**ISMG 6820 GROUP-8 Executive Summary**

Big Store Company's (BSC) budget strategy is centered on maximizing revenue growth in the face of shifting market dynamics and strategic decisions. We seek to offer a roadmap in accordance with BSC's goals by thorough analysis and forecasting, considering both baseline estimates and stretch possibilities.

**Variance Analysis Summary:**

Variance analysis shows that across product categories and geographies, there are a combination of positive and negative trends. At the company level, variance was 5.1% across the three years, but was highest in 2017 (5.4%), driven by strong variances in the Northwest, Central, Northeast and Mid-Atlantic regions. Variance declined each of the next two years, but the most in 2018, due to increases in average discounts on increased units, particularly in Memphis, and multiple Regions and Call Centers experiencing declines across multiple Products and Subcategories (e.g. Electronics & Music in Seattle and Electronics in Web). Many of these ended up at least somewhat recovering in 2019, and certain Call Centers (e.g. Memphis and Salt Lake City) showed strong growth. At the Region level, the Northwest has had the highest variance across years (5.6%), driven by strong and complementary returns between the two Call Centers in this Region (San Francisco and Seattle). And at the Product level, Music has had the strongest variance percentage wise (5.4%) and has been increasing each year. Electronics has the highest dollar variance ($1.2mm) and notable is that some Subcategories show seasonal patterns.

**Baseline Budget Forecast:**

Over three years, from 2020 to 2022, the baseline budget reveals a clear trajectory of growth for the business. Starting with a total revenue of $18,400,217.96 in 2020, the subsequent years saw steady increases, reaching $22,141,691.27 in 2021 and $25,460,714.47 in 2022 (Tables 1-2). See Tables 3 and 4 for detailed monthly projections for 2021 and 2022.

**Table 1:** Monthly Forecasted Revenues at the Company, Product and Region levels by month for 2020



**Table 2:** Yearly Forecasted Revenues at the Company, Product and Region levels for 2021-2022



Electronics consistently contributes the most to the total revenue and this trend will need to continue in order to meet growth projections as shown above. By our projections, Electronics will need to grow by between 16-24% per year. Movies and Music have also been increasing in revenue each year, and while they don’t account for as much of total revenue, they have contributed more to the overall variance numbers, indicating strong demand for these products compared to forecasts. These categories have historically been growing 33% and 29% on average, respectively, and based on our forecasts, would need to grow at least 20% on average per year. Regional revenue analysis indicates that the Northeast and Web regions consistently generate the highest revenue streams, showcasing their importance in the business's overall success. This sustained growth requires effective management strategies and a continued strong market demand for the products offered. It also underscores the business's need to adapt and capitalize on opportunities in the ever-evolving consumer landscape.

**Stretch Budget Scenarios:**

The stretch budget projections for 2020, 2021, and 2022 show incremental revenue growth scenarios of 5%, 10%, and 15% above the baseline forecast across regions, product categories, and months. To attain these targets, all Product categories would need to grow by roughly 26% per year for the 5% stretch goal, 32% per year for the 10% goal, and at least 38% per year, on average, for the 15% goal. This would require strong demand from consumers, similar (or lower) average discounts, no supply chain disruptions, and a strong economy with low inflation (so that consumers are confident and have discretionary income). Based on these forecasts, in 2020, the Northeast region anticipates a total revenue increase from $4,129,676.66 to $4,749,128.16 in the 15% growth scenario. Similarly, the Web category projects growth from $3,471,548.41 to $3,992,280.68. Among product categories, Electronics exhibit the highest growth potential, with total revenue potentially reaching $14,738,270.74 in the 15% growth scenario. For 2021, revenue forecasts indicate substantial growth across regions and categories. The Northeast region's revenue may increase to $5,543,754.32 in the 15% growth scenario, with Electronics leading the growth trajectory, potentially reaching $17,740,693.46 in revenue. Looking ahead to 2022, the stretch budget forecasts predict continued growth, with total revenue potentially reaching $29,279,821.64 in the 15% growth scenario.

**New Product Suggestions and Opportunities:**

The revenue data indicates that there are multiple opportunities for new product introduction to spur growth. First, growing into tech accessories like phone cases, laptop sleeves, or wireless chargers might capitalize on the current customer interest in electronic gadgets, especially given the sizeable earnings from the Electronics Product line. Offering subscription services for digital material like e-books, music streaming, or exclusive movie streaming could also create a steady source of income and improve client retention if monthly revenue increases consistently.

Additionally, considering how much money Movies also bring in, expanding into home entertainment products like sound systems, smart TVs, or streaming devices could satisfy consumers who want better viewing experiences. And leveraging the Web region's good performance by providing digital services like cloud storage options, virtual events, or online courses could draw in the technologically astute clientele and profit from the rising demand for online content.

Brand loyalty can be fostered by offering personalized items, such as curated movie collections or engraved e-readers, to clients who are looking for distinctive experiences. Furthermore, the product line may be further diversified and appeal to a wider client base by targeting future trends like health and wellness with wearable fitness trackers or sustainable technology solutions. This would eventually drive continuous development and market expansion.

**Table 3:** Monthly Forecasted Revenues at the Company, Product and Region levels by month for 2021



**Table 4:** Monthly Forecasted Revenues at the Company, Product and Region levels by month for 2022

