

Exit Preparation/Positioning Of Outdoor Living Product Company: Crafting Analytically Robust Growth Story Showing Significant Whitespace Opportunity

The Challenge: Our client, a mid-market PE firm, was preparing to exit its investment in a leading outdoor living products company. The company expanded the addressable market by introducing design-rich, quality-built ready-to-assemble products that are comparable in functionality and design to custom high-end products but offered at affordable mid-tier price points. Looking to replicate the success within its existing product categories, the company had recently launched products in 2 new categories. Our client asked Gotham to craft an analytically robust growth story to support the exit process, including establishing: 1) the outdoor living trend driving the demand for the company's products; 2) the market size, growth outlook, and the company's whitespace opportunity; and 3) the company's differentiated positioning/competitive advantage in the outdoor living products market.

Outdoor Living Products Market Outlook Assessment: Gotham undertook a robust, multi-pronged approach that involved:

- Conducting 10,000+ online consumer surveys of company customers and of a balanced addressable consumer demographic panel to gain insights into: drivers of and outlook for the outdoor living trend; ownership/penetration by product category; interest, purchase trends, and willingness/ability to spend by product category; the consumer purchase journey and buying behavior; company reputation and positioning among consumers; and receptivity to concept tests of the company's new products
- For existing product categories, building bottom-up models to estimate the market size leveraging syndicated, web traffic, government, and online review data, supplemented by management insight and consumer survey responses – to project the market growth, we built a multi-variable regression model using projections of key economic and demographic indicators
- For new product categories, building market sizing models by leveraging government data to estimate addressable households and using survey responses to establish category ownership and replacement rate along with new purchase intent – to determine the company's whitespace opportunity, we established consumer interest in the company's products and willingness to pay
- Establishing macro market dynamics, trends, and growth drivers for outdoor living product adoption, including trends in backyard spend and ownership of homes with backyard space; key demographic trends; and recessionary impact on consumer spending
- Conducting secondary research to profile the categories and their segments, identify trends facilitating increased use of products, and pin down key market facts, as well as to establish competitive landscape and positioning of key players (e.g., channel presence, product offerings and attributes; their positioning within different price segments)
- Performing an online review analysis across top retailers to build a review database of over 300K reviews of 700+ SKUs across major retailer sites, aggregating review scores for each competitor and analyzing sentiment of review text across 10 attributes
- Conducting a demographic analysis of company customers by matching them to household demographic data sourced from a consumer demographic data append vendor.

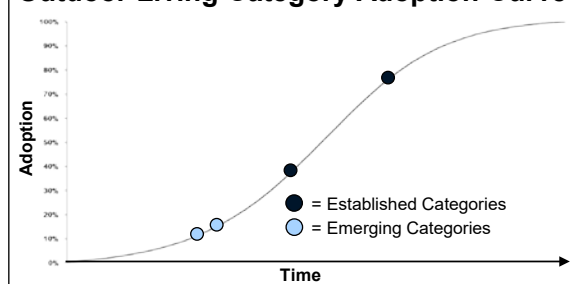
Outdoor Living Trend Driving Investment In Backyard/Outdoor Living Products

Over the past decade, homeowners have more than doubled the amount of time spent in their backyards, with covid having accelerated the trend, and homeowners continuing to expect to spend large amounts of time outside relaxing, cooking, entertaining, and gardening. Parents are increasingly looking for ways to encourage their children to play outside, as there is a growing concern about children's screen time. Shift to suburbs during covid and continued migration to southern states with warmer climates are trends that are also increasing backyard usage, and as people spend more time in their backyard, they are looking to increase its functional and aesthetic appeal by adding outdoor living products.

\$3.3B Served Outdoor Living Products Market Expected To Grow At 14.2% CAGR

Category adoption curves developed by Gotham indicated that the company's primary category is in the middle stages of the adoption curve, with an 8.8% CAGR projected growth, while its second largest category is more mature, with a 4.8% CAGR growth. The company's new product categories are at an early adoption stage due to a lack of affordable mid-tier products, and the company has a significant whitespace opportunity as its products fill a large market gap between cheap imports and custom high-end offerings. The company's target demographic base, millennial homeowners, is growing and getting wealthier as they stand to inherit their parents' wealth and continue buying homes at a high rate. At the same time, most homeowners are locked into low interest mortgages, leading many to look to improve their current homes, with remodeling spend increasing 50% since 2019. DIY remodeling spend also stays resilient during a recession, as people are inclined to complete improvements themselves.

Outdoor Living Category Adoption Curve



Company Is A Highly Reputed Player With High-quality Products Winning Consumers Throughout Their Purchase Journey

Company is a top player in its existing product categories, with an industry-leading NPS and the highest online review scores with favorable consumer sentiment. The company's well-oiled new product development engine allows it to enter new product categories quickly and efficiently, positioning it well to take advantage of whitespace opportunities and expand its product offerings. The company's products are differentiated by their sturdy construction, integrated features, and easy app-guided assembly. Further, the company's leading online presence and review advantage allow it to win across each stage of the consumer purchase journey in this primarily online market where consumers conduct a significant amount of research ahead of purchase.

The Outcome: Gotham's analytically robust sell-side market study report quantified the market size, growth potential, and whitespace opportunity of the company's existing and new outdoor living product categories as well as validated the company's attractive customer demographics and industry leading online reputation. This clarity on the company's strong value proposition and significant growth opportunities generated significant buyer interest.