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Venture Analysis Portfolio

Russell Cohen
Quinn Phillips
Dean Sofianopoulos
Samantha Stuart
Meher Valechha

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Venture Overview

Background of the Entrepreneurs and Venture:

Goetz Brothers Sporting Goods is a family business that has been operating for nearly 75 years. The Goetz family originally gave birth to a card and gift store in Redwood City, California which has since evolved into a locally beloved sporting goods store. The decision came in the wake of a sudden realization that sporting goods was the most profitable department of the Goetz family store which over the years has sold inventory that came in the form of typewriters, pianos, televisions, couches, etc. Frank and Maude Goetz, the original owners and founders of Goetz Brothers have passed down their store to four generations of Goetz's as brothers Brent and Marc (current owners) have since embraced their Northern Californian roots, compiling inventory associated with local professional sports teams such as the San Francisco 49ers as well as the Golden State Warriors.

With an emphasis on team sports and providing quality equipment for competitors of all ages, Goetz Brothers has stood out as the Redwood City go-to spot for anything associated with sports. Investing in their employees (not only family members) have been another point of emphasis for Goetz Brothers as they pride themselves on having numerous employees who've worked for over a decade. Justin Lax is a prime example of one of these employees as his keen ability and skill set for graphic design has provided another profitable set of products and for Justin, the ability to exude his creative abilities and showcase his talents the way he wants to do so.

Growing a business today is much different than what Frank and Maude Goetz experienced roughly 75 years ago. With very little technology at their disposal and modes of collecting data regarding inventory and overall profitability, the Goetz family initially had to rely on keying in on their local customers and catering to the needs of Redwood City's residents. It just so happened that a convenient hole and need for a place to sell sporting goods in Redwood City transformed into a multi-generational passion and business that has since stood the test of time.

An Analysis of the Opportunity and Entrepreneurial 'Fit':

For Goetz Brothers, understanding exactly who their target market is took some time, trial and error, as well as general awareness. Initially maneuvering as a sort of "Jack of all trades" store, Goetz Brothers was able to eventually arrive at establishing its' identity as an exclusive sporting goods store. Goetz Brothers' strong connection and bond they share with their community in cementing themselves as a beloved staple in Redwood City has enabled them to not only grow and flourish as a business but assist in elevating community partners and community goals.

When looking at the "entrepreneurial fit" of the present owners, Brent and Marc, seeing as they practically grew up in this exact store, they have become greatly accustomed and familiar with the intricacies of the business. Another point of great importance is the fact that the brothers grew up in Redwood city and are members of the Redwood community. This enables them to better understand and connect with their customers on a meaningful and personal level. Additionally, seeing that their great grandparents bore the entrepreneurial spirit and qualities necessary to launch and sustain this business, the ever apparent cliché of entrepreneurship being "in their blood" is beyond fitting for these two brothers in particular.

Industry and Market Analysis

A Wide Overview of the Sporting Good Industry:

When categorized, Goetz Brothers falls into the “Sporting Good Industry” which consists of athletic footwear, exercise equipment, licensed sports merchandise, and athletic apparel. With that being said, this market compared to other industries is considered to be very saturated and competitive. Some of the major competitors on a national and international scale are Nike, Dick’s Sporting Goods, Cabelas, Bass Pro Shops, Adidas, Underarmour, Puma, Finish Line, EastBay, and Fanatics. While comparing Goetz Brothers to its local competitors would be California Sports & Cyclery, Great Mall, Sports Basement Redwood City, Big 5 Sporting Goods and Zalles Racquet Sports. While the Goetz Brothers has been around for roughly 75 years, they do hold a considerable amount of the local market share within the San Carlos, California area. Additionally, the industry is projected to get even bigger over the next decade. According to WRDE, a local television station in Maryland, they concluded that the sporting good industry market size was roughly 50 million dollars in 2020 and by the year 2027 it is projected to grow by 26 percent pushing the market cap size to roughly 63 million dollars ([WRDE](#)). The one major factor that puts all of these companies in the same playing field is due to the fact that they provide customers with access to purchasing sporting goods and attire to help them achieve their personal and health goals.

Narrowing in on the Sporting Good Industry:

After taking a very wide approach to analyze some of the national competitors in addition to the local competitors, it is vital to analyze and understand the smaller scope of the bigger picture. As discussed earlier, the sporting goods industry is projected to continue to grow and with the pandemic having individuals around the globe refocus the emphasis on work life balance and self care, the market will only be growing as they need products and services to help them achieve their personal and health goals. While the industry does seem to be captivating as the projected growth is very promising, to fully understand the attractiveness of this industry, Porter’s Five Forces will be discussed. Porter’s Five Forces is a business analytics model to help identify which industries are able to sustain and grow their profit margins, in other words their “attractiveness”. The model is based on 5 main characteristics: Competition in the industry, potential of new entrants into the industry, power of suppliers, power of customers, and threat of substitute products. In the previous section, the overview of the industry discussed that the market is highly saturated and has various local competitors such as California Sports and Cyclery and Big 5 Sporting Goods in addition to nationwide competitors such as Dick’s Sporting Goods and Adidas. While there are a plethora of other opportunities for customers to find their sporting good needs, Goetz Brothers will carry big names such as Nike and Under Armour and will offer more of a family centered focus level of service that sometimes can be lost with the larger retailers. Additionally, the industry has various suppliers and in the unfortunate occasion they do lose these big name brands such as Nike and Under Armour, due to the amount of other supplier opportunities they will still be able to provide a very similar level of quality if not the same. Another aspect of Porter’s 5 Forces that is important to analyze are barriers of entry into this industry. While there are big conglomerates like Nike and

Dick's Sporting Goods that control a considerable amount of the market share, the barriers of entry are quite high. In other words, this means if a new venture tried to grow their market share in this industry, it would be extremely difficult to be competitive and differentiate from other companies as they have a high chance of not being able to keep up in the market. To expand on that point further, it is relatively inexpensive to open up a sporting goods store and to find lower quality products to serve their customers, the issues that will arise when trying to grow market share within this specific industry is trying to grab big name suppliers such as Nike while trying to keep costs low and affordable for customers. Goetz could pursue this model if there is a change in the markup and target lower income individuals by providing more inexpensive goods to meet a wider demographic base, however they have been successful for roughly 75 years, have a strong record of being competitive in the Bay area, and they are able to provide big brand names which increase their foot traffic. One final aspect of Porter's Five Forces that is vital to analyze when it comes to this industry is the power of customers. This means that customers have the ability to push for lower prices based on how much leverage they have on a specific company. If the company has a smaller customer base, it puts more leverage on them to be able to negotiate for lower prices and better services because the company does not have a large diversified pool. However, if the company has a multitude of customers and client bases, the company is going to have more leverage in charging higher prices and increasing profitability as the demand is much higher than the supply.

Sporting Good Industry - Analyzing the Market:

As mentioned earlier, the sporting good industry has seen tremendous growth over the past few years and it is projected to get even bigger over the next decade. Furthermore, another study from IBISWorld stated that revenue for sporting good stores grew by roughly 17 percent in 2020 alone in part due to the spike in individuals working from home and looking to build their own personal gym as equipment supply could not nearly keep up with demand ([IBISWorld](#)). As the pandemic changed the way everyone takes care of not only their professional life but their personal life, this is going to continue this trend of people purchasing in home gym equipment as for some people having an in house gym will be safer and efficient then commuting to a public gym with the risk of getting sick. Furthermore, another study from Statista states that out of roughly 2500 people surveyed back last year as the world started to adjust to the coronavirus, 95% of people responded and said they made some sort of lifestyle change and 84% of that same population picked up a new workout regime ([Statista](#)). As there still remains to be some ambiguity about when the pandemic will end, it can be confidently said that sporting good stores will continue to remain very attractive and profitable with their projected growth based on historical data, the dramatic shift in people realizing the importance of an exercise routine and pattern due to the pandemic, and a continuous spike in people purchasing gym equipment for the safety of themselves and others.

Venture Strategy and Structure

Market Segment Targeted by Goetz Bros. Sporting Goods:

The target market of Goetz Bros. Sporting Goods can be inferred by just reading the name of the company, but in order to get a better understanding of the specifics, we will look into buyer behavior, demographics/psychographics, geography, and the product usage/benefits ([Market Segmentation Slides](#), 2021). Simply put, buyer behavior is, “the decision and acts people undertake to buy products or services for individual or group use” ([Sydorenko, 2021](#)). Most individuals who shop at Goetz Bros. are looking for wholesale, fully customizable athletic apparel, as well as other sporting accessories used in baseball, basketball, softball, soccer, football, lacrosse, volleyball, and rugby. Prospective buyers searching for information about the company will find numerous positive reviews online that help solidify the company's reputation. Being a family-owned local business for over 75 years with an established community presence helps Goetz Bros. gain the upper hand over large online retailers such as Custom Ink within the potential consumers' eyes. Goetz Brothers offers cheaper customization options than Custom Ink, as well as slightly faster order completion times. This handful of factors relating to buyer behavior contains information that influences consumers to shop at their store instead of a large online retail store.

Demographic segmentation is, “the categorization of consumers into segments based on age, gender, income, religion, education, etc.” ([Demographic Segmentation](#), 2021). Goetz Bros. utilizes demographic segmentation to target customers based on their income. They offer their products at low prices in order to entice the bargain/deal hunter, saving-money potential consumer group. Going hand in hand with demographic segmentation is psychographic segmentation, which “breaks down your customer groups into segments that influence buying behavior, such as beliefs, values, lifestyle, social status, opinions, and activities” ([What is psychographic segmentation?](#), 2021). Since this is a sporting goods store, the most important psychographic segmentation variable is lifestyle, particularly people with athletic lifestyles or hobbies will be targeted to shop here. Beliefs and opinions also come into play while shopping at this sporting goods store because the workforce is highly educated and informative regarding their products for sale, and services they have to offer. This in-person expertise is not available via buying items through a large online retailer, therefore this is the deciding factor for many to come shop at the local, well-known sporting goods store over a large online store.

Another important segmentation has to do with geographic segmentation which targets consumers based on their location. Goetz Bros. is located in San Carlos, California, where they don't experience winter like Indiana does. This is a plus for them because the popularity of athletic gear stays high year-round. Their location is situated near Sequoia High School, which is just one of the many schools that they provide personalized athletic clothing for. Goetz Bros. has prime real estate in Redwood City, since they are surrounded by baseball fields/batting cages, soccer fields/clubs, basketball courts etc. The final key segmentation strategy revolves around product usage, which is “the ways in which users interact with your product; how often they use it, length of use, benefits received from use, etc.” ([Alter, 2021](#)). One of the main products of Goetz Bros. is their custom made athletic wear. There is always a year-round need for personalized sports team clothing for activities such as school sports, little league, and intramural sports. This perpetual need for custom made jerseys/clothing is great for Goetz Bros. because there are rarely any low-consumer points for clothing orders. Products in store are mainly segmented by their specific sport

(baseball: bats, gloves, hats. Soccer: balls, cleats, goalie gloves, etc.) Each sport has a specific time-frame in the year in which it is played, so product inventory is promoted accordingly to whatever sport/s are currently in-season. Goetz Bros. also maximizes profit by putting out of season merchandise on sale in order to promote quicker inventory turnovers. These four sub-segments; buyer behavior, demographics/psychographics, geography, and the product usage/benefits collectively form the market segment targeted by Goetz Bros. Sporting Goods.

Overall Business Strategy: Focused Low Cost:

With a multitude of local and online retailer competitors, Goetz Bros. must captivate and entice their potential customers in a more attractive fashion in order to stay in demand and in business. It is sensibly apparent that they are operating with a focused low cost strategy. For example, when it comes to customization, Goetz Bros. offers one sport grey t-shirt with text for \$20.10 while Custom Ink offers the same product/quantity for \$28.50. Their ability to beat out the prices of their online competitors is one component of success within their focused low cost strategy. Many consumers these days are doing a fair amount of their shopping online, yet most people would rather get their products where the price is cheapest, and the customer service is top notch. In order to successfully maintain a focused low-cost strategy, you must lower funding within other not as important areas of your business. One way that Goetz Bros. cuts down their costs is by hiring a small number of employees <15, as well as scheduling their employees effectively in order to strategically handle upticks and dead times for their business. It is interesting to note that Goetz Bros. is really the only local custom athletic apparel company in the immediate area of Redwood City. While this generally isn't that large of a market, it is odd to see next to no local competition. There are a plethora of sporting goods stores within a 15 mile radius of the store but they all appear to have their separate niches (ex: Sports Basement - renting bikes/camping gear, Road Runner Sports - running shoes, nutrition products, California Sports & Cyclery - bicycles).

Another way that Goetz Bros. plays into their niche market is through their extensively educated employees. Customers like David M. appreciate the fact that the employees know such miniscule details such as, "the difference between a Rawlings Renegade series and a Heart of the Hide baseball glove" (M., 2019). Generally, most employees working at franchise sports goods stores know the bare minimums, and not infinitesimal details like an experienced sports goods salesman at Goetz Brothers would. This type of attention to detail is hard to find, especially in larger scale companies and online retailers. Having experienced salespeople will always be beneficial for your company, and retention of customers. Goetz Brothers has been able to maintain its community presence for many years due to their implementation of a focused low cost strategy, complimented by their impeccable customer service.

Marketing and Pricing Strategies

Goetz Brothers utilizes a handful of basic promotional techniques such as public relations, sales promotions, advertising, and direct/indirect marketing tactics to promote their products and services to the consumer. Both direct and indirect marketing channels are used for product promotion. Their direct marketing tactics are implemented with the promotional methods of emails, online advertisements, newspapers advertisements, websites, and SMS text messaging. Their biggest and most influential digital marketing channel is through social media platforms.

The Goetz Brothers Facebook and Instagram pages provide authentic customer testimonies, images of available products, promotional event notices, new inventory alerts, and other critical promotional information. Indirect marketing is accomplished through conversational social media interactions (regular conversation between customer/employee, *builds trust) as well as through local news articles that support or reiterate the positives of Goetz Brothers to the community. Both push and pull strategies are used by Goetz Brothers to influx sales. Push/pull marketing strategies are implemented via in-store discount displays, email/web advertisements, and through Goetz Brothers participation in sponsoring local sports teams such as little league/softball, etc.

Goetz Brothers pricing strategy varies on the type of products being sold. A focused low cost approach is taken for wholesale items like their customizable athletic clothing. As stated in the overall business strategy section; Goetz Bros. offers their custom clothing at cheaper rates than large online competitors like Custom Ink, while still offering the same exact brand of products. Goetz Brothers takes somewhat of a mixed focused differentiation / focused low cost approach when it comes to their other athletic gear for sale in store. While some products in store may not be cheaper than what can be found online, the focus on high quality customer service is usually substantial enough to keep customers coming back where they know they will be treated respectfully, and informatively when seeking advice to purchase products. This type of mixed pricing strategy has worked for the Goetz Brothers store for many years, as it appears that they have found the perfect balance between profitability and customer retention.

Directions for Growth

Goetz Brothers Sporting Goods Store Future Vision:

To describe Goetz Brothers Sporting Goods future vision in one word, it would be expansion. As their business has succeeded over the years, their goal has always been to touch and reach as many people as possible with their business. Their main priority is to provide for the community with as much quantity while maintaining quality. The Goetz Family have been in the service industry for over 75 years whether it be electronics or sporting goods, and they hope to continue servicing the community for many years to come.

Potential Opportunity for Growth #1: Franchise The Business:

Expansion has been on the minds of the Goetz family for the past couple of years. Just recently they moved locations in order to expand. Their new space is much more spacious than their previous location downtown on Broadway. Now, there is plenty of parking and room inside the building to hold more inventory. Although the family just took on this big move, they are eager to continue expanding, with the possibility of another expansion sometime in the near future.

One potential opportunity for growth could be franchising the business. In the past 10 years, Sports Authority (Goetz main competitor out in the Bay Area) went out of business. That being said, Goetz gained a ton of new customers. The only other sporting goods store, of comparable services, would be Dick's Sporting Goods, which is located near San Francisco, in Daly City. Goetz' original location in Redwood City, and even their new location right off the freeway in San Carlos, ended up being prime real estate. They gained customers that used to visit the Sports Authorities in San Jose and the ones usually shopping in the San Mateo Area. That

being said, we believe it would be a perfect opportunity for them to expand. By opening a few more stores on the peninsula, Goetz would be able to expand their customer base while maintaining the quality of their business. They could purchase a warehouse in the South San Francisco or Millbrae area (places where the real estate tends to be cheaper) and a few more stores in the Bay Area and easily expand their business. By having the warehouse near the new store, Goetz would be able to maintain the quality of their products and the integrity of their business. For example, say baseballs tend to sell out quickly during baseball season. Goetz could order a plethora of baseballs during the off-season, store them in their warehouse, and then be prepared for the baseball season. Because their stores are located in close proximity to their warehouse, it would be readily available and easy to transport. This could also be much more reliable than relying on a secondary source to ship products on time. We believe that this opportunity aligns quite well with their primary vision of expansion.

Potential Opportunity for Growth #2: Sports/Training Facilities:

Another possible opportunity for growth could be differentiating the business, in particular, opening up Goetz Sports or Training Facilities. While opening sports facilities would fall under the expansion category, we think it is another opportunity for Goetz to service their community, another one of their priorities. Because Goetz also makes jerseys for teams, they can expand their services to facilities for those teams to practice as well. By doing so, The Goetz brothers can continue to expand their brand. Another source of income within this category would be from teams renting out their facilities. Their only expenses would be paying off the property and staffing. At these facilities, items that Goetz sells at their stores would be used as equipment. This would encourage sports facility users to prioritize Goetz when looking for equipment as it is already being in use during practice time. Because land in the Bay Area is quite expensive, there are not many sports facilities. Although it is expensive to open up a new facility, there is not much competition. Because Goetz Bros is already a very well established company and brand, they would have a leg up in entering this line of business. Overall, Goetz Bros. has plenty of potential. With this new expansion to San Carlos, hopefully in a few years they can begin thinking about new ways to grow their business. For the time being, we believe Goetz is on the right track to becoming an overwhelmingly successful business.

References and Appendices

Appendices



Figure 1: The Goetz Bros trying to expand their business in different areas



Figure 2: An image of different type of sporting and training equipment Goetz Bros offers their customers

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