

# 6 Kathmandu case study: Marketing

## LEARNING SEQUENCE

- 6.1 Role of marketing
- 6.2 Influences on marketing
- 6.3 Marketing process
- 6.4 Marketing strategies
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## 6.1 Role of marketing

The desire to be both a technical product and a fashion-based brand has enabled Kathmandu to broaden its market appeal. However, this also makes it more vulnerable to competition. Other businesses with a presence in Australia such as Rebel, Lorna Jane and more recently Decathlon, along with traditional competitors such as Macpac, Paddy Pallin and The North Face, also operate in the same retail space, which ensures that to survive Kathmandu must continue to evolve.

Despite the challenges posed by the current competitive retail environment, the business recently recorded an increase in sales, same-store sales growth, online sales and loyalty club members.

**FIGURE 6.1** Brand distinctiveness is an important aspect of marketing.



Marketing is an important focus of the overall sustainability of retail businesses generally and Kathmandu is no different in this regard. In the most recent financial report, its chief executive officer identified the importance of a range of strategic marketing initiatives that drive the company.

These include:

- brand distinctiveness through product design and innovation
- inspiring customer engagement through its loyalty program Summit Club
- increasingly devoting resources to social media and its digital channels
- refining promotions to increase foot traffic and basket size (number of purchases per visit) during important trading periods
- making the entire range of its products available both in store and online — a so-called ‘channel agnostic’ approach to distribution
- developing existing stores through more effective visual merchandising, product presentation and an improved customer experience
- developing global sales opportunities.

These initiatives are designed to continue engaging customers and, when aligned with distinctive, sustainable and superior quality products, create greater brand authenticity (reliability and confidence in the company’s products). This will consolidate and grow core markets as well as allowing the exploration of global marketing opportunities.

### 6.1.1 Interdependence of marketing with other key business functions

The use of an effective marketing approach will also require an interaction with the other key functional areas to ensure the operations function meets customer expectations through new and innovative products, cost control and automation. The finance function will need to use management strategies that ensure adequate funding for any marketing initiatives and human resources needs to foster a team-driven approach that encourages workers who embody the spirit, culture and attitude of the brand to generate innovative and competitive products.

Kathmandu employs a consumer-led marketing approach that targets specific market segments and focuses on how to maximise the return from each of these segments. This approach (where customer requirements are a priority) is reflected strongly in its desire to establish sustainable (ongoing, long-term) relationships that reward loyalty. The adventure travel focus (for example, trekking, camping and cycling) of the business can also be considered a niche that offers substantial opportunities for growth.



#### Resources



**Sample responses** Chapter 6 Exercise questions – sample responses (sar-0181)



**Weblink**

Kathmandu

## 6.2 Influences on marketing

A well-developed understanding of its customers and their sociocultural characteristics (age, income, education, lifestyle) and other influences such as the prevailing economic conditions (four successive quarters of same-store sales growth despite current difficult trading conditions and when several apparel retailers have closed) have an impact on management decision-making across the business.

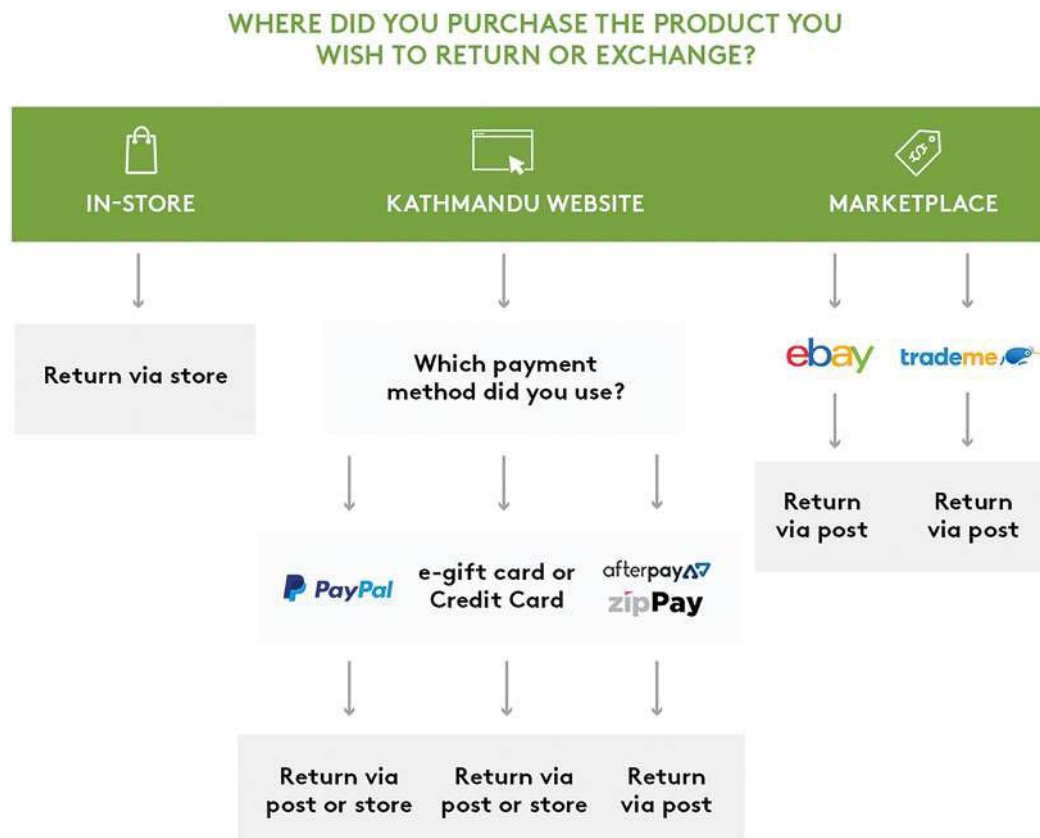
Kathmandu abides by the relevant federal consumer laws especially in respect to warranties. Its extensive returns and exchanges policy reflects this:

Kathmandu provides quality outdoor gear for travel and adventure that is built to last. We believe you will be fully satisfied with your Kathmandu product.

We are committed to complying with all obligations under consumer law. Any rights you have under this policy in relation to your Kathmandu product are additional to any rights you may have under consumer laws.

The process for seeking redress to assist consumers according to their purchase method is illustrated in figure 6.2.

**FIGURE 6.2** Return and exchange process at Kathmandu



Further, the website provides a number of opportunities for customer contact to further enhance the customer experience as shown in figure 6.3.

Its ethical approach to marketing extends to truth, accuracy, good taste in advertising and ensuring its products are safe while engaging fairly with its competitors.

For example, all products must meet compliance requirements under the 2010 Australian Consumer Law (ACL) and consumer guarantees in respect to acceptable quality of goods including that they match any descriptions or samples, meet extra promises about performance and have satisfactory repair facilities available should purchased goods require it.

**FIGURE 6.3** Contact details to assist Kathmandu customers

### Contact Us

Our excellent customer support team is here to help.

#### Phone

1800 333 484

#### Email

SUPPORT@KATHMANDU.COM.AU

#### Online Support Form

ONLINE SUPPORT FORM

#### Support Hours

Mon-Fri 8.30am-5pm AEST



### Resources



**Sample responses** Chapter 6 Exercise questions – sample responses (sar-0181)

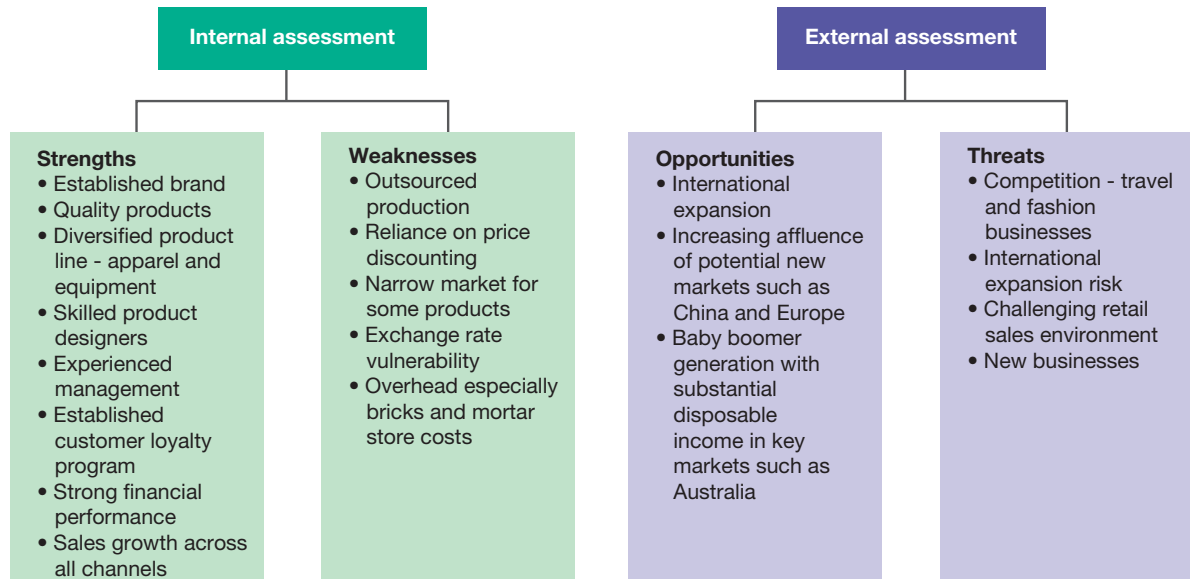


**Weblink** Kathmandu

## 6.3 Marketing process

### 6.3.1 Situational analysis

**FIGURE 6.4** SWOT analysis. Kathmandu is in the mature stage of the product lifecycle for much of its products. This phase has involved the business investing heavily in marketing strategies and adapting products to sustain its competitive advantage.



### 6.3.2 Market research

The market research process provides insight into customer requirements with respect to their product expectations. Kathmandu uses its loyalty program, the Summit Club, to provide metrics that can be used to both improve existing products and drive new lines. In particular the Summit Club database gives insight into:

- who is buying the active products
- when they made the purchase
- the most popular stores
- other products purchased at the same time.

This allows the marketing team to create focus groups to better understand the areas that it needs to improve. Recent insight gained from such discussions led to a new business strategy for the active range to encourage sales to young customers. This has resulted in a more contemporary range with an emphasis on trail running. Further, Kathmandu consolidated this newly acquired knowledge with a targeted sponsorship of New Zealand's most iconic adventure race and engaged known trail runners as ambassadors for the new range. Consequently, product awareness and sales in these product categories have grown.

### 6.3.3 Market objectives

More specific marketing objectives comprise increased brand awareness, new product development, pricing and promotion strategies, increased Summit Club membership, enhanced use of social media and digital channels, new store openings, improved in-store customer experience and global expansion. A strong environmental position that focuses on sustainable products is also a prominent feature.

### 6.3.4 Target markets

Kathmandu's target market is broad and is reflected in its diversity of products. Kathmandu has categorised its market into the following groups:

- young and serious (aspirational achievers)
- young and casual (fun seekers)
- middle aged and serious (experienced enthusiasts)
- middle aged and casual (family adventurers)
- older and serious (rediscovers)
- older and casual (appreciators).

The range of marketing strategies used by Kathmandu is varied and influenced by factors such as the time of year. For example, there are traditional Christmas sales in major cities like Sydney and Melbourne and it has diversified into a summer range of clothing (it is often thought of as a predominantly winter brand).

Kathmandu attempts to differentiate its products through contemporary style, functionality and quality and this has proven effective as demonstrated by growing sales. Its product differentiation is exemplified in its current range of clothing by a 5-in-1 rain jacket that has a number of layers, and removable sleeves and hood (see figure 6.5). Another example is a highly adaptable backpack (see figure 6.6).

**FIGURE 6.5** Jardin Women's GORE-TEX 3 Layer Waterproof Jacket v2



- GORE-TEX® 3-layer fabric: rugged, durably waterproof and windproof
- Fully waterproof and seam-sealed with a Durable Water Repellent (DWR) finish – which encourages water to roll off the surface
- Fully windproof, breathable and abrasion resistant
- Backpack-friendly, water-resistant front check pockets
- Two-way adjustable hood with wired hood peak allows free movements even when cinched
- Hood rolls away into collar
- Fleece-lined collar and chin guard for added comfort
- Water-resistant, two-way centre-front zip with internal storm guard
- Water-resistant, two-way pit-zips for ventilation
- Articulated fit for full range of movement with adjustable hem, waist and cuffs
- Internal check pocket with cord port for media device

**FIGURE 6.6** Entrada 65L Backpack v2



The 65L Entrada Backpack is an ideal lightweight pack for travellers. From the handy, detachable 15L Gluon Ora daypack to the luggage-style opening, the Entrada is designed for your overseas experience. It has a comfortable, easily adjustable harness, lockable zips and a storm flap over the main zip to protect you from the weather.

- Detachable 15L Gluon™ Ora day-pack
- Luggage-style opening
- Easily adjustable RS2 harness
- Lockable zips & storm flap over the main zip for extra weather protection
- Duffle style carry straps
- Bottle pocket & mesh pocket interior



## Resources



**Sample responses** Chapter 6 Exercise questions – sample responses (sar-0181)



**Weblink** Kathmandu

## 6.4 Marketing strategies

### 6.4.1 Product differentiation and positioning

A brand-driven approach (the consumer associates the brand with quality) has been the focus of recent marketing strategies including its most recent winter campaign. The theme of ‘gear that adapts’ was consistent with its overall ‘adaptive gear for inspired travel and adventure’ approach, which was supported by a strong narrative of how its products were highly adaptable to different landscapes, climates and individuals no matter the circumstances. It reached 2.7 million people, attracted 1.8 million views and had 35 000 website visits — easily meeting brand key performance indicators.

Its products have a heavy ecological emphasis, particularly in relation to the finite nature of resources used in the manufacturing process. For example, materials to be used in apparel are considered according to the impact their manufacturing process may have on the environment and most products are made of ‘preferred fibres and materials’. This strategy has three pillars: lead (driving innovation), connection (building supplier and industry partnerships) and inform (transparency with customers), as reflected in the *2017 Sustainability Report*:

Down is preferred because of its warmth and that it is a natural product — it is a waste product from goose farming. Often synthetic alternatives require the use of petrochemicals, however, Kathmandu recycles 33% of its synthetic insulation. This process allows manufacturing in a more environmentally safe process.

### 6.4.2 Importance of packaging

Packaging is also a consideration for any business in the retail space. An emphasis on visually appealing packaging at Kathmandu has taken second place behind eliminating waste, including zero-waste to landfill by 2018. Figure 6.7 shows the breakdown of in-store packaging waste.

Kathmandu has introduced biodegradable polybags that can be recycled. The Sydney and Melbourne stores have employed the plastic upcycling service RedGROUP that collects soft plastics to be reused as raw material for recycled plastic products such as outdoor furniture, bollards and decking.

#### GREENER, MORE EFFICIENT PACKAGING

Kathmandu produces a staggering 8 million hangtags per year. These had been produced by 120 different suppliers. This year we undertook a major overhaul of our packaging that started with an audit of all our packaging requirements. Once we had a complete picture, we could approach one supplier to take over the production. We chose Avery Dennison because they have a global network that will allow printing to be done close to garment factories and because they understand global packaging compliance requirements. Avery Dennison is also a leader in sustainability. Their Greenprint packaging audit looks at six factors — fossil material, trees, water, energy, CO<sub>2</sub> and waste. Greenprint tools help assess the footprint of packaging options and compare them to other options. Across our vast packaging requirements, even small improvements can make a huge difference to the overall impact.

FIGURE 6.7 Store waste breakdown





## PACKAGING WINS

As members of the Australian Packaging Covenant, we are scored every year. The industry average is 3.2 out of 5. This year we scored 4.7 (up from 4.5 last year) and won two awards, which reflect our work on waste management and consolidating our product packaging


*Kathmandu, Sustainability Report 2017, p. 49*

### 6.4.3 Price

Pricing strategies used by Kathmandu are heavily influenced by those offered by competitors. They are also driven by a cost-based approach as reflected in the desire to establish cost-effective relationships with suppliers. It offers similar products at varying price points often with minor price differences to reflect additional qualities for those that require it. For example, in its quest to cater for all aspects of its market, the Retreat 80 three-person tent is a basic tent designed for the occasional camper, offered in contrast to the Retreat 150 Module Tent, which offers more for the seasoned camper.

**FIGURE 6.8** Different price points for tents

#### Retreat 80 3 Person Tent



Unavailable for international shipping.

COLOUR

SIZE

3 PER

\$399.98  
MEMBER'S PRICE \$319.98

SIGN IN | BECOME A MEMBER ▶

★★★★★ 4.6 (33) Write a review

QUANTITY: 1 ADD TO CART

Buy Now, Pay Later. Interest Free with zip **Pay** [Info](#)  
Or 4 easy fortnightly payments with **afterpay** [Info](#)

Ordering & Shipping Information

CHECK IN STORE

Unavailable for international shipping.

COLOUR

SIZE

3 PER

\$799.98  
MEMBER'S PRICE \$639.98

SIGN IN | BECOME A MEMBER ▶

★★★★★ 5 (5) Write a review

QUANTITY: 1 ADD TO CART

Buy Now, Pay Later. Interest Free with zip **Pay** [Info](#)  
Or 4 easy fortnightly payments with **afterpay** [Info](#)

Ordering & Shipping Information

CHECK IN STORE

Kathmandu emphasises a strong association between price and quality in its marketing. In practice, this is implemented in all of its products through such things as inspections of distribution centres and investigations should a customer raise quality concerns. The values of brand authenticity and distinctive, sustainable products are strongly adhered to.

### 6.4.4 Promotion

Promotion such as advertising on television has a role in developing product association and in turn generating increased sales, especially during traditional retail sales periods such as mid-year and after Christmas.

In an interesting decision, Kathmandu recently engaged in some product tie-in with the television show *The Amazing Race Australia*. The local version of the international reality show follows teams of two around the country as they face a range of challenges that will eventually eliminate participants so that only one team remains. (COVID-19 restrictions limited the format of the show — contestants would usually travel by various forms of transport to exotic global destinations.)

The diversity of landscapes and physical nature of many of the activities was a good fit with the outdoor, active and healthy image conveyed by Kathmandu in its promotional material. Contestants were seen wearing apparel and carrying backpacks with the company logo prominently displayed as they travelled between destinations and throughout the challenges.

Personal selling is a focus of the company and Kathmandu ensures staff have a mix of relevant skills when employing people as customer service representatives in store. This is supplemented by extensive staff training such as practical in-store programs involving group and individual selling techniques. This has led to retail store teams being more capable of identifying customer traits and being able to adjust their selling techniques accordingly.

Other examples of relationship marketing include online-only deals that are exclusive to registered customers, are offered for a limited time and do not apply in store. Promotional codes for exclusive deals can only be applied to online purchases.

### 6.4.5 The Summit Club

The Summit Club is perhaps the company's main method of establishing effective customer relationships. Over 1.7 million members have joined and the program is currently free for students and those aged over 60. It encourages customers who love travel and the outdoors to become members. Membership offers the opportunity to participate in local and international adventures such as Himalayan treks and community volunteer opportunities. In addition, members get discounts up to 20 per cent for all full-priced gear and 10 per cent for other gear. They also earn points with every purchase, have exclusive access to Summit Club days, VIP offers and promotions, and are supported by an online help centre.

Kathmandu uses the membership of the Summit Club as a database for the company to better align its products and marketing to its customers' needs, and it is acknowledged by management as an opportunity to better engage with customers.

### 6.4.6 Publicity and public relations

Kathmandu seeks to gain publicity through a number of channels. It sponsors Summit Club members who seek outdoor clothing and equipment that will assist them with an adventure or project that is consistent with the company's values. These projects include inspirational adventures, culturally engaging projects and outcome-oriented projects that contribute to environmental conservatism.

The Summit Club events seek to get customers moving outdoors. Its range of sponsored activities include:

- Run Club program — involves free weekly meet ups and provides professional trail-running coaches

- Hike Club — provides a series of events that incorporate trail running, hiking, navigation, wilderness skills and photography tips
- Workplace Giving — the company matches donations made to charities by staff
- Neverest Challenge (Australia) and Himalayan Trust New Zealand Summit Challenge (New Zealand) — participants walk or run the equivalent height of Mt Everest to raise money for the people of Nepal.

Kathmandu's *Summit* magazine is also an important way of communicating seasonal products every quarter. It charts the travels of adventurers (often opinion leaders), recommends gear and assorted travel tips as well as tracking personal journeys all aimed at the lifestyle traveller at that particular time of the year.

### 6.4.7 E-marketing

Kathmandu is exploring more effective ways to take advantage of social media and digital technologies, shifting to more of an e-marketing based approach. It has modelled its plan on that used by similar retailers and is mostly targeting younger age groups who are more willing to engage with such digital platforms. Early indications are positive that its strategy is working and has potential for continued success, as identified in the recent growth of online sales. Kathmandu is also keen to use its website to gauge the potential of overseas interest in its products and the opportunity for access to bigger markets and sales.

While Kathmandu has invested heavily in its in-store presence and continues to upgrade where necessary to maximise the customer experience, it has also expressed the desire to complement this with its expanded online capacity. The effects of COVID-19 meant that customers resorted to online shopping during the initial stages of the lockdown. An ongoing effort in expanding technology infrastructure meant that Kathmandu was able to quickly scale up to meet surging online demand. Most recent sales indicate a 81 per cent (retail store) to 19 per cent (online) ratio.

Inspired by its customer-centred focus and innovation, Kathmandu aligned with Uber to launch same day delivery in Sydney and Melbourne in response to COVID-19 postage delays. If a customer placed an order by 3 pm, they would receive their goods the same day.

The scheme was so successful that it was soon rolled out in other capital cities (within a 10-kilometre radius). The additional benefit for Kathmandu was that it could make use of under-utilised bricks-and-mortar stores and ease pressure on distribution centre staff as sales grew.

A longer term view is being taken of the Uber deliveries, as the potential for fewer in-store visits becomes a reality and as contactless service and online demand continue to remain popular.

### 6.4.8 Place and distribution

In respect to the distribution of its product Kathmandu has employed an omnichannel approach that it hopes enables it to better meet customer expectations both online and in-store. This has included an upgrade in the website's capacity to deal in multiple currencies, international shipping on many products and a click-and-collect trial in the United Kingdom. It also continues in its desire to engage with customers both in Australia and internationally through its app, ratings and reviews of products and now has a team devoted to online marketing.

Inventory management also extends to Kathmandu's Outlet store. Out-of-season stock, products with minor faults and discontinued products are offered at heavily discounted prices in locations such as factory outlet centres.

It seeks to target a somewhat selective market, driven by its understanding of the factors influencing purchases — although as previously mentioned it breaks this market down further into age and personality groups.

The other aspects of marketing strategies relate to the importance of recently recorded in-store sales growth due to improving visual merchandising and its focused and efficient sales team.

## 6.4.9 Global marketing

From its origins in New Zealand, Kathmandu has always had a global perspective. Its continued successful expansion into overseas markets will be based on a sound global marketing strategy. It has arranged distribution with large outdoor retail and wholesale networks in Europe and expanded online sales into China. Much of this expansion has been due to its capacity to leverage its successful brand and online presence developed in Australia and New Zealand, which has encouraged a so-called 'soft' expansion into locations where it sees market potential. Despite its strength in traditional brick-and-mortar stores, Kathmandu sees its online sales potential as its main entry into global markets and is building its IT infrastructure around a hassle-free experience for customers regardless of their location.


Products are identical in different markets with scope for differentiation at this stage of its global expansion difficult. Pricing is comparable, however, as the northern and southern hemispheres experience different seasons at any one time an in-season product here in Australia that is sold for a premium may be at the end of the season in the UK, thus requiring a discounted price to allow for new stock. This may account for slight price differences as seen in the following example. The product on the left is available on the UK site for between approximately \$60–130 and in Australia the discounted member's price is \$99.98.

Kathmandu has started selling its brand-name products through two overseas outdoor retailers, SportScheck, the leading outdoors retailer in Germany, and GO Outdoors in Britain.

The vertically integrated retailer has also launched a global website, kathmanduoutdoor.com to complement its Australian, New Zealand and UK e-commerce sites, and in early 2018 was setting up shop on Alibaba's TMall Global, a cross-border marketplace that enables international brands to sell directly to Chinese consumers and is seen as way of entering the competitive global travel and adventure apparel and equipment retail market in China.

**FIGURE 6.9** Price differences between southern and northern hemispheres

### Heli Men's Lightweight Down Vest



**COLOUR**

Black, Navy, Red, Orange

**SIZE**

XS S M L XL XXL

[VIEW SIZING GUIDE](#)

£34.99 - £74.99


★★★★★ 4.6 (70) [Write a review](#)

**QUANTITY:**

1 [ADD TO CART](#)

[Ordering & Shipping Information](#)

### Heli Men's Lightweight Down Vest



**COLOUR**

Black, Navy, Red, Orange

**SIZE**

XS S M L XL XXL

[VIEW SIZING GUIDE](#)

NOW: \$99.98

★★★★★ 4.6 (69) [Write a review](#)

**QUANTITY:**

1 [ADD TO CART](#)

[Ordering & Shipping Information](#)

### on Resources



**Sample responses** Chapter 6 Exercise questions – sample responses (sar-0181)



**Weblink** Kathmandu

## 6.5 Review

### 6.5 Activities

learn**on**

To answer questions online and to receive **immediate feedback** and **sample responses** for every question, go to your learnON title at [www.jacplus.com.au](http://www.jacplus.com.au). A **downloadable solutions** file is also available in the Resources tab.

#### Select your pathway

■ LEVEL 1

1, 2

■ LEVEL 2

3, 4, 6, 8

■ LEVEL 3

5, 7

### 6.5 Exercise

1. **Identify** Kathmandu's main competitors in Australia.
2. **Outline** the strategic marketing initiatives used.
3. **Explain** the role of ethical behaviour and government regulation in marketing.
4. **Explain** why the equipment and apparel are central to marketing and operations at the business.
5. **Evaluate** the marketing strategies used by Kathmandu.
6. **How** is a mix of promotional marketing strategies used?
7. **Analyse** the marketing plan used.
8. **How** can global marketing be used to expand the market?



#### Resources



**Sample responses** Chapter 6 Exercise questions – sample responses (sar-0181)



**Weblink** Kathmandu