

Ross School of Business at the University of Michigan

Independent Study Project Report

TERM : **Winter 1998**

COURSE : **Marketing 750**

PROFESSOR :

STUDENT : **Adam Meron**

TITLE : **Competitive analysis and market position assessment**

KRESGE
BUS. ADM.
LIBRARY
MBA



Competitive Analysis and Market Position Assessment

Adam Meron
Kara Rubin
Presented November 20, 1998

Overview

Moonstone Mountain Equipment is an outdoor gear company owned by Esprit de Corps. Based in San Francisco, the company produces a full line of technically sophisticated mountaineering outerwear and sleeping bags.

Objective

The company will begin to design its Fall 1999 product line in December of this year. In preparation, Ed Schmults, President of Moonstone, and Mike Waite, Director of Marketing, requested a complete analysis of the company's five main competitors, Patagonia, The North Face, Marmot, Mountain Hardware and Arc'Terex. The expectation was that such a project would help the company to more effectively formulate new product and marketing strategies going forward.

The Project

Our research began with an assessment of the general outdoor gear and apparel market. Using analyses of various industry reports produced by leading trade associations, market analysts' data and internet research, we developed a picture of a stable outdoor industry. Our primary conclusion was that the industry as a whole is stable, however the apparel sub-segment is growing steadily.

In addition, a consumer survey enabled us to assess brand impressions and customer needs. We also conducted a series of ten interviews with trade journalists, marketing directors of several outdoor gear companies, advertising executives responsible for outdoor gear accounts and specialty retailers carrying the products of the companies in question.

The result was a comprehensive picture of the industry, the significant players within it and the relative position Moonstone occupies. We were able to provide comparative competitor profiles including product descriptions, pricing patterns, distribution characteristics, advertising strategies and limited financial information (most companies are privately held). See attached slides for specific information and conclusions.

Recommendations

Our analysis suggested that there were several areas of opportunity for Moonstone. Overall, six main features, each of which points to openings for innovation, characterize the outdoor apparel industry:

- Similar marketing images
- Focus on narrow target customer
- Product driven strategies
- Distribution reliability as a key success factor
- Certain products moving toward commodity status
- Similar pricing strategies

Based on the above observations, we made a series of recommendations.

1. Clarity of advertising message. Moonstone is presently attempting to attract the attention of retailers, many of whom are at least familiar with the brand from its pre-bankruptcy reputation. Very simple, virtually monochrome ads with the company logo short copy such as "No one can see you posing in a blizzard" are certainly different than most other outdoor apparel manufacturers, but fail to suggest anything compelling about Moonstone's products or value. We discussed the idea that regardless of who the target audience is, the company should consider its current position on the advertising matrices we developed (see slides) and attempt to clearly establish itself in a quadrant, preferably one in which there are fewer competitors. If it accomplishes this, Moonstone's ads will more definitively convey the company's product strength and appropriateness for customers' activities.

2. Product line definition. Moonstone currently offers lines that cover a variety of product types (e.g., insulated parkas, light-weight jackets, bibs/pants, base layer, etc.). This strategy tends to be successful for larger companies that can supply product depth (quantity of SKUs) as well as breadth (quantity of product type). Other companies more comparable to Moonstone in size and resources tend to have much more focused product lines. We suggested that Moonstone consider its current strategy carefully and leverage the significance of providing answers to a variety of needs in a streamlined, value-oriented manner.

3. Segmentation by need. A common strategy among a majority of the participants in this market is a tendency to highlight the technical sophistication of the products without clearly defining how the features address customers' needs. We discussed the idea that Moonstone should emphasize not only the technical quality of its products, but also position them according to the activities of those who will use them. Tell a customer exactly how this parka will match his or her specific demands.

4. Alternative value proposition. We devised an alternative way in which Moonstone could convey its value proposition. The scheme defined product segments in a manner that suggests increasing sophistication – Fundamentals (light, layering), Ascent (moderate conditions), Summit (extreme conditions). This method will enable Moonstone to demonstrate that its products are appropriate for a variety of needs and skill levels and that a customers has reason to return to the brand when their needs become more sophisticated, their activities shift and when their price sensitivity decreases.

5. Product innovation. Due to the marked similarity of many of the products currently on the market, it is clear that any opportunity to innovate and maintain quality as well as desired features will provide a significant advantage. We discussed the fact that product innovation can be derived from relatively basic changes in color pallets to more complex alterations in style and fabrics. In addition, improvements can be made in customer and dealer service, particularly regarding responsiveness to product problems and other warrantee-related issues.

6. Maximize new distribution channels and technologies. Moonstone has a unique distribution advantage due to its relationship with Esprit. In fact, the company is currently moving to find new ways to leverage the technological expertise (e.g., EDI systems) that its parent offers. Access to this kind of resource is unusual in the outdoor apparel sector, especially among niche players. One obstacle to this advantage is the lack of technical sophistication among specialty retailers; this factor could limit the practicality of Moonstone's internal distribution systems. Nevertheless, it is important to consider ways in which the company can further improve dealer relations by helping them to maximize the potential of e-commerce options.

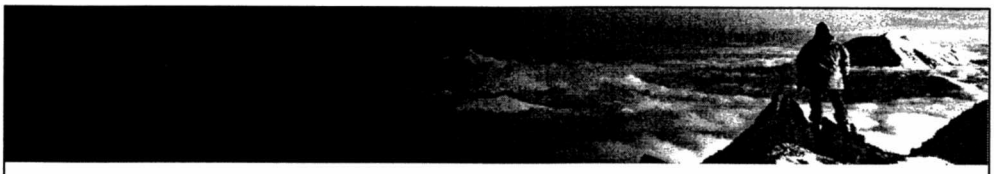
7. Enhance customer knowledge. Educating the customer is critical. Not only about product but about the activities they're involved in as well. Moonstone should look to partner with its customers; it should attempt to be an indispensable component of an individual's outdoor experience. This objective can be addressed by sponsoring educational seminars or speaker series in conjunction with retailers, hang-tags on products, signage in stores, and a multi-functional web site.

8. Maintain strong specialty dealer relationships. For the niche-market outdoor apparel vendor, specialty dealer relationships are crucial. The vendor should make every effort to assist the dealer in his or her retailing activities. Efforts include effective product coding, reliable distribution and customer service, retail sales training and product updates, being an "enter-tailer" – provide more than tangible product, rather provide an experience. In short, the push influence of a specialty retailer is critical for smaller vendors with small marketing budgets. Moonstone recognizes this and has been successful at establishing quality relationships with a growing number of retailers.

9. Promote linkages with other complementary industry players. Another method in which Moonstone could increase product innovation is to consider joining with a complementary vendor (e.g., a compass manufacturer, an adventure travel company or an outdoor school such as NOLS or Outward Bound). Doing so would call attention to the products in a unique way and provide another source of value and/or reputation affirmation from a consumer's perspective.

Outcome

On November 20th, we presented our findings to several Moonstone employees. They were very receptive to many of our ideas, interjecting and asking questions throughout the two-hour discussion. Mike Waite indicated that he intended to use some of our material in his upcoming presentation to Moonstone's sales force in which he would outline the company's product strategy for the Fall 1999 line.



MONSTONE
mountain equipment

Competitive Analysis & Strategy Positioning

Presented by:
Adam Meron
Kara Rubin
November 20, 1998



- Brief histories of Kara and Adam
- Brief history of this project
- Industry Overview
- Competitor Outlines
- Competitor Comparison
- Strategic Opportunities



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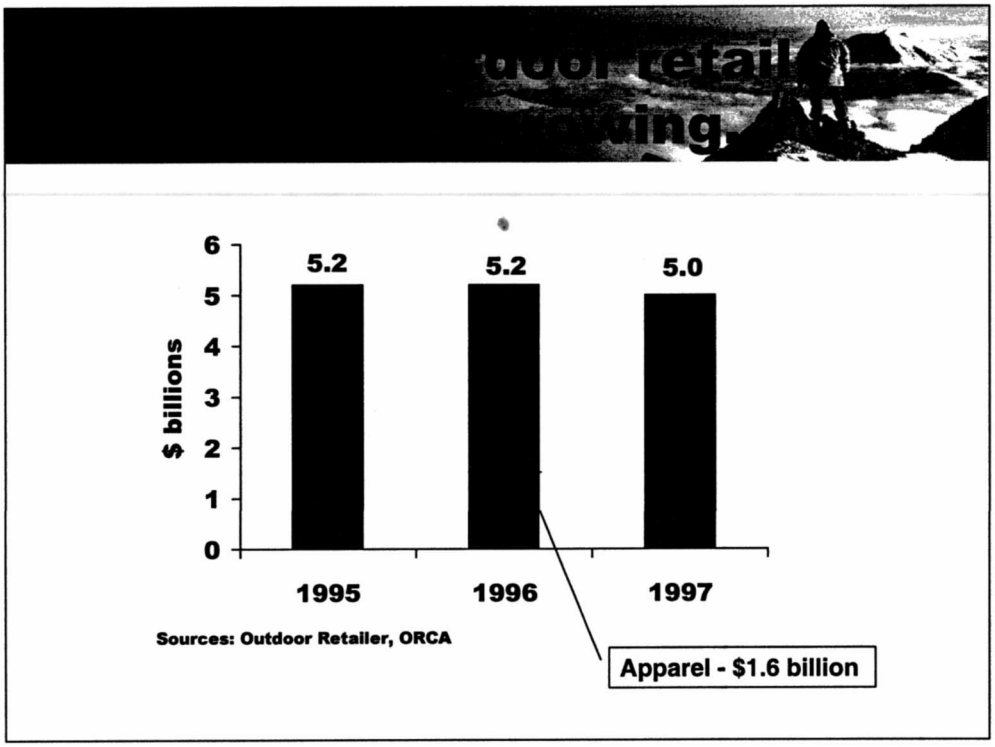


- Trade Journals
  - Outdoor Retailer
  - SNEWS
  - Sporting Goods Business
- Customer Interviews
  - 50 customers
- Interviews with:
  - Dealers
  - Industry experts
  - Advertising executives

•Talked to about 20 outdoor experts, dealers, industry experts and advertising execs



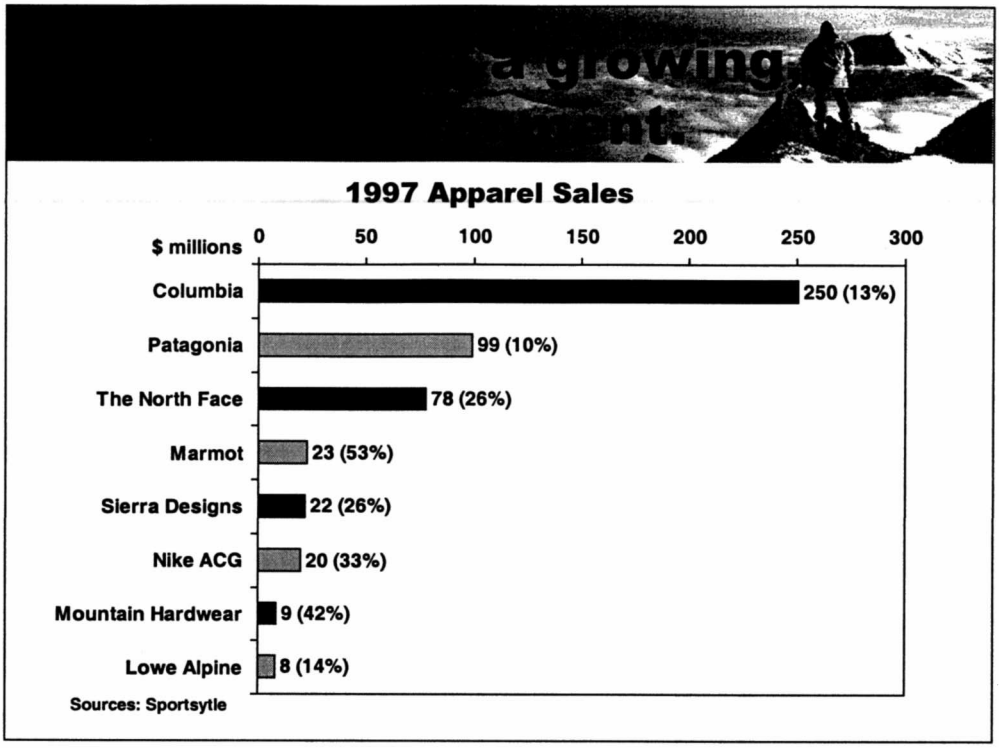
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•Retail industry overall has not been growing

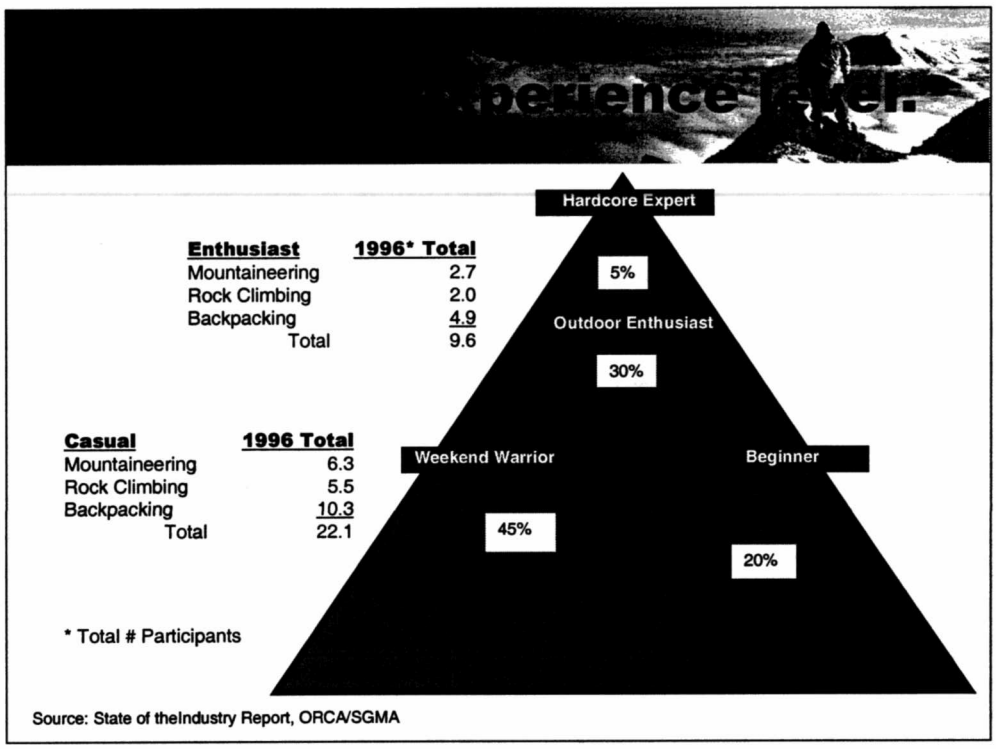
•The apparel segment of the market is approx $1.8 billion

•This is the major segment that Moonstone competes in



•Despite flat overall growth, apparel/gear companies have been experiencing healthy growth (10-30%)

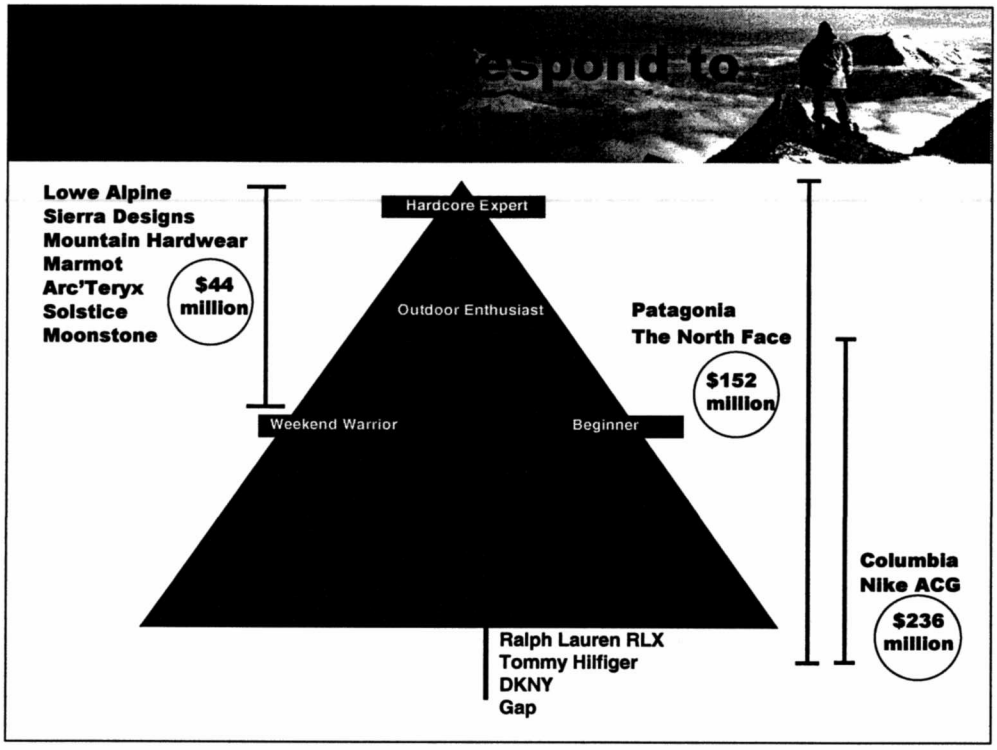
•Columbia, Patagonia, and The North Face are the sales leaders



•The overall market can be segmented into a triangle, with the number of participants decreasing as one travels up the triangle.

•Another important thing to note is that most outdoor participants progress through an experience curve from beginner > weekend warrior > outdoor enthusiast > hardcore expert

•Numbers on the side are total participants in casual and enthusiast segments



•Competitors can then be placed on the triangle, with the majority of Moonstone's competitors targeting the same, small hardcore expert segment

•These competitors also sell to the outdoor enthusiast, but they rely on a trickle down approach where products are designed and marketed to experts with the hope that lower segments will adopt as a result of a need for technical gear

•It's important to note that these competitors do not seem to focus on the needs of the enthusiast

•The typical evolution of an outdoor company (The North Face and Patagonia) has been from the top of the triangle to the lower parts of the triangle

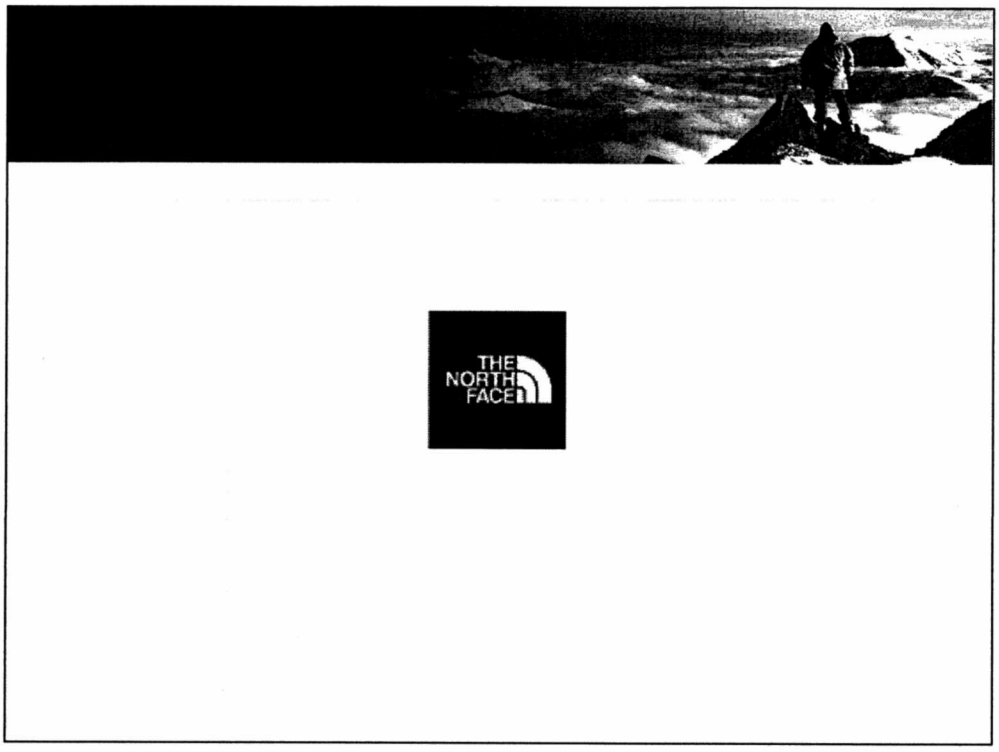
•**Insight**: Competitors do not focus on needs of customers in lower part of the triangle

•**Insight**: New competitors (Ralph Lauren, Tommy) are entering the market competing in the more commodity type product segments (fleece)

•**Insight**: Columbia and Nike have the bottom part of the triangle all to themselves



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THE
NORTH
FACE



Background

- Headquartered in San Leandro, CA
- Founded 1964
- IPO 1996
- 1997 Total Sales: $208 MM
- 2003 Total Sales Goal: $1 BN

Technology

- HydroSeal
- Hydrenaline
- Ultrawick
- Micronamics
- VaporWick
- Leverages buyer power to make demands of Gore and other suppliers

Strategies

- Summit Shop Program
- Tekware
- Broadening Product Line
- New Distribution Channels
- International Focus
- Integrating athletes into sales process

US Distribution

- Approximately 1200 dealers, 9 exclusive retail stores, 3 outlets
- Formed marketing group to work with outdoor professionals
- Changed to a company owned sales force
- Core Inventory Replenishment Program

•One of the largest outdoor apparel and equipment manufacturers

•Well known brand

•The North Face has been positioning itself in the lower segments of the customer segmentation triangle (see triangle in previous slides) over the last through years through a combination of lower price points and new distribution channels

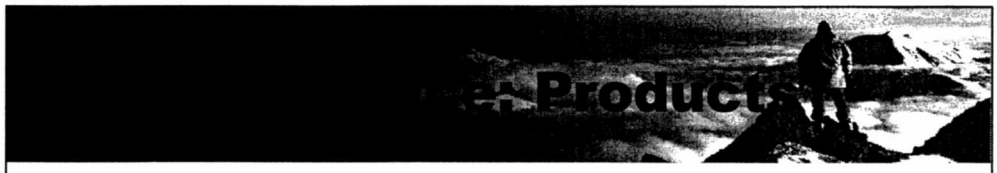
•Attempting to improve efficiency of of distribution system

•Has alienated many traditional small store specialty stores

•Questionable whether it can keep its brand equity as it moves down the triangle

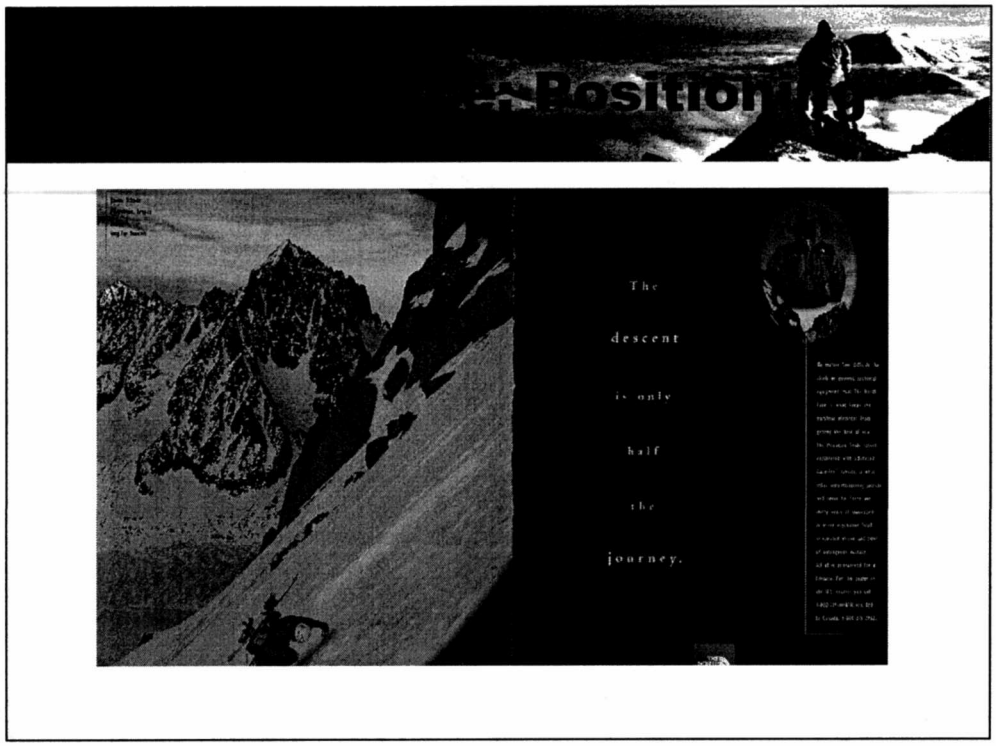
•Does not have the reputation it once had among hard-core outdoor enthusiasts

- •Technical reputation is still good among outdoor enthusiasts
- •Recently start opened a large R&D facility



Search & Rescue	N/A $1,250 avg 1 sku	N/A $295 avg 1 sku					
Expedition System	N/A $950 avg 1 sku	$135-525 $305 avg 7 sku	$265-425 $350 5 sku	$285-395 $377 avg 6 sku			$95-295 $168 avg 7 sku
HydroSeal			N/A $145 1 sku		$260-335 $295 avg 3 sku		
Hydrenaline					$110-140 $125 avg 2 sku		
UltaraWick						$69-89 $79 avg 4 sku	
Micronamics						$26-88 $44 avg 13 sku	
TekWare						$50-185 $81 avg 26 sku	
Total SKUs	2	8	6	6	5	43	7

- Not a very sophisticated segmentation strategy
- Basically segments across activity and product type
- Activity segmentation not very detailed
    - Only includes search and rescue and expedition system (mountaineering segment)
- The have a large number of SKUs
- Product offering has depth but not much breadth in terms of activities (e.g. rock climbing or kayaking apparel - see Patagonia's line)

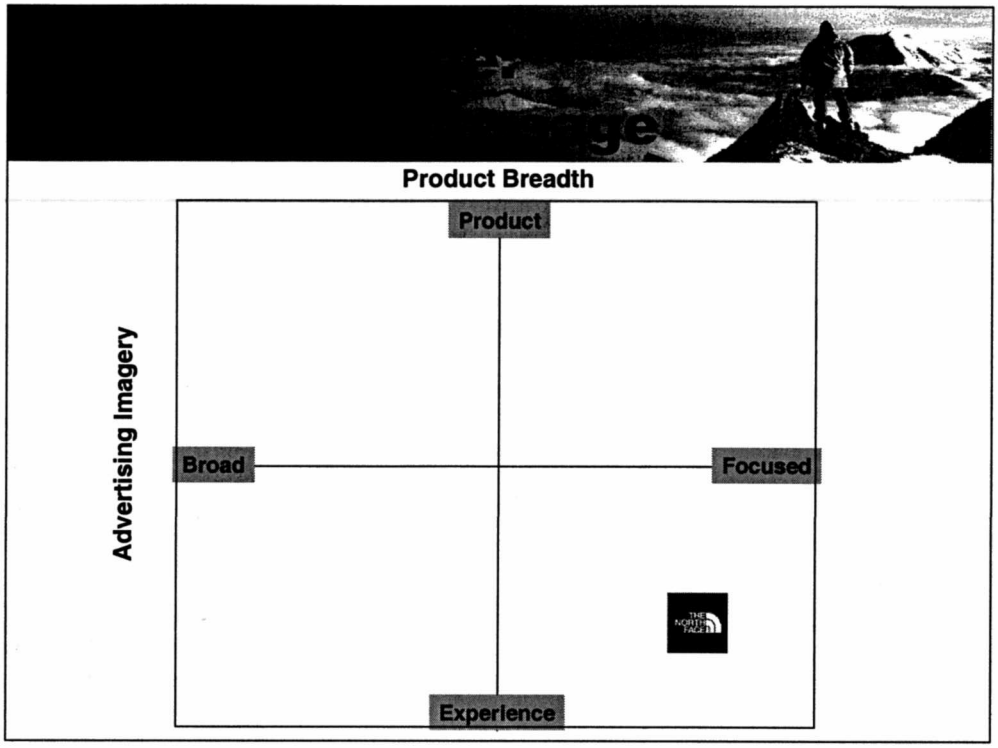


•North Face advertising very much focused on activity

•Not your everyday individual

•Very experiential

•Individual engaged in almost superhuman pursuits



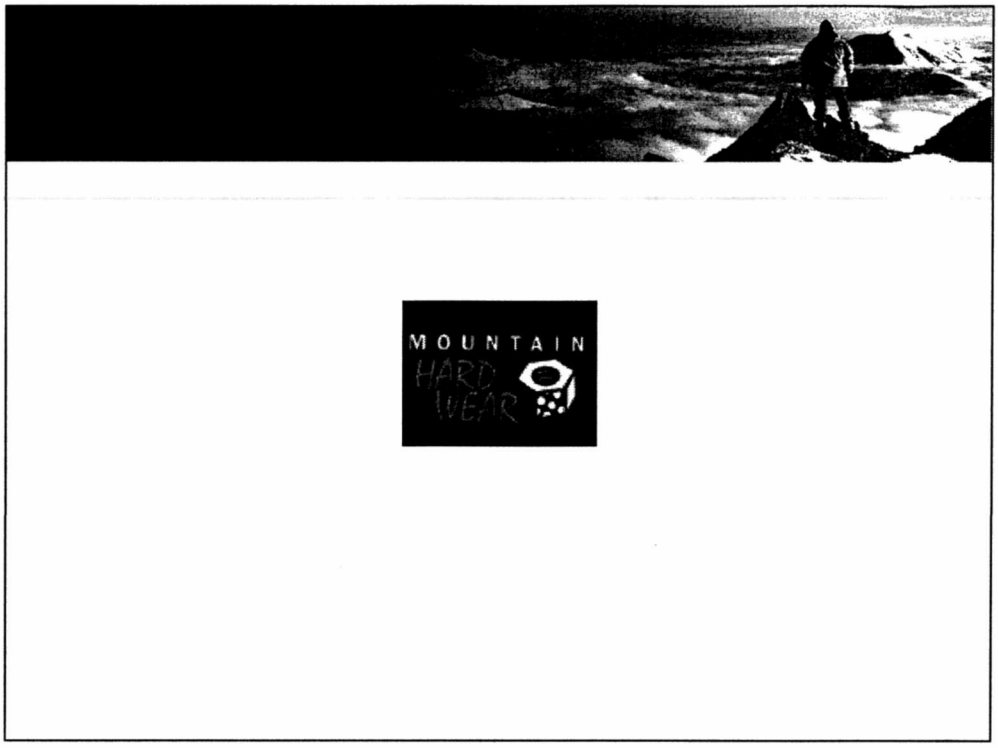
- TNF's advertising is very focused on experience
- The product advertising is focused almost exclusively on mountain products

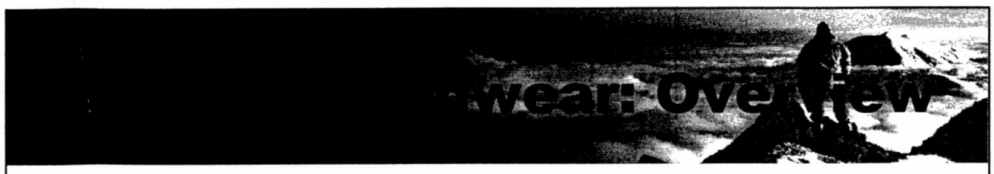


All Respondents	Respondents with > 50 Activity Days
Personal Preference Rank	**Personal Preference Rank**
1. Patagonia	1. Patagonia
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3. The North Face	3. Mountain Hardware
4. Mountain Hardwear	4. Moonstone
5. Moonstone	5. The North Face
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Technical Sophistication Rank	**Technical Sophistication Rank**
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•Among respondents to the consumer survey, all respondents ranked North Face at #3 for personal preference and #1 for technical sophistication

•Experienced consumers, however, did not rank TNF as high, feeling the technical quality was inferior to other


MOUNTAIN
HARD WEAR



Background

- Headquartered in Berkeley, CA
- Founded in 1994
- About 35% of finsighed products and 60% of raw materials are made in the USA.

Technology

- Working with Gore on 2 new 3-layer fabrics
- Innovation via unique fabrics
- High-end products generate largest margins (mid-range price points)
- Conduit - proprietary WP/B
- ZeO_2 yarn - permanent antibacterial
- Simplex zipper, welded waistcord

Strategies

- Strong retailer relations from beginning (e.g., unlimited order adjustment without change in discount)
- Moving from push through retailers to pull through broader ads
- Combat commoditization by combining fleece with technology

US Distribution

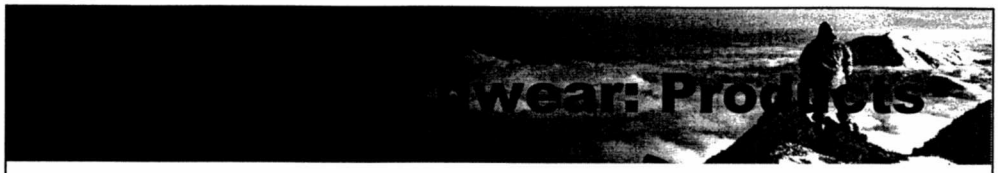
- Approximately 500 specialty dealers
- Specialty catalogs
- Mail order not available
- No on-line sales, but internet presence will be expanding

• Since 1994, Mtn. Hardwear has been making successful inroads into the outdoor market

•They are well respected among customers for their high quality, technical gear

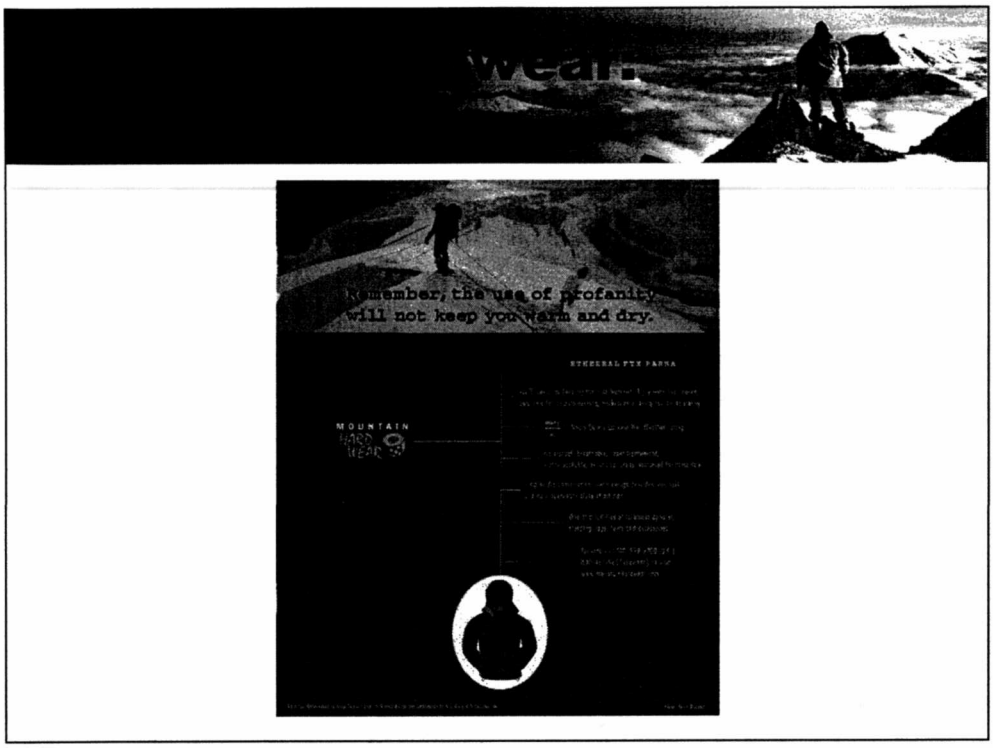
• Their strong dealer network has helped them become a successful company

• They are transitioning from a push marketing strategy to a pull strategy (using advertising to stimulate demand)



High Altitude Wear	$750-880 $815 avg 2 sku	$99-649 $246 avg 6 sku	$140-375 $271 avg 6 sku	$325-425 $379 avg 6 sku			$160-250 $166 avg 10 sku
All-Mountain Utilitiy			$69 -300 $151 avg 7 sku		$72 -310 $174 avg 7 sku		$70 -110 $182 avg 5 sku
Performance Base Layer							$24-90 $46 avg 15 sku
Total SKUs	2	6	13	6	7	0	30

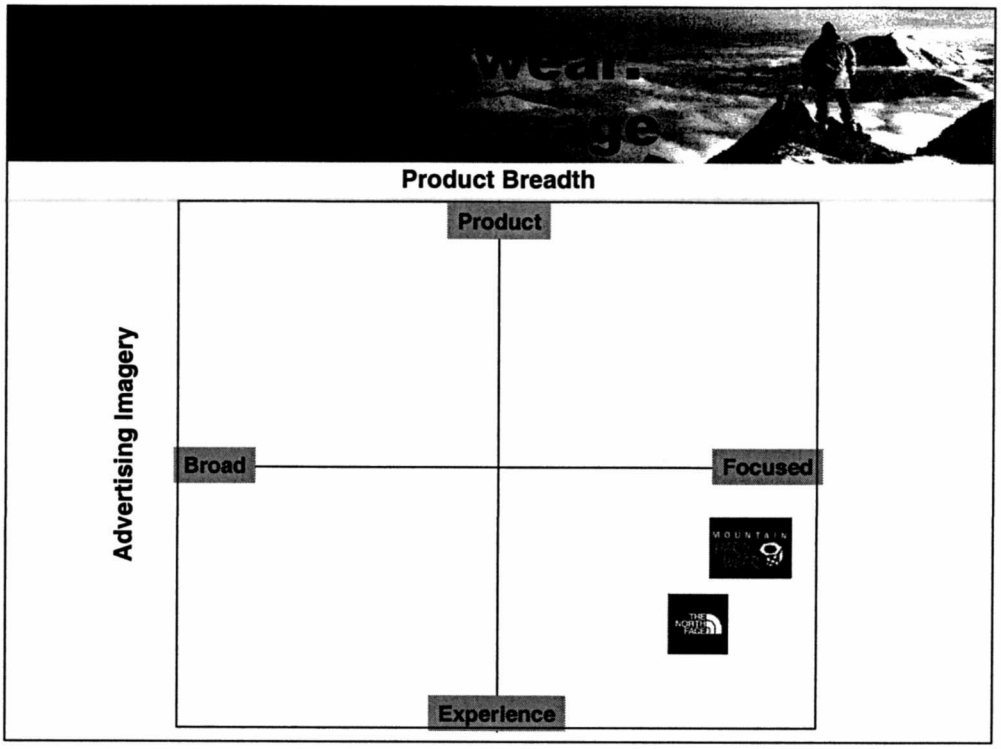
- They have a limited product line with a lot of breadth, but not much depth
- Very focused on mountain sports
- Same product segmentation as Moonstone, with high-altitude gear, all-mountain utility, and base layer.



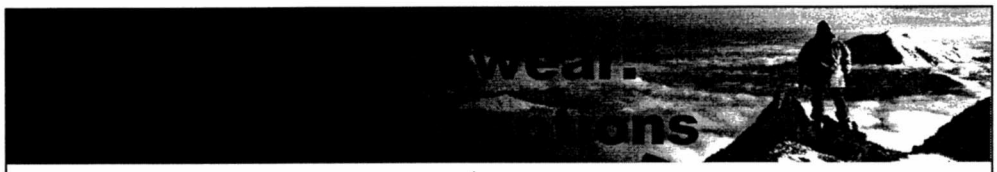
•Mtn. Hardwear advertising shows extreme athletes in exteme conditions

• Like TNF, they create a sense of the unachievable

• This is not your everyday customers



•Mtn Hardwear is very experience focused in their advertising and their product breadth is very focused on mountain products



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• Non-technical users ranked Mtn. Hardwear low, probably because they are not aware of it

• Among more experienced outdoors people, Mtn. Hardwear scored extremely well.



ARC'TERYX



Background

- Headquartered in Vancouver, BC
- All products manufactured in Canada (tried to source in Asia, but couldn't find factories that would produce to necessary quality standards)

Technology

- Waterproof zippers
- Vapor Lamination technology
- Advanced seaming (14-16 stitches/inch)
- Sole licensed user of Gore narrow seam tape
- 6-way adjustable structured hood

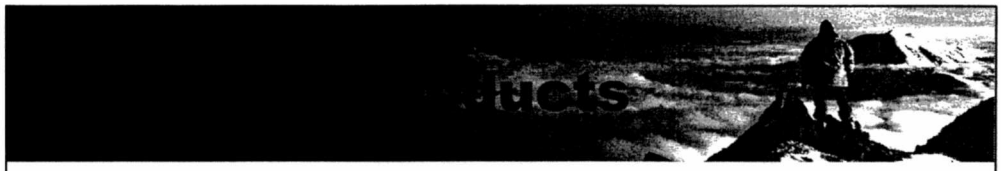
Strategies

- "We built a better mousetrap"
- Small, focused product line remaining true to mountaineering roots
- Use technology "toolbox" built in harnesses and packs (e.g., lamination on cuffs)
- Intensive sell to dealers

US Distribution

- 118 specialty retailers (both apparel and hardware)
- Specialty catalogs
- No direct mail order
- No on-line sales

- Arc'Teryx has literally come out of nowhere with a their products
    - They started as makers of climbing harnesses exclusively
    - They now produce backpacks, fleece and jackets
- They are the "Porsche" brand of the market
    - Expensive but worth it if you want the best
- They are leveraging their technology toolbox used for their harness, and applying it to other products
- Technologically innovative
    - Introduced and marketed the water-proof zipper

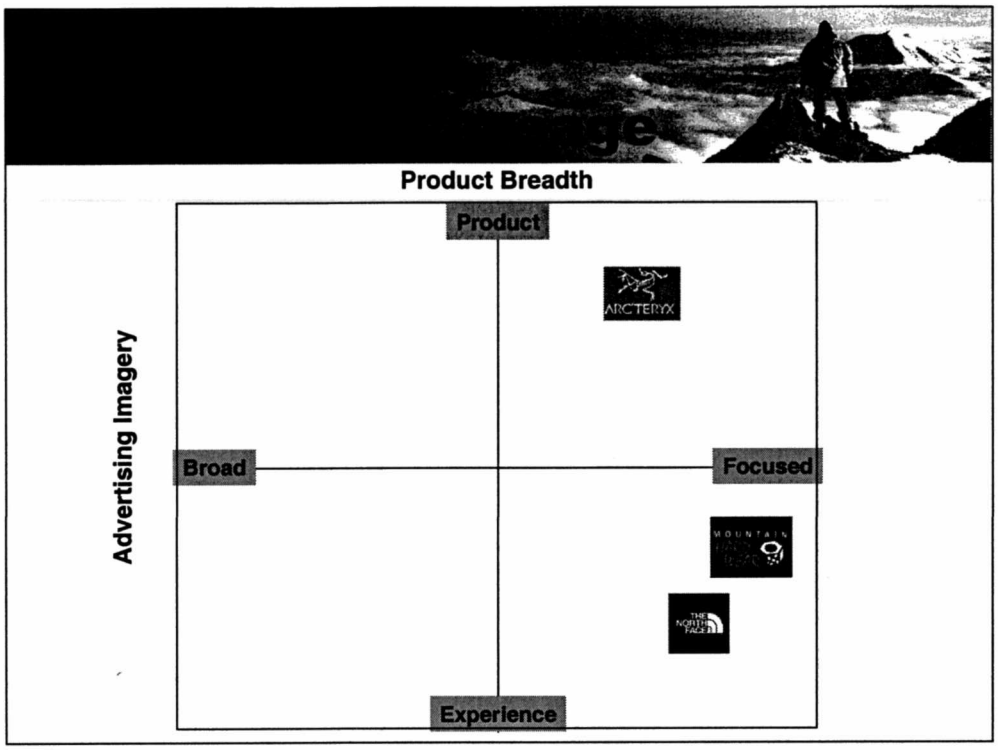


Alpha			N/A $385 1 SKU	N/A $449 1 SKU			
Beta			N/A $225 1 SKU	N/A $? 1 SKU			
Kappa				N/A $399 1 SKU			
Theta			N/A $325 1 SKU	N/A $409 1 SKU			
Delta							$80-129 $101 avg 4 SKU
Gamma			N/A $349 1 SKU				N/A $259 1 SKU
Total SKUs			4	4			6

- Arc'Teryx has a limited breadth of products
- They are very deep in a few segments



• The company's advertising is very product focused

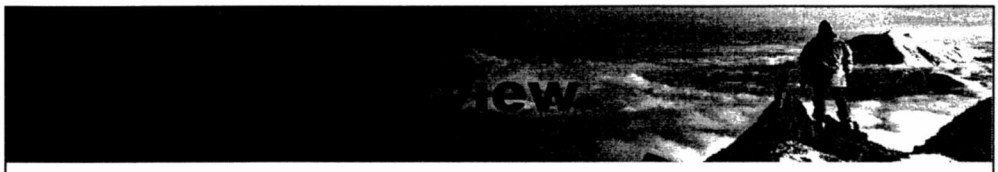


• Unlike all other major competitors, Arc-Teryx focuses the advertising message almost exclusively on product

• Given their lack of product line, their advertising does not have very much product breadth



Marmot®
For Life.



Background	Technology
• Headquarters: Santa Rosa, CA • Founded: 1973 • 1997 apparel sales: $23 MM	• MemBrain - proprietary WP/B • DryLoft membrane • Encapsulation Technologies • Polarguard, PrimaLoft insulations
Strategies	**US Distribution**
• Target: technical users • "Zippin" interchangeable products • Broad segmentation • Product coding	• 745 specialty retailers • Specialty catalogs • Direct mail-order available • No on-line store

•Perception: high quality and technical sophistication

•Relatively successful at segmenting products to meet customer needs

•Distribution still limited compared to larger competitors, but substantial number of retail accounts and exposure in specialty catalogs

•Good reputation with retailers

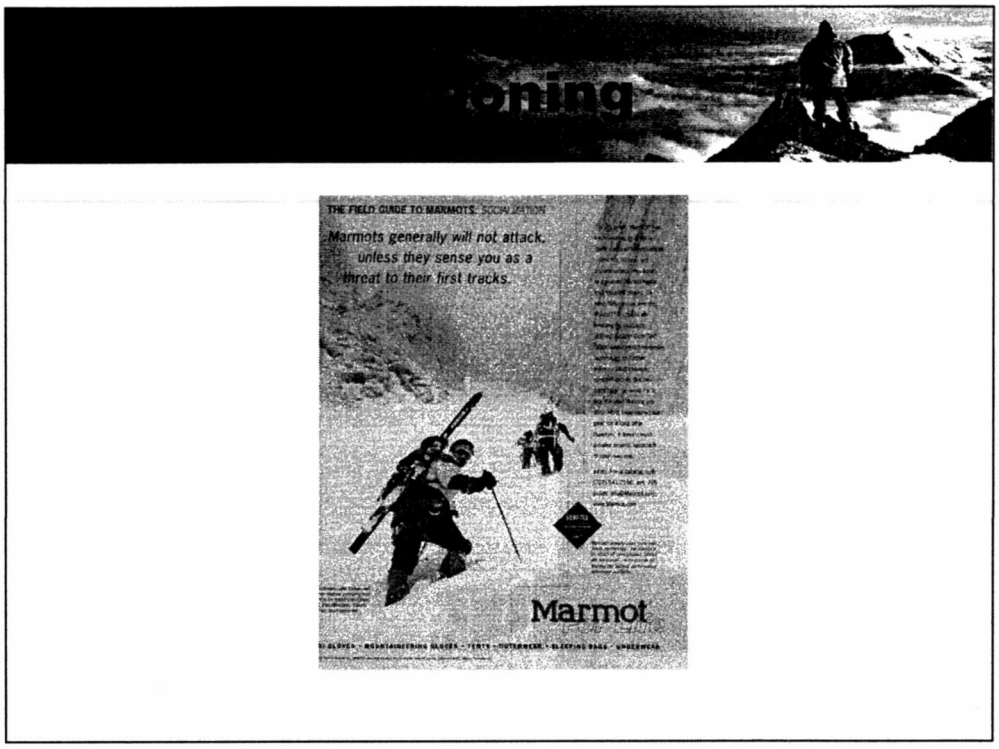


Alpinist	$179-999 $589 avg 2 sku	$139-369 $176 avg 3 sku	$199-359 $282 avg 3 sku	$399-439 $412 avg 3 sku	$169 1sku		$189-229 $209 avg 2 sku
Guide			$199-249 $274 avg 2 sku	$269-299 $285 avg 3 sku			
Ultralight	$649 1 sku		$199-249 $274 avg 2 sku	$389 1 sku	$129-199 $174 avg 4 sku		$125-149 $137 avg 2 sku
Ski			$199-359 $279 avg 2 sku	$329-489 $429 avg 3 sku	$139 1sku		
Women's			$259-289 $279 avg 2 sku	$399 1sku	$139 1sku		$89-99 $94 avg 2 sku
Fleece							$89-179 $126 avg 7 sku
Underwear						$30-45 $41 avg 7 sku	
Total SKU's	1	0	6	5	6	7	13

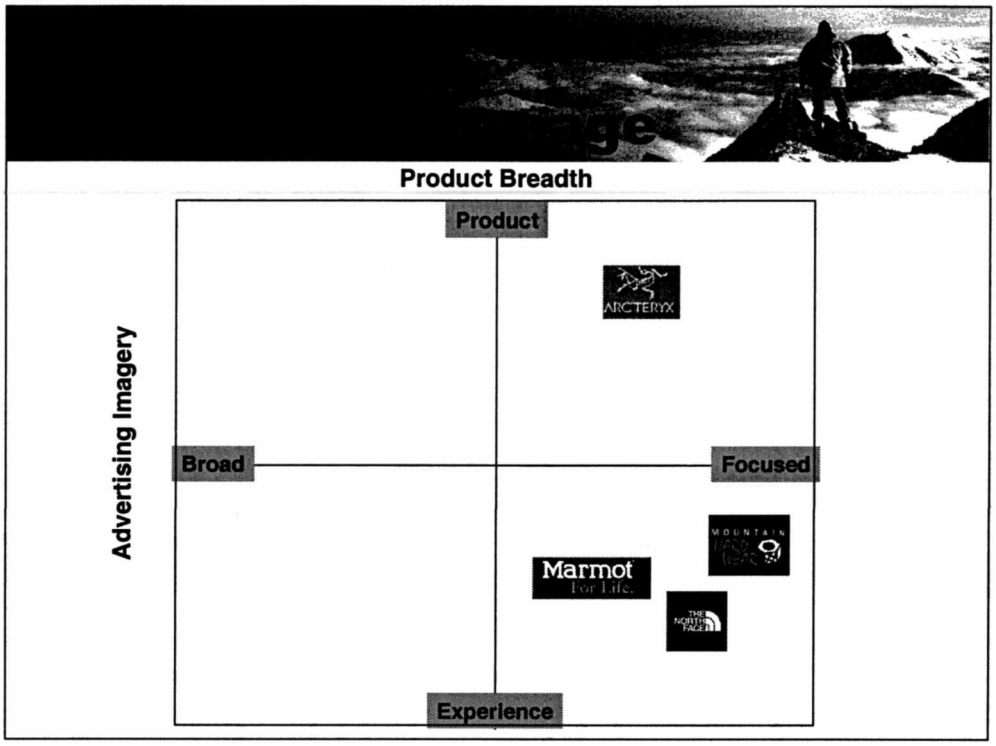
•Line is both broad (covers all product types) and deep (many SKU's)

•Segments specialized to include a ski apparel line and products tailored exclusively for women

•Price points in line with high-end competition



- Hard core image connotes technical sophistication and extreme experience
- Ad placement primarily in targeted magazines such as Rock and Ice, Couloir and Climbing
- Gore-Tex co-branding
- Somewhat obscure copy; impact of the ad is less compelling than other competitors



- Extreme experience
- Little product focus



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- Marmot ranked consistently as number 1 or 2 in both respondent categories
- Suggests the company's solid position as a high-quality, well known, but as yet undiluted brand



patagonia



Background

- Headquartered in Ventura, CA
- Founded:
- 1997 apparel sales: $99 MM

Technology

- H_2No - proprietary WP/B
- Encapsil technology
- PEF - Performance Enhancing Film
- Capilene
- Synchilla
- Organic Cotton

Strategies

- Environmentally sound products
- Broad, activity-centric segmentation; R&D targeted to design activity-specific features
- Able to take risks (technological, cost) because of high quality reputation for products and service

US Distribution

- 12 exclusive full retail stores
- 6 outlets
- 860 dealers
- On-line store
- Mail order available

•Classic example of an outdoor gear company founded by a charismatic leader committed to high quality products and service, the customer's experience, and the communities in which the company operates

•Broad range of proprietary products

•Resource rich: new technology or product introductions need not be immediately successful, company will wait for a product to generate substantial revenue if it has other valuable features (e.g., environmentally friendly)

•Very broad distribution

•Assists retailers with store lay out, provides display units and other in-store promotional materials

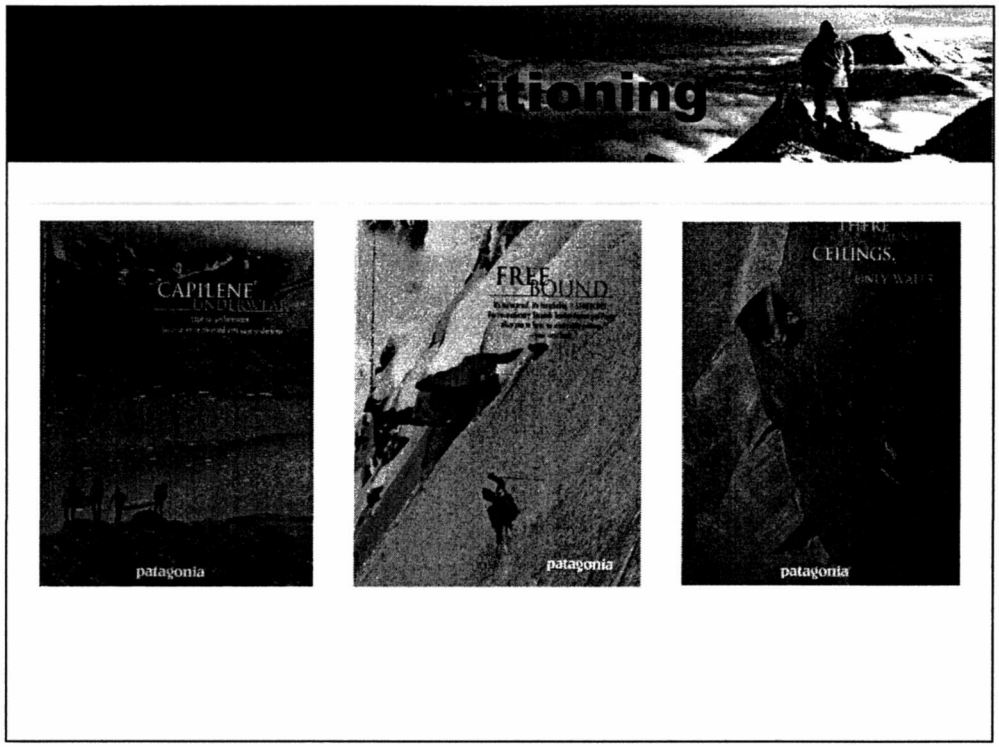


Alpine	$725 1 sku		$89-320 $233 avg 7 sku	$235-439 $328 avg 5 sku	$119-265 $181 avg 5sku		
Edge		$199-300 $302 avg 2 sku	$199-330 $265 avg 3 sku		$239-365 $313 avg 4 sku		
Endurance			$109-215 $155 avg 3 sku		$99-275 $187 avg 2 sku		$36-165 $99 avg 4 sku
Insulation	$200 1 sku		$76-99 $85 avg 3 sku		$105-189 $146 avg 3sku		$75-199 $118 avg 10 sku
Capilene Underwear							$22-68 $43 avg 10 sku
Total SKUs	2	2	16	5	14	0	24

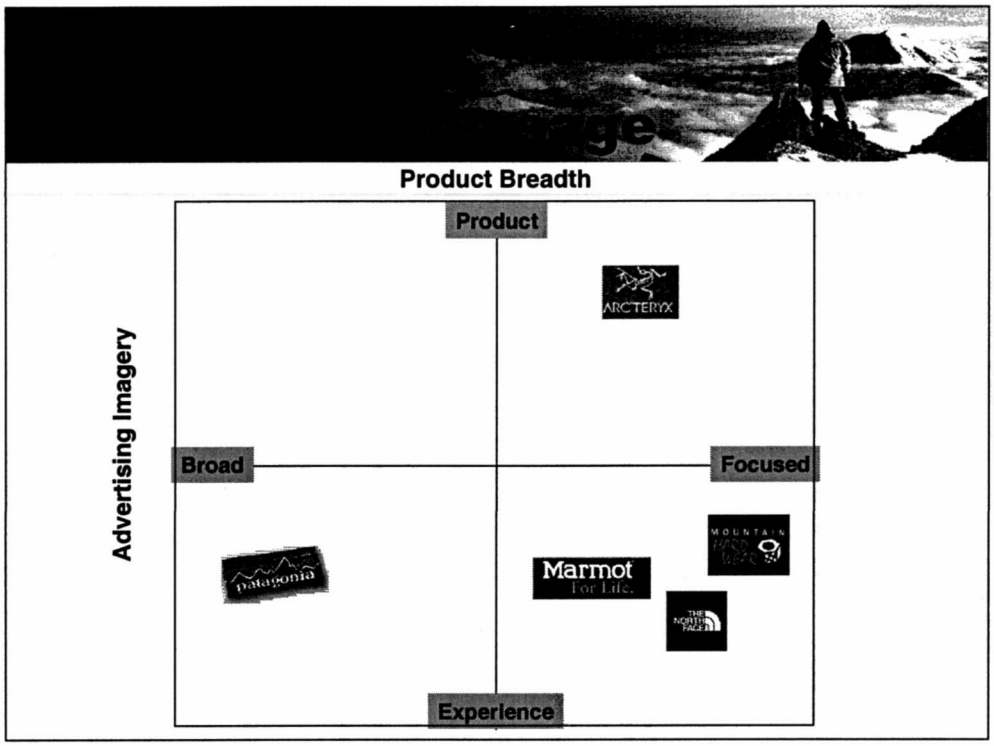
•Most activity-specific product line of all competitors: mountaineering, skiing, snowboarding, adventure travel

•Line is both broad and deep

•Prices cross a wider range than other vendors reflecting wider range of products and customer base



- Extreme images
- Positioned in wider range of magazines: technical (Rock and Ice) to more mainstream (Outside)
- Targeted at a specific activities, but taken together, ads suggest that Patagonia products serve a wide variety of needs
- Reflect range of experiences
- Compelling photos and attractive copy



•Alone in experience/broad quadrant: reflects ads that are experience based, but that are significant to many different consumer segments



All Respondents	Respondents with > 50 Activity Days
Personal Preference Rank	**Personal Preference Rank**
1. Patagonia	1. Patagonia
2. Marmot	2. Marmot
3. The North Face	3. Mountain Hardware
4. Mountain Hardwear	4. Moonstone
5. Moonstone	5. The North Face
6. Columbia	6. Columbia
Technical Sophistication Rank	**Technical Sophistication Rank**
1. North Face	1. Marmot
2. Marmot	2. Mountain Hardware
3. Patagonia	3. Patagonia
4. Mountain Hardware	4. The North Face
5. Moonstone	5. Moonstone
6. Columbia	6. Columbia

- Ranked number 1 in technical users' personal preference – surprising considering Patagonia's broader appeal
- Ranked lower for technical sophistication
- Generally perceived positively indicating that the company successfully balances its attempt to attract a more mainstream user with its commitment to providing high quality, often highly technical gear



MONSTONE
mountain equipment



Background

- Headquartered in San Francisco, CA
- 1997 sales: $5 MM

Technology

- Heavy emphasis on Gore technologies
- No proprietary alternative fabrics

Strategies

- Target: Technical users, 16-30 years old
- Objective: pared down, high-quality products
- "Not our parents' brand"
- Distribution capabilities: EDI technology (Esprit)

US Distribution

- Specialty stores
- Specialty catalog
- Web-site under construction

•Attempting to differentiate itself among younger, technical users: cool mystique image

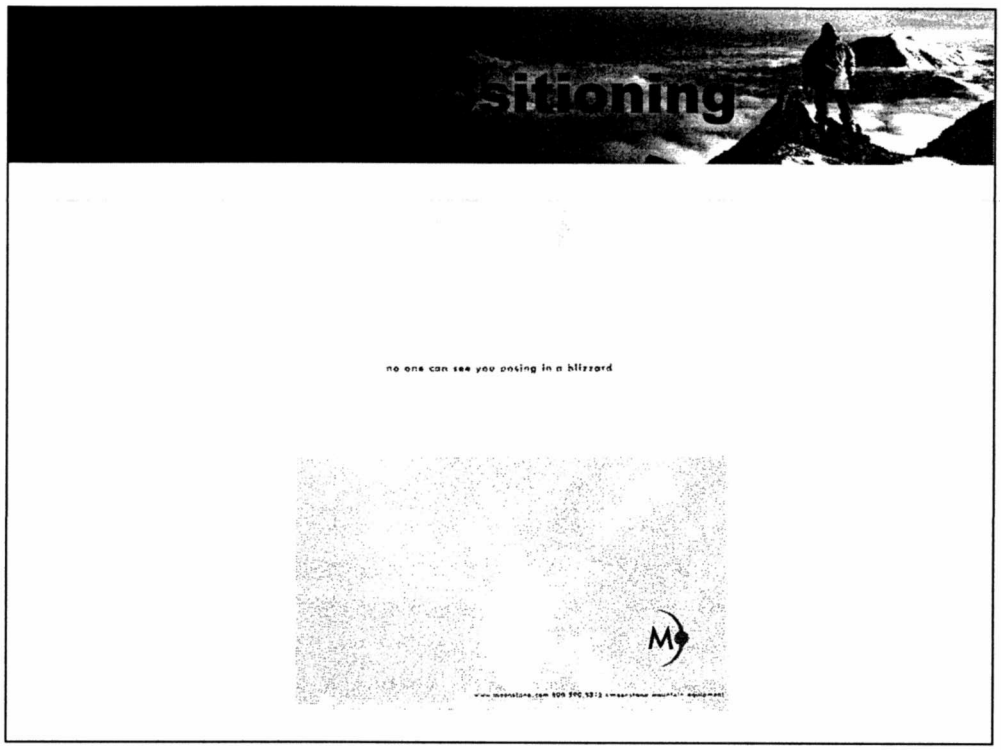
•Is the "not our parents' brand" strategy appropriate?

•Either way, is the company conveying that message appropriately?

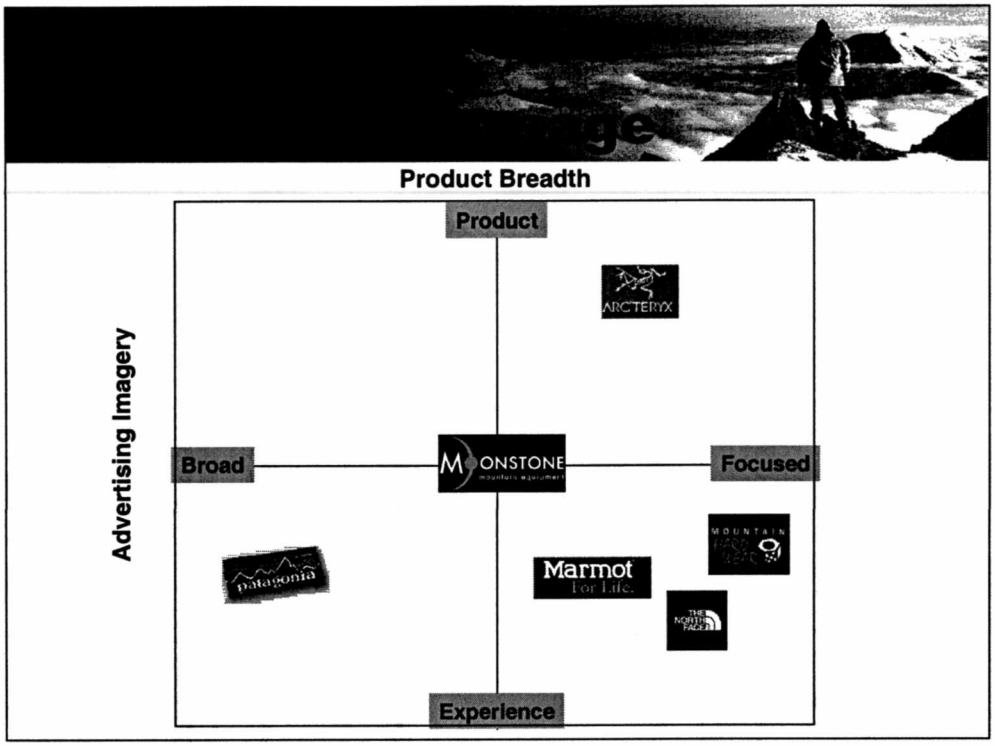


Mountaineering	$675 1 unit	$125-170 $148 avg 2 units	$320 1 unit	$390 1 unit			$85-140 $112 avg 5units
Back Country		$100-150 $127 avg 3 units	$185-315 $247 avg 3 units	$240-385 $360 avg 3 units	$310 1unit		$75 -100 $88 avg 2 units
Transition Zone			$115-250 $183 avg 2 units		$115-400 $205 avg 5units		$70-210 $111 avg 7 units
Total SKUs	1	5	6	4	6	0	14

- Broad and shallow line
- Corresponds to company strategy to provide a range of products for each customer
- Compares to Arc'Teryx which has a small product line narrowly focused on minimal product types



- Unique among competitors
- Target retailers to increase name recognition through technical magazines
- But, no apparent position: company doesn't take a stand on what it offers, what it wants to say
- Unless reader knew what Moonstone was before seeing the ad, little possibility that ad will provide that understanding
- Only a small number of readers can be expected to know the Moonstone brand



•Middle of matrix indicates that ads don't reflect a compelling message about the company or its products

•Possible opportunities lie in product/focused quadrant with Arc'Teryx, or even experience/broad with Patagonia



All Respondents	Respondents with > 50 Activity Days
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- As expected, few respondents knew about Moonstone
- Those that did, recognized its technical qualities
- Significant that Moonstone ranked above The North Face among experienced users in personal preference



- Brief histories of Kara and Adam
- Brief history of this project
- Industry Overview
- Competitor Outlines
- Competitor Comparison
- Strategic Opportunities



Search & Rescue	Alpine	High Altitude Wear	Alpinist	Mountaineering	Alpha
Expedition System	Edge	All-Mountain Utilitiy	Guide	Backcountry	Beta
HydroSeal	Endurance	Performance Base Layer	Ultralight	Transition Zone	Delta
Hydrenaline	Insulation		Ski		Gamma
UltaraWick	Capilene Underwear		Women's		Theta
Micronamics			Fleece		
TekWare			Underwear		

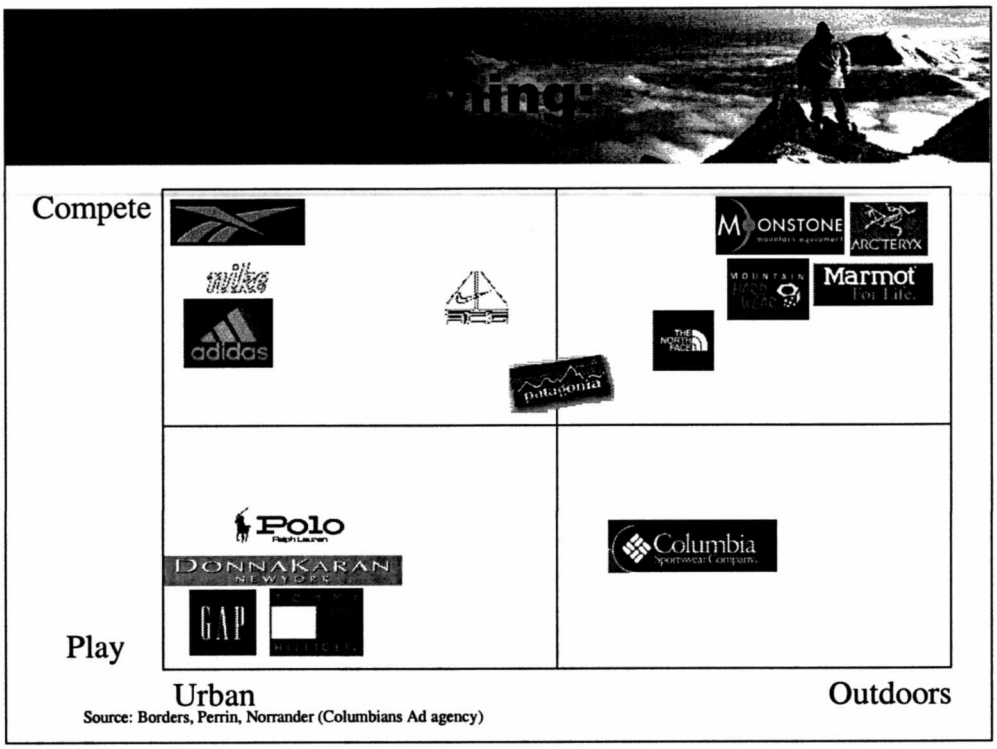
I'm a snowboarder.

I'm a serious backpacker.

I'm a beginning rock climber

What do these segmentations tell me about the products I need?

- Broader matrix: type of use (compete to play range) and type of environment (urban to outdoors)
- Reflects wider potential customer base for outdoor gear and apparel, beyond technical mountaineering segment
- Overall market perspective must also include broader range of competitors
- Significant that Columbia is alone in outdoor/play quadrant
- Moonstone positioned with all other technical apparel manufacturers currently
- Opportunity exists for Moonstone to deliberately define and project itself differently than the rest



Source: Borders, Perrin, Norrander (Columbians Ad agency)

- Outdoor sector advertising is largely indistinguishable
- Extreme experience image is ubiquitous
- Reader to infer message about product quality and potential uses in different settings and sports
- Moonstone should consider how it will try to differentiate itself: distinctive image, message, clear connection with different types of activities

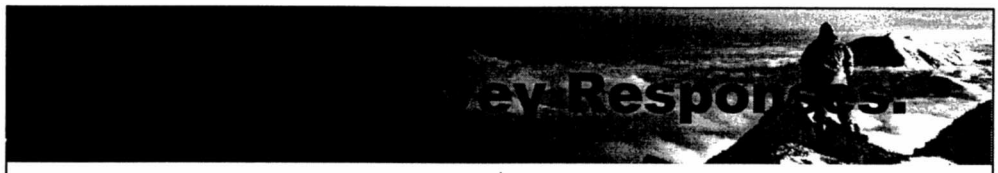


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•Products all look the same: color palates, black shoulder patches

•Why? Is it necessary to follow the style pack?



Before a retail visit, what influences your purchase decision? (rank 1-5, 1 being the best)	All	>50
•Friend's recommendation	2	2
•Read an article	3	3
•Saw a print ad	5	5
•Past experience	1	1
•Sales person's recommendation	4	4

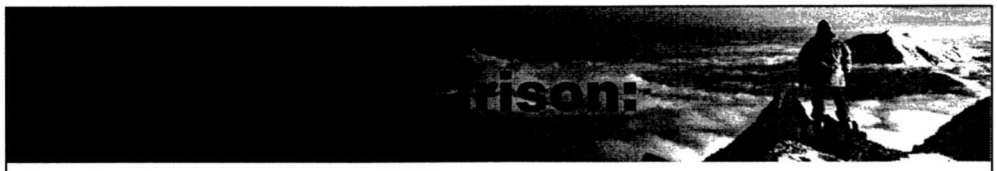
During a retail visit, what influences your purchase decision? (rank 1-9):	All	>50
•Brand loyalty	2	2
•Product features/benefits	1	1
•Price	4	4
•Retailer recommendation	7	7
•Technical sophistication	5	5
•Style	6	6
•Direct experience	2	2
•Display	8	8

Which brands do you personally own*?	All	>50
•The North Face	22	19
•Columbia	16	12
•Mountain Hardwear	10	13
•Moonstone	13	16
•Marmot	13	16
•Patagonia	27	25

* % of total responses

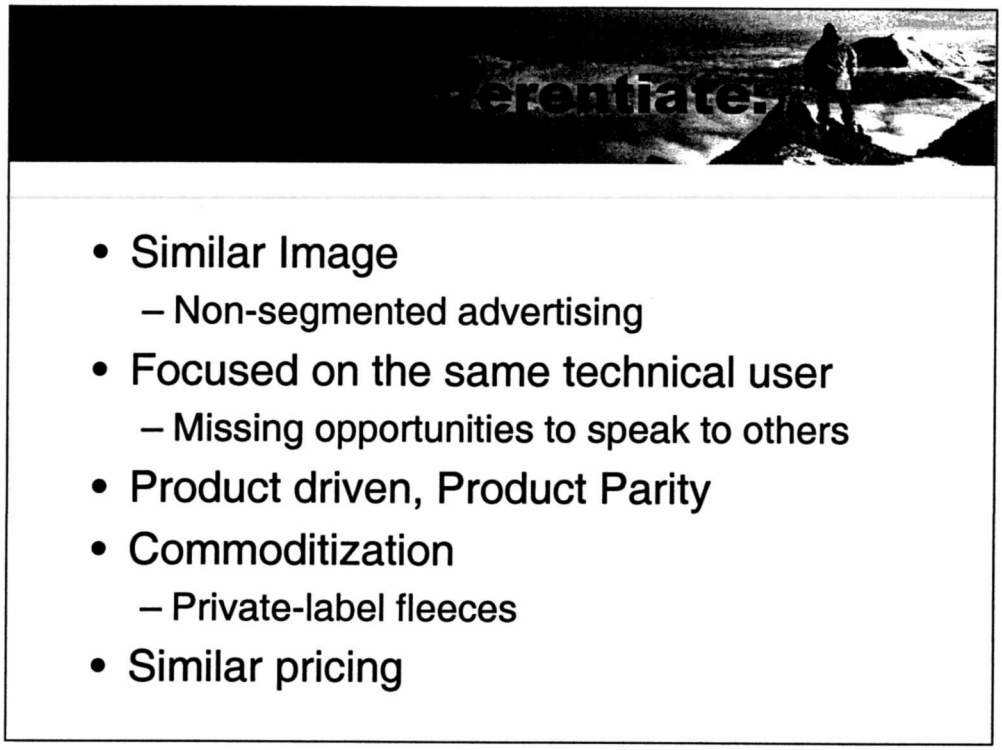
For a $200 Gore-tex jacket, how much more would you be willing to pay for these added benefits ($5, $15, $25, $35, $45, $55)?	All	>50
•Reduced weight	27	30
•Brand name	22	20
•Simplicity of use	24	24
•Lifetime guarantee	38	39
•Unique style	20	19

- We interview 50 customers to identify who their brand preferences
- As expected their was a difference in perception between the technical and non-technical users
- Other interesting insights were the amount of money people were willing to pay for lifetime guarantees and the fact that dealers don't seem to play an important role in the buying decision



Scope of Product Mix	Wide & deep	Wide & deep	Wide & shallow	Wide & shallow	Narrow & shallow	Narrow & shallow
Price	$$-$$$$	$$-$$$$	$$$$	$$$$	$$$$	$$$$
Segmentation by...	Activity	Product	Product	Product	Product	Product
Promotion	According to segment	Extreme Experience	Extreme Experience	Extreme Experience	Product	???
Distribution	Specialty, exclusive stores, web, catalogs, mail order	Specialty, larger retailers, exclusive stores, catalogs, mail order, NO WEB SITE	Specialty, catalogs, mail order, no direct web sales	Specialty, catalogs, no direct web sales	Relatively limited specialty, catalogs, no web direct sales	Relatively limited specialty, catalogs, web site under construction
Perception	Mainstream, a few technical pieces	Losing technical edge amond hard-core users	Technical, innovative	Technical	Innovative/ unknown	Innovative/ unknown

- Overall look at competitive landscape
- Product lines vary in size and breadth, but most attempt to cover the basic range of product types required by outdoor apparel users: outer to inner layers
- Larger lines offer wider range within outer/inner categories, covering a wider range of technical sophistication, fabrics, price points
- Segmentation strategies largely focus on the extreme experience
- Distribution heavily concentrated in specialty retailers; more mainstream companies branch into exclusive retail stores and larger merchandizers
- Range of customer perception: generally the larger companies with the larger customer bases have a more diluted image



•Competitors offer consumers very little information by which they can distinguish one brand from another

•Heavy emphasis on speaking to narrow target customer may leave opportunities to capture other customers that aren't widely targeted but participate in sports for which outdoor apparel is appropriate. Patagonia is the one example of a competitor reaching out to a broader, though still extreme customer.

•Product features drive product quality; suggestion that better features make a better product, with little connection between features and added customer value according to different needs

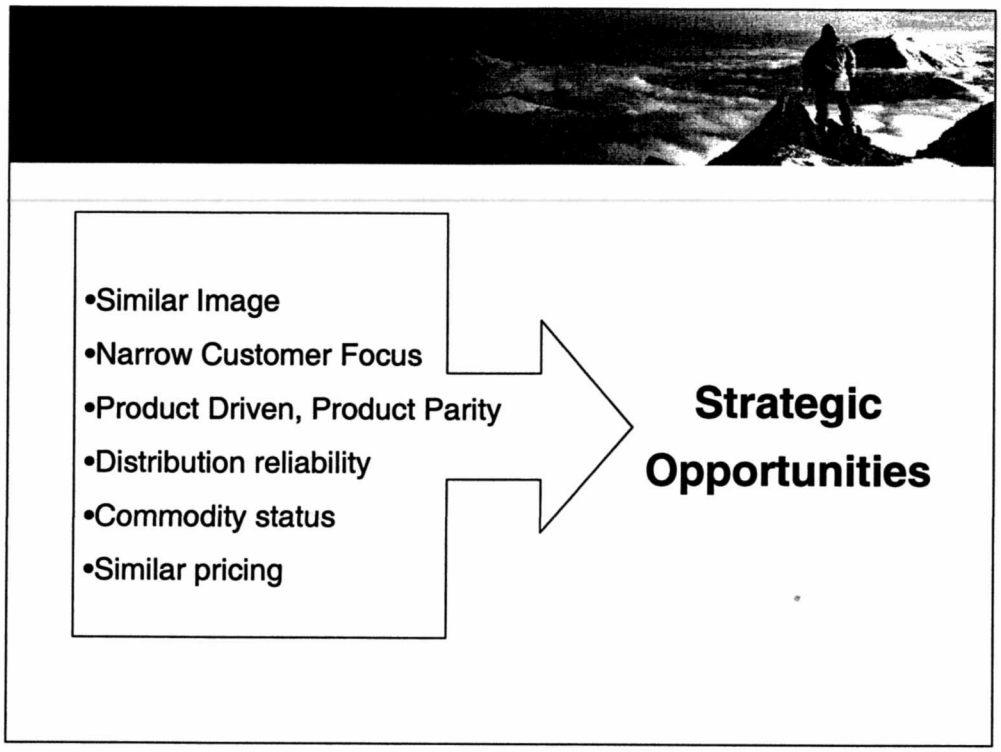
•Products themselves are difficult to distinguish. Despite internal feature distinctions, external style is also crucial.

•Certain fundamental products are becoming commoditized (possible to buy a fleece jacket at the Gap). Poses challenges for high-end manufacturers who position commodity products as basic elements of their lines (e.g., Patagonia). Opportunities lie with differentiating commodities with technology, adding unique features, tying to high-end products (zip-in features).

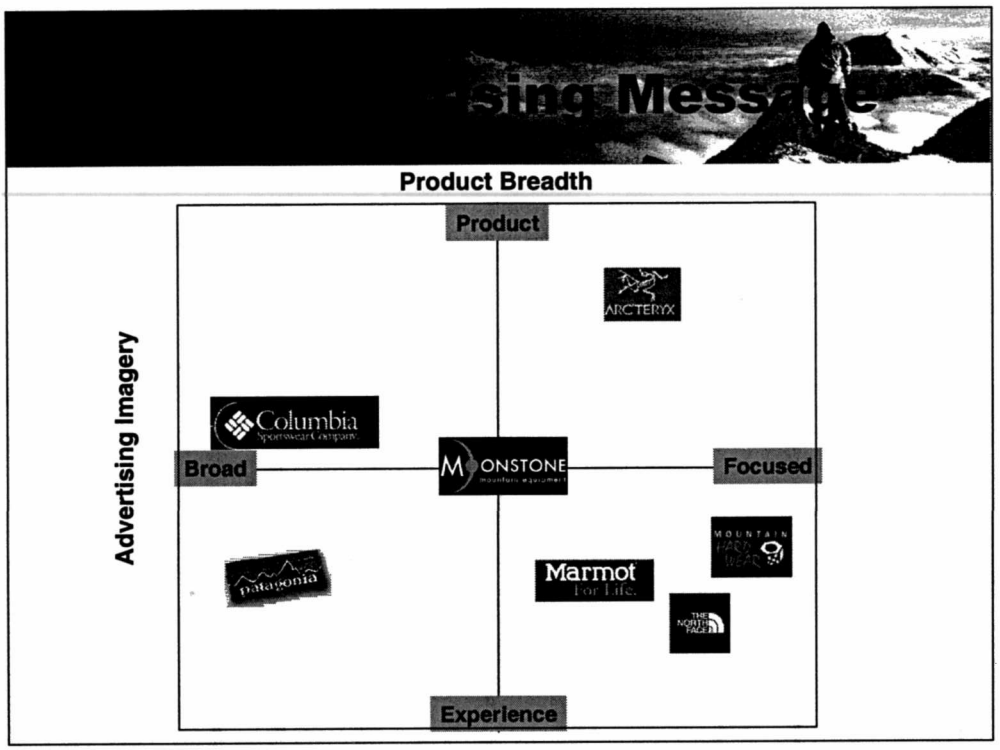
•Price points are generally comparable and generally expensive; the familiar customer with specific will recognize the connection between features and price, however a customer with fewer technical requirements might opt for a less expensive option with fewer features.



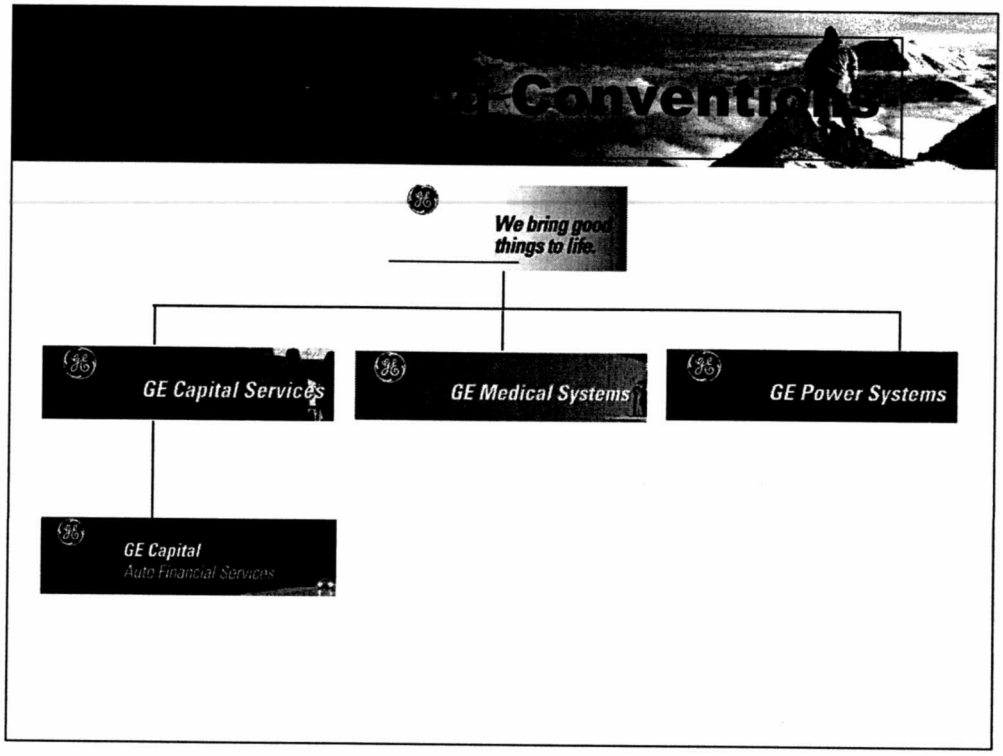
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• Given the key insight identified in the previous slides, we generated some strategic opportunities

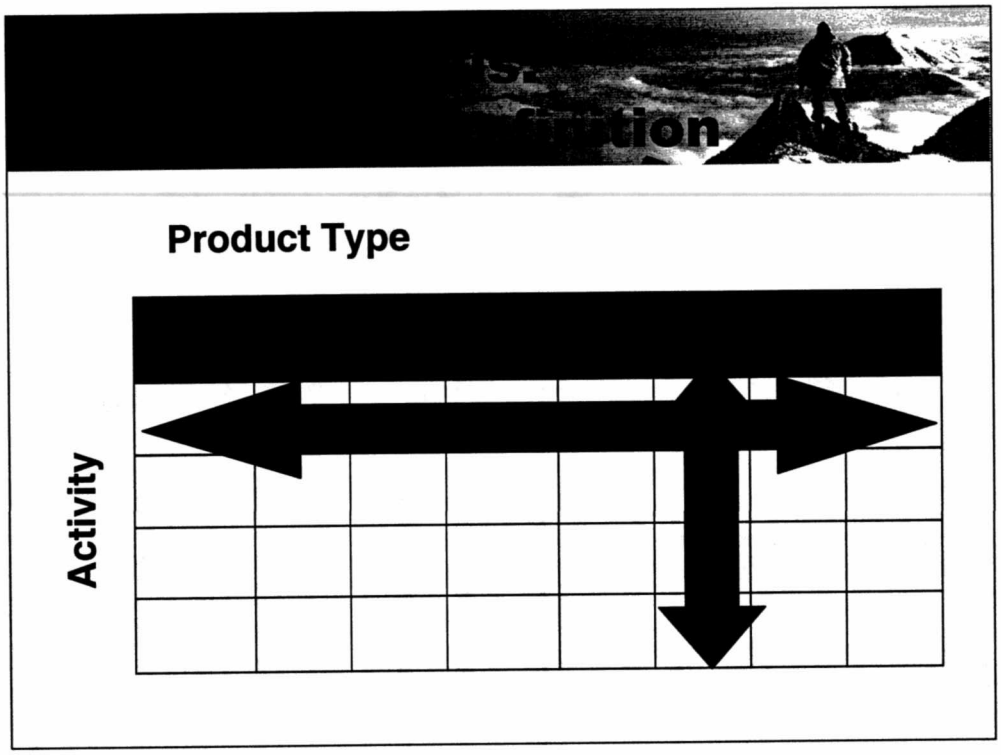


- Moonstone must decide where it wants to position itself
    - Right now it is in the middle
        - Is this a sustainable strategy?
        - Does Moonstone need to decide on a quadrant

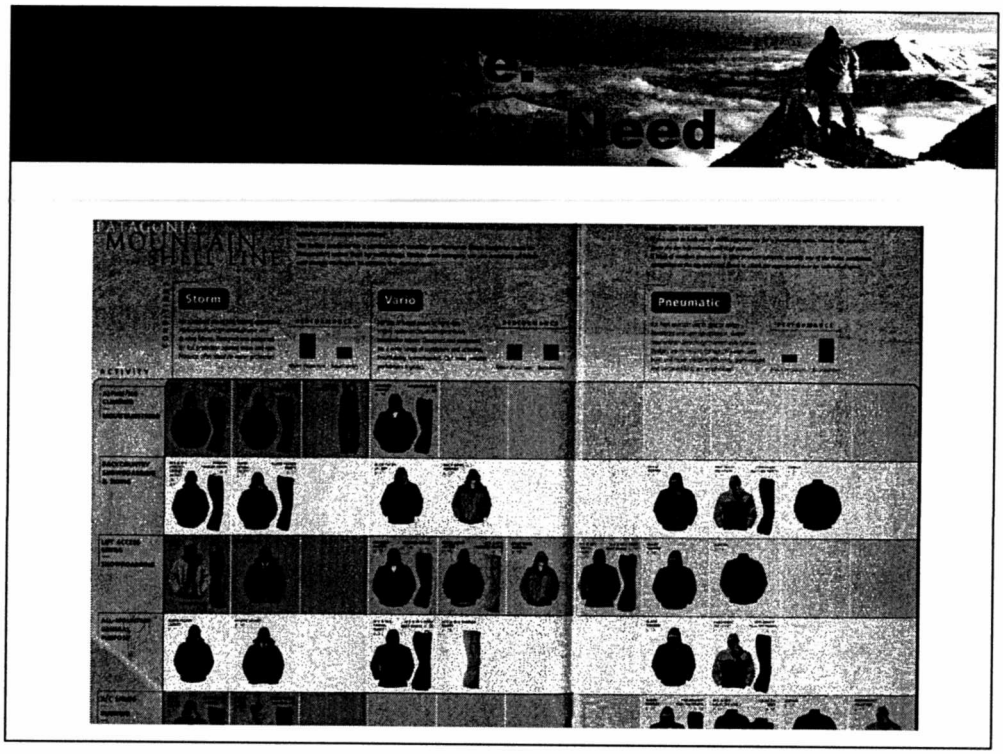


• Given the confusion among customers, Moonstone can using its naming strategy to help alleviate customer confusion

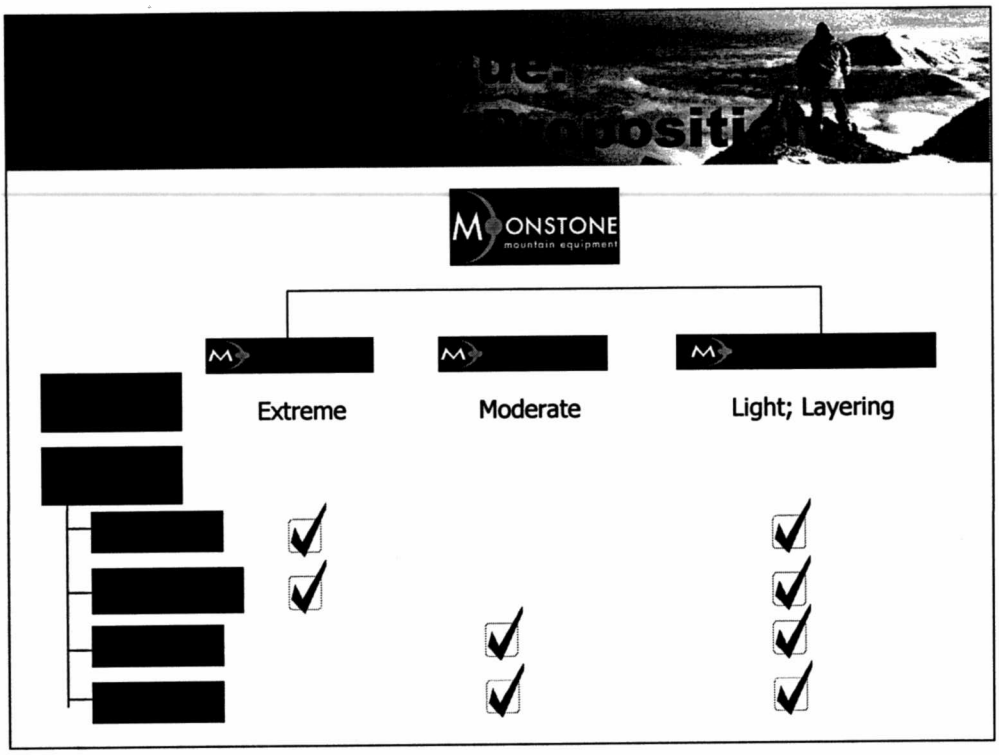
• GE has used a simple naming strategy to keep it's core brand and communicate the diversity of it varied business portfolio at the same time



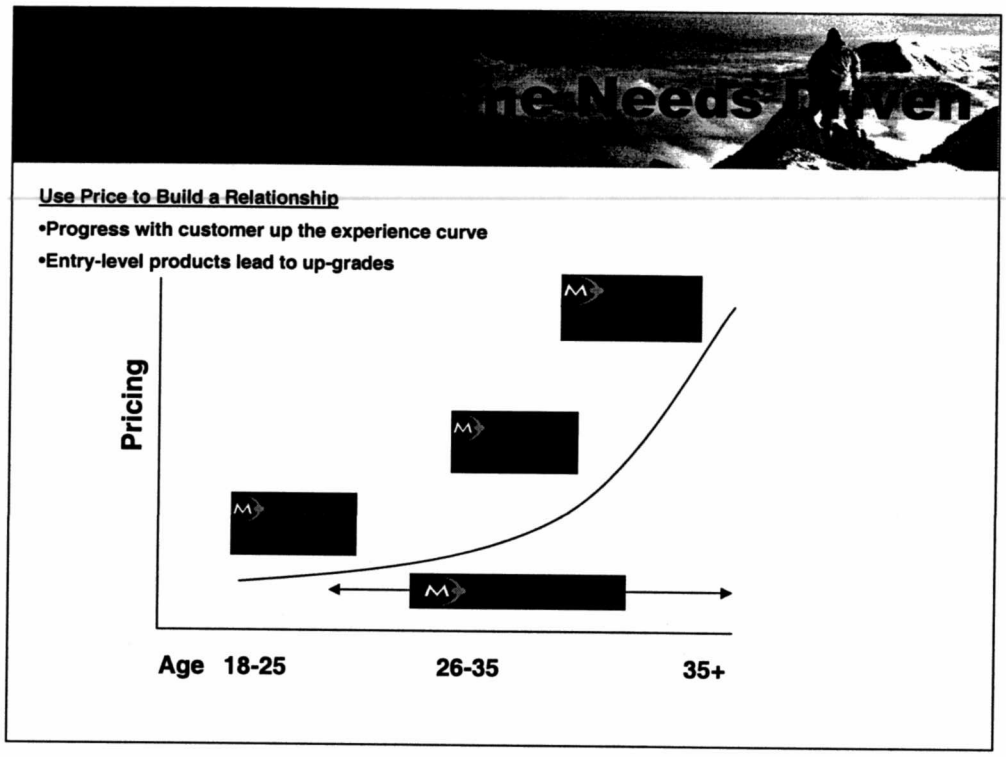
- Moonstone can also refocus its product line, choosing breadth over depth or vise versa
- Given its size, Moonstone cannot do both



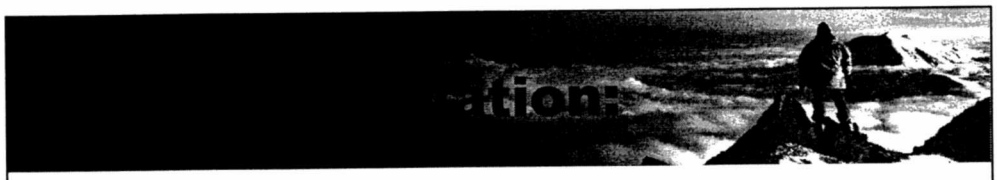
• Patagonia attempts to alleviate customer confusion by clearly segmenting out their products and the sports/activities they can be used for



• Moonstone can use a naming strategy to convey both the activity level as well as the conditions its apparel should be used for

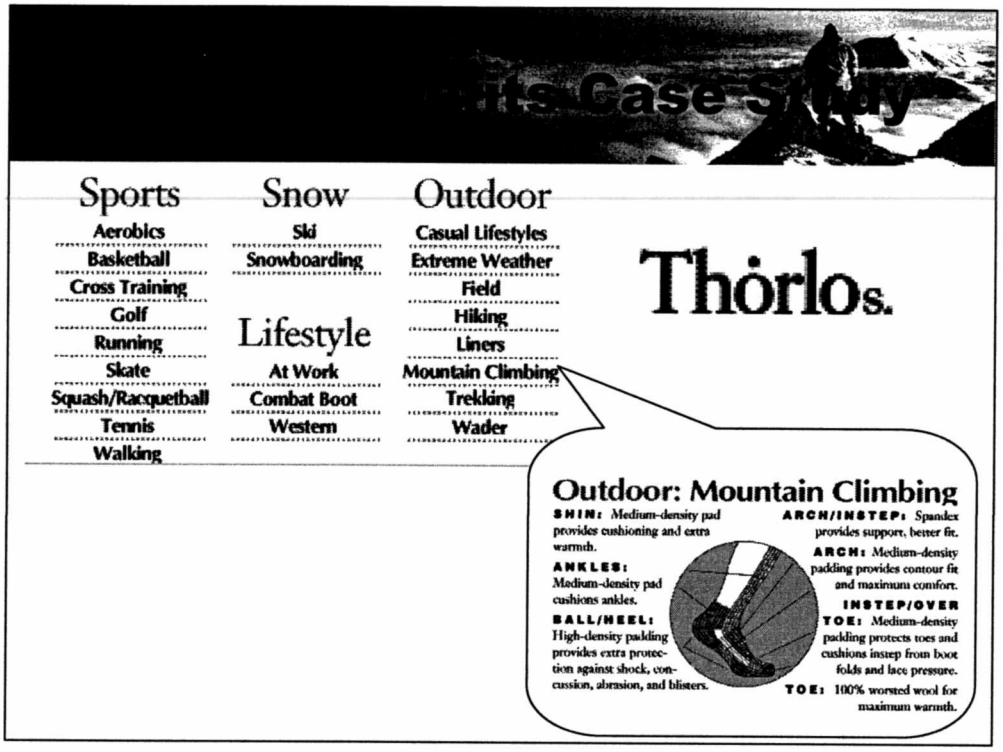


• Moonstone can also use price to gain young customers, and build a relationship as they move up the experience curve and explore more outdoor pursuits.

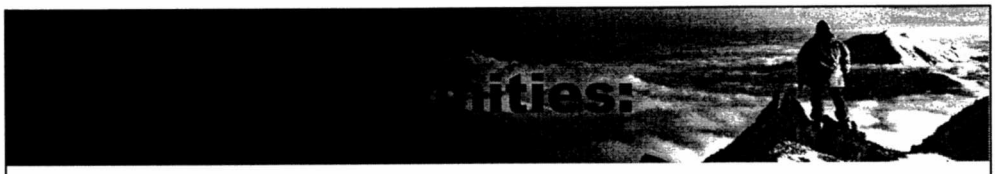


- Design
  - Specific needs
  - New features
  - Color, style
- Fabrics
  - Use what no one else is using
  - Design to specific fabrics
- Service: Customer & Dealer
  - Reliability
  - Responsiveness

- Product innovation is another area where Moonstone can differentiate itself
  - Design and fabric can set the company apart
- Service and dealer support will enable Moonstone to differentiate itself



• Thorlo is a good example of a company that has clearly segmented its products and uses very simple naming and tags to convey the benefits of its products to consumers



Distribution

- New channels:
  - The North Face: broader market
  - Patagonia: on-line sales
  - Women's catalogs: Title Nine Sports

Customer

- Educate customers
  - useful product tags
  - program/speaker sponsorships
- Translate the technical lingo into practical terms
- Convey clear benefits
- High brand loyalty potential

Dealers

- Merchandising assistance
  - product coding, tags
  - in-store signage, racks, etc.
- Retail sales training/product updates
- Reputation and integrity are key
- "Entertailing"

Linkages

- Product
- R&D
- Promotional
  - NOLS, Outward Bound
  - Everest IMAX & Mountian Hardwear

• Finally, we have identified four other areas where Moonstone can innovate and differentiate itself

• It can move into new channels

• It can create innovate merchandising displays

• It can create linkages with suppliers

• It can create alliances with other companies to engage in R&D

• It can promote high-visibility groups like the Everest IMAX Ascent team