inc International and Domestic channels sales and total net sales throughout the years 2017 to 2021 (in thousands of dollars) (Yeti Annual Reports).

Yeti Holdings, Inc. Porportion of Sales by Channels (2017-2021)					
	2021	2020	2019	2018	2017
United States	90.52%	93.92%	95.64%	97.82%	99.37%
International	9.48%	6.08%	4.36%	2.18%	0.63%

Figure 2.4 Exhibits Yeti Holdings, Inc. percent proportion of revenue by channel throughout the years of 2017 to 2021 (Yeti Annual Reports).

Promotion & Partnerships

Promotionally Yeti collaborates with “YETI Ambassadors” which is a diverse group of men and women throughout the United States and select international markets. These men and women are world-class anglers, surfers, hunters, rodeo cowboys, barbeque pitmasters, and multiple others who encompass the Yeti brand. This relationship promotes Yeti’s name through social media, traditional efforts, digital, short films and more to express the premium brand they are.

In order to increase and sustain brand recognition Yeti created several partnerships. As of 2017, Yeti is an official sponsor/partner of NASCAR Professional Bull Riders (PBR). In January 2020, Yeti became the Official Cooler and Drinkware Partner of USA Climbing in support of the organization's sustainable efforts. Also in 2020, Yeti entered into a multiyear sponsorship agreement with Austin FC, The 27th Club Major League Soccer team. This was Yeti’s formal entry into professional soccer and eSports. In addition the company also sponsored Austin FC’s sustainability efforts. Other partnerships Yeti is paired with is a multi-year agreement with the PGA tour for product licensing and the exclusive rights to sell Yeti drinkwares and coolers at TOUR-operated tournament retail outlets and facilities.

SWOT ANALYSIS

- Strengths

- **Premium Quality Image:** Yeti’s Products are known for their high quality and durability. Multiple publications have ranked various Yeti Products as either the best or one of the best products within their product category.
- **High Brand Awareness:** Yeti has high brand awareness within the cooler and drinkware market. The brand awareness grew from seven percent in 2016 to twenty-four percent in 2017. Yeti’s brand awareness is likely higher in 2021, as sales have increased to \$1.4Bn in 2021.
- **Expanding Consumer Base:** As Yeti continues to grow, their consumer base has expanded along with it. Yeti’s original consumer base of hunters and fishers constituted 69% of company revenue in 2015 and decreased to 38% of revenue in 2018. The decreasing reliance on hunters and fishers shows a broadening of Yeti’s consumer base.
- **Direct-To-Consumer Strategy & Growth:** Yeti’s Direct-To-Consumer Strategy consists of sales through Amazon or Yeti’s own website. The strategy has shown significant growth. In 2015, the Direct-To-Consumer Strategy constituted 8% of revenue, which grew to 42% of revenue in 2019. The strategy allows customers to directly complain to Yeti, increases brand loyalty, and allows for useful inventory data.
- **Yeti Innovation Center:** Yeti’s Innovation Center streamlines the product development process. Rather than externally communicating with a prototype service, Yeti will internally develop and test all of their products. The change will allow Yeti to increase the

speed at which new products will be launched, strengthen control over testing, and decrease the possibility of sensitive information leaks.

- **Numerous Innovative Product Offerings:** Prior to the launch of the Innovation Center, Yeti outsourced the research and development into numerous product offerings. The offensive approach allows Yeti to stay ahead of the competition in regards to product offerings. Yeti offers an array of products including various coolers, drinkware, and many outdoor living products. Accessories and attachments were heavily introduced in 2019. Yeti has 50+ product offerings listed in the case study.

- Weaknesses

- **Lowering Profit Margin:** Yeti's profit margin has been decreasing over the years 2015-2019. In 2015, Yeti's profit margin was 15.8%. In 2019, the profit margin decreased to 5.5%. The decreasing profit margin can be attributed to the growing SG&A expenses that are necessary to compete in the saturated market Yeti presides within.
- **High-Priced Offering:** Yeti is one of the highest-priced product offerings within the cooler, cooler accessory, and storage, transport, and outdoor living markets. The tumblers and growlers are similarly priced to main competitors. The high-priced offerings reflect the premium-image well, but in a mature market high-prices may be more harmful than beneficial.
- **Underperforming Stock:** Yeti's stock launch had initial problems before the IPO. Due to the complication, the IPO was postponed, decreased in share price (to \$18/share), and had less total shares. The stock saw initial success with prices reaching about \$35 before the COVID sell-off to \$16.42. The stock price then soared to over \$100 in 2021, generating high interest and stockholder value. The stock then dumped to about \$30 in 2022.
- **Limited Experience Operating Retail Ecommerce:** The Direct-To-Consumer Strategy has shown fantastic success, but at a cost to independence. The reliance on Amazon creates a weakness in Yeti's strategy, and couldn't be replicated by Yeti on their own website.

- Opportunities

- **Growing International Sales Channel:** The international sales channel has been growing at a phenomenal rate of about 156% per year between 2017-2021. The rate of growth is unsustainable in the long run, but could be continued at high rates for the next few years at least. Further penetration in the international market represents a fantastic opportunity for Yeti.
- **Continue Sports & Outdoor Sponsorships:** Similar to Red Bull's marketing strategy, Yeti has focused on sponsoring sports and outdoor events. In addition, Yeti engages in influencer marketing through their "Yeti Ambassador" program. The investments have shown substantial success in overall awareness and cult-following within their original customer base. Residing within a mature market, Yeti has to remain top-of-mind and continue increasing consumer engagement and interest.

- **Substantial Cash Asset:** Yeti Inc. has a cash ratio of about 0.87. The high cash-ratio enables Yeti to continue investing into new opportunities without the reliance on loans. The actual cash balance is about \$72,515,000.
- **Bioplastic Line:** Competitors have begun to integrate a new, biodegradable plastic material into their product-line. The new material represents an opportunity for Yeti to continue expanding its product lines and remain competitive. The one concern remains: how effective and durable is the new material? In order to continue Yeti's value proposition, Yeti must consider these concerns before investing in the material.

- Threats

- **Decreasing Highest-Quality Brand Reputation:** For many years Yeti held the undeniable, highest-quality cooler products available. In recent years however, Yeti has begun to lose its superiority. Numerous publications have ranked Yeti as second, third, or worse within the cooler or tumbler market. Yeti must continue differentiating itself with high-quality or move to another strategy.
- **Numerous Competitors and Growing:** Over recent years, competition has grown significantly. Decreases in barriers to entry are to blame as high-quality cooler or drinkware products are becoming less expensive to manufacture. In addition, large manufacturers have noticed the profitability within these markets and have launched new products in accordance with demand. The cooler and drinkware markets are becoming oversaturated and are within the maturity stage of the product life cycle.
- **Significant Sales Concentration Among Retail Partners:** Another threat facing Yeti is the sales concentration among retail partners. For example, Dick's Sporting Goods represents 15% of gross sales in 2019. These large retailers represent a dependence for Yeti as retailers do not offer long-term commitments and could stop carrying Yeti products at any moment. The loss of a large retailer could be detrimental to Yeti.

PERFORMANCE & RATIO ANALYSIS

Yeti Holdings, Inc. Performance Analysis (2017-2021)					
	2021	2020	2019	2018	2017
Contribution Margin	57.83%	57.60%	51.42%	45.96%	42.88%
SG&A Margin	38.20%	37.91%	41.58%	32.86%	32.86%
Operating Margin	19.63%	19.69%	9.85%	13.09%	10.02%
Profit Margin	15.10%	14.29%	5.47%	7.45%	2.35%
Current Ratio	1.91	1.65	2.12	1.59	1.99
Quick Ratio	1.12	1.17	1.03	0.81	0.84
Cash Ratio	0.77	0.88	0.43	0.43	0.35
Debt to Asset Ratio	0.53	0.61	0.81	0.95	1.14
Domestic Channel Ratio	90.52%	93.92%	95.64%	97.82%	99.37%
International Channel Ratio	9.48%	6.08%	4.36%	2.18%	0.63%

Figure 3.1 Exhibits various performance and ratio analysis for Yeti Holdings over the years 2017-2021 (WSJ).

Overall, Yeti is a high performing company. Yeti had its troubles back in 2016 with their inventory crisis, but since then has shown phenomenal success. In 2021, Yeti had its highest revenue in company history with the largest profit margin since 2016 (about 18%). Along with revenue, contribution and operating margins were nearly the largest over the year 2017-2021. The high margins depict Yeti as a high-performing company.

Moving onto ratios, Yeti continues to show signs of high performance. The ratios will all be compared to industry standards:

Industry Standards	
Ratio Type	"Good"
Current Ratio	1.2-2
Quick Ratio	>1
Cash Ratio	0.5-1
Debt to Asset Ratio	<1

Figure 3.2 shows the industry standards for the ratios presented in Figure. 3.1.

As shown in Figure 3.2, the current, quick, cash, and debt-to-asset ratios are all showing healthy signs that indicate high performance. The last time Yeti had “bad” ratios was in 2019 and prior. Finally, the domestic versus international channels show very promising, rapid growth in the international channel.

COMPETITIVE ADVANTAGES

- ***Reputation for Quality:*** Yeti is known for product durability and the ability to retain any temperature, cold or hot. Their products deliver superior performance benefits to consumers. Their slogan, “Wildly stronger! Keep ice longer!” emphasizes the product features and durability. This is a sustainable competitive advantage, as Yeti’s product strategy is to identify consumer needs and wants, design prototypes, and evaluate performance, before products are sent to the market. These characteristics allow the company to meet their customers needs better than competitors.
- ***Brand Awareness:*** Yeti has grown from premium-quality products to a lifestyle brand. Yeti has garnered a cult-like following behind their brand. They have become cult icons among many communities. Awareness of the company has risen in the domestic market, specifically in the 2015 to 2018, and Yeti coolers and products took the number one position in the United States.
- ***Product-Line Breadth/Depth:*** Yeti’s product portfolio consists of three major categories including coolers, storage, transport, and outdoor living, and drinkware. Within each category, Yeti has a high product depth. Yeti’s product strategy is to introduce an anchor product, followed by product expansions which can include new colors, sizes, and related accessories. The product line has been expanded in order for Yeti to grow their customer base and to meet customers wants and needs. This has allowed the company to reduce product risk and dependency on a single product or product line.
- ***Product Differentiation:*** Yeti’s uses product differentiation to acquire a competitive advantage. They use their own Innovation Centers to develop and test new products. Yeti uses their product innovations to increase the value of their products. The quality of the material Yeti uses for their products elevates the company and differentiates themselves from companies that offer similar products.

TARGET MARKET

Yeti’s target audience was initially fishermen and hunters. Their customer base has progressed and now appeals to a broader range of customers who are involved in sports, working long hours, and outdoor adventures and activities. The target audience also includes both male and female, ranging in ages of about 18 to 45 years old. Consumers tend to be middle to upper class with a relative amount of disposable income. Single, married, and with children or pets are also included. They target those individuals that spend their leisure time outside or have an occupation working outdoors. Outdoor activities include camping, hiking, fishing, hunting, kayaking, rock climbing, biking, or golfing, as well as other activities such as sporting events or practices. In regard to behavior, consumers may use specific Yeti products, such as drinkware products, everyday and will continue to use them for months. Consumers value durability and quality. Additionally, consumers seek the benefits of keeping their food or beverages at their desired temperature, cold or warm, for an extended period of time.

COMPETITORS

Yeti has many competitors in the tumbler and cooler market. The companies below are the main competition for the tumbler, cooler and other product category market for Yeti.

eCommerce Net Sales of Yeti and Competitors					
	2015	2016	2017	2018	2019
Yeti	~	\$ 98,100,000	\$ 171,653,000	\$ 245,218,750	\$ 343,302,500
Otter Box	\$ 36,750,000	\$ 23,625,000	\$ 21,000,000	\$ 18,375,000	\$ 22,990,000
Tervis	\$ 19,687,500	\$ 16,406,000	\$ 10,937,500	\$ 14,218,750	\$ 13,671,875
Coleman	\$ 8,250,000	\$ 7,400,000	\$ 10,400,000	\$ 9,000,000	\$ 9,100,000

Figure 5.1 represents the eCommerce Net sales of Yeti, Tervis, OtterBox, and Coleman. Yeti is the leading competitor with \$343,302,500 sales in 2019 which is 38 times higher than Coleman eCommerce sales.

Yeti and Competitors Main Competing Products				
Product Categories	Yeti	Otter Box	Tervis	Coleman
Soft Coolers				
	Hopper Backflip 35 quart (\$299.99)	Trooper soft side cooler 12 quart to 30 quart (\$199.99 to \$299.99)	~	36 quart model (\$65.55)
	Daytrip Lunch Bag 5 quart (\$79.99)	~	~	4 quart model (\$11.25)
	Hopper Flip 8 quart to 21 quart (\$199.99 to \$299.99)	~	~	~
	Hopper M30 60 quart (\$299.99)	~	~	~

Figure 5.2 compares each of the competitors' soft cooler product offerings.

Hard Coolers				
	YETI Roadie 24 quart (\$199.99)	Venture cooler 25 quart to 65 quart (\$229.99 to \$349.99)	~	Coleman small 28 quart model (\$22.61)
	YETI Tundra 45 quart to 210 quart (\$299.99 to \$799.99)	~	~	Coleman 54 quart steel belted cooler (119.95)
	Tundra Haul wheeled cooler 50 quart (399.99)	~	~	Coleman 52 quart Xtreme model (\$51.00)
	YETI Tank (\$199.99-\$249.99)	~	~	Coleman 150 quart Marine cooler
	YETI V Series Hard Cooler (\$800.00)	~	~	~
	YETI Silo6G (\$299.99)	~	~	~

Figure 5.3 compares each of the competitors' hard cooler product offerings.

Tumblers				
	Rambler Tumblers 16 oz to 24 oz (\$34.99-\$39.99)	20 oz. tumbler (\$29.99)	20 oz. tumbler (\$29.99)	Rocks Glass 13 oz tumbler (\$12.00)
	Rambler wine tumbler 10 oz. (\$24.99)	Wine tumbler (\$19.99)	30 oz. tumbler (\$39.99)	Rocks Glass 30 oz. tumbler (\$19.99)
	Rambler Mugs 10 oz to 24oz (\$24.99-29.99)	10 oz. coffee mug (\$24.99)	~	~
	Rambler water bottles 18 oz. to 36 oz (\$29.99 to \$49.99)	28 oz. Growler (\$34.99)	~	~
	Rambler Lowball 10 oz (\$19.99)	64 oz. growler (\$69.99)	~	~
	Rambler Colster 12 oz (\$29.99)	~	~	~

Figure 5.4 compares each of the competitors' tumbler product offerings.

Yeti has more products in each category than its fellow competitors. The Company has done a phenomenal job at maintaining product diversity and quality throughout its lifespan.

Yeti Consolidated Statement of Operations 2015-2019					
	2015	2016	2017	2018	2019
Net Sales	\$468,946,000	\$818,914,000	\$639,239,000	\$778,833,000	\$913,734,000
Gross Profit	\$218,701,000	\$413,961,000	\$294,601,000	\$383,128,000	\$475,314,000
Net income	74,222,000	\$48,788,000	\$15,401,000	\$57,128,000	\$50,434,000
Net Income per share diluted	\$0.92	\$0.58	\$0.19	\$0.69	\$0.58

Figure 6.1 shows the consolidated statement of operations from 2015-2019 (Yeti Annual Report).

****2020:** Net Sales = \$1,411,000,000 Gross Profit = \$816,000,000 Net Income = \$213,000,000 Net Income Per Share = n/a

****2021:** Net Sales = \$1,092,000,000 Gross Profit = \$629,000,000 Net Income = \$156,000,000 Net Income Per Share = \$1.77

WHAT'S GOING ON IN THE WORLD?

Moving forward as a company, Yeti has several major uncertainties ahead in the year 2020 that could affect the success and positioning of the company. First, international tariff disputes between the US, China, and the EU present a layer of uncertainty for Yeti's sales in these major regions and could cause instability in their company's success as a whole. Prices may increase, and Yeti product sales could decrease. Secondly, the economic effects of the global COVID-19 pandemic are looming over the entire market and could impact negatively on Yeti's sales both domestically and internationally. Due to the unknown nature of the ongoing pandemic, these impacts could be quite significant and last for an indefinite range of time. Lastly, there are numerous competitors from small and large brands competing across Yeti's product line who are seeking to pursue Yeti's position as the leading premium brand of coolers, drinkware, and related products.

RECOMMENDATIONS

RECOMMENDATION #1: CONTINUE INVESTMENTS INTO INTERNATIONAL MARKETS

According to Yeti Holdings, Inc. international sales have grown substantially between 2017-2021. The average growth rate is about 155.6% per year with about 9.5% of total revenues for Yeti in 2021. The high growth rate is unsustainable in the long term, but the small portion of revenue indicates large upward potential. Yeti products are available in numerous international regions including the United Kingdom, New Zealand, Canada, and Europe, as of 2019.

Yeti will have a focus on Asian markets as they expand internationally. There is much opportunity for Yeti, websites have not been launched for any Asian countries, thus there are no current direct-to-consumer sales for the consumers in these markets. Based on the success of the international expansion in 2019, Yeti can expect sales from the Asian markets will increase international Net Sales by Geographic Region. Yeti will continue investing in international markets and implement the use of global brand ambassadors and event marketing, which will help in growing global sales. The estimated international revenue generated by the Asian markets, as well as the EU, Canada, and Australia, are represented in Figure 7.1.

Estimated International Revenue (2022-2026)		
Year	Growth Rate	Revenue (In Thousands)
2021	101.74%	\$ 133,812
2022	81.39%	\$ 242,724
2023	65.11%	\$ 400,771
2024	52.09%	\$ 609,536
2025	41.67%	\$ 863,546
2026	33.34%	\$ 1,151,436

Figure 7.1 shows the growth rate and revenue for the international channel in 2021. The estimated revenue for the years 2022-2026 is derived from the past growth for the years 2017-2021 explained above.

When estimating the future international market sales, the diminishing rate of growth needs to be considered. The rate of growth diminishes by an average rate of 72.5% each year between 2017-2021. When excluding the change in growth between 2017-2018 (an outlier), the average rate of growth diminishes by about 16.7% per year. For estimation purposes, the rate of growth will diminish by 20% each year.

RECOMMENDATION #2: EXTEND PRODUCT LINE INTO CAMPING GEAR

Yeti branded products all fall under the outdoor recreations product market and any new products should follow. The hiking and outdoor gear market in the United States reached \$6.736 billion in 2021 (ibisWorld) and the global camping equipment market is valued at \$15.267 billion in 2021

(GlobalNewswire). The domestic and international markets are highly valued as well as highly competitive and should be treated as such. With Yeti's cult-like following and outdoor brand image, the transition into this new market should be relatively seamless. Yeti's relationships with experts, serious enthusiasts, and everyday consumers will benefit. In addition, Yeti already has a variety of outdoor chairs and bags which are presumably successful since they are still offered. According to the Motley Fool, "In 2018, Yeti spent 1.4% of its revenue on product development, which is about \$10.8 million USD" (Raye).

Example Yeti products include hiking backpacks, sleeping pad, sleeping bags, backpacking tents, camp cookware, water filter attachments for their drinkware, and much more. Products will be given to Yeti Ambassadors, before new products are launched for testing.

According to past figures, around 1.4 percent of revenue is used towards research and development. Assuming that 10 products are researched and developed per year. assume .14 percent of revenue will be invested per product assuming that sales remain the same (1.411 billion) around \$2 million dollars will be invested per product. Since the estimate is derived from rough estimates, a large margin ($\pm 25\%$) of error will be utilized.. The estimated fixed costs are exhibited below:

Fixed Costs

Low Estimate (\$2 Million * 75%) \approx \$1,500,000 on product development

Medium Estimate (\$1,411 Million * 0.14%) \approx \$2,000,000 on product development

High Estimate (\$2 Million * 125%) \approx \$2,500,000 on product development

Profit

Low Estimate = 7.5% per unit

Medium Estimate = 15% per unit

High Estimate = 20% per unit

The medium profit margin was found by using the profit margin from 2021, from Figure 3.1. The low and high estimates are estimates surrounding the medium profit margin.

Break-Even Point in Revenue				
Product Development Costs	Profit Margin			
		Low	Medium	High
	Low	\$ 20,000,000	\$ 10,000,000	\$ 7,500,000
	Medium	\$ 26,666,667	\$ 13,333,333	\$ 10,000,000
	High	\$ 33,333,333	\$ 16,666,667	\$ 12,500,000

Figure 8.1 exhibits the break-even point in dollar revenue for Yeti depending on the product development costs (\$1,500,000 - \$2,500,000) and the profit margin of the product (7.5-20%).

References

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