**Forecasting Assignment**

**MARK 160**

**Due: March 12, 2019 before start of class for S19N07**

You are the owner of a gluten-free bakery in Nanaimo. You have a loyal clientele and your product/service is positioned well in the marketplace. The retail price your customers pay for bread or pastry is exactly the same as at your competitors. The wholesale price you pay for your gluten-free flours (from which you make your pastries) has however, just increased by 25%.

You know that you *cannot absorb this increase* and that you must pass it on to your customers. However, you are concerned about the consequences of an open price increase. ***You must forecast the possibilities of two alternative price-increase strategies that address these concerns. Also to include: consider the external and internal variables that might impact your ability to implement each of these three strategies.***

***Hint: think about the fixed and variable costs of this operation – how might these be incorporated in your answer.***

***To be answered individually or in groups of two or three. Document your answer in no more than two pages.***

***To be emailed March 12th, 2019 before start of class to: duane.weaver@viu.ca
MAKE SURE you send this as a WORD.DOC or WORD.DOX attached to your email***

*(PLEASE NOTE: it is your responsibility to make sure I receive it in time. I recommend you email mail it the day before such that if for some reason I do not receive it (internet down) you have time to compensate. I WILL REPLY with received within 24 hours of receiving your email.*

***You should always have a cover page (no running header on cover) and a reference list. Note: Appendices follow the reference list and page 1 starts after the cover page.***

*Students often find it valuable to meet with me while working on this project (to get the most value out of our discussion, you should attempt the project in rough draft format to the best of your ability before meeting with me).*

***Unsure where to start?***

1. *Think about what you know and what you do not know.*
2. *Then identify what you need to know and where to get the data.*
3. *Then get all the data you can.*
4. *You might want to attempt this project in four suggested phases:*

***Phase 1: EXISTING DEMAND -*** *determine the number of customers and average demand per customer for the product in Nanaimo (find some researched evidence to support what share of that product would be yours…(avoid grandiose assumptions)).*

***Phase 2:*** *Once the existing demand is determined, then* ***select two different pricing strategies*** *that you would employ for your product.* ***Describe*** *how you would implement those strategies, how they would differ from each other and discuss how the forecasted demand (units) as well as sales in $ based on your new price would be impacted. Also, identify any costs that would be associated with implementing your ideas.*

***Phase 3:*** *Create a spreadsheet (preferably in excel) for each of the above situations.*

* 1. *One showing just the market demand (units) with no price strategy involved – assume everyone is equal*
	2. *Create a second spreadsheet for one of your price strategies showing:*
		1. *market demand (units)*
		2. *total sales revenue (based on one pricing strategy)*
		3. *COGS*
		4. *Using your plans to implement one of your price strategies identify any associated costs for your idea*
		5. *Project the demand over at least a 3 year period and estimate the profit per year (it is quite common to lose money the first year or so after implementation-Break Even might take 2-3 years)*
	3. *Create a third spreadsheet for your other price strategy repeating what is in b above.*

***Phase 4:*** *Write a cover page. Write an introduction to the paper. Write the main body of the paper identifying and describing the two price strategies you intend to use and describe how they will differ in how they impact demand and profitability (feel free to reference your spreadsheets that you put in your appendix). Write a concluding/summary paragraph that determines which of the two proposed pricing strategies would be best, providing an evidentiary explanation as to why. Add a reference list. Add appendices as needed (you can embed excel spreadsheets within a word document – just check on a different computer that you can view them properly). Email your work ahead of time (WORD document format) to avoid being late due to technological problems or Murphy’s law.*

***Remember to use APA citation styles to reference all your work.***