

Filson Growth Executive Briefing

By: The Granolas

FILSON
SINCE 1897

The Granolas Introduction



Natalie

Team Leader

Evan

Cultural/Foreign
Market Analyst

Zhu (Juju)

Researcher

Momoka

Data Analyst

Vicky

Data Analyst

Yundi

Researcher



Agenda

- Executive summary
- Target market recommendation
 - SWOT analysis
 - Market indicator matrix
 - Reason of the target market is a good strategic fit
 - PESTEL analysis
 - Market entry strategy
- Sustainability plan
 - Sustainability Profile
 - Sustainability Assessment
 - Sustainability Recommendations
- Implementation strategy
 - Segmentation and Target Audience
 - Product Adaptation
 - Pricing Strategy
 - Place: Market coverage, distribution system
 - Promotion
 - Roadmap; market development and sustainability

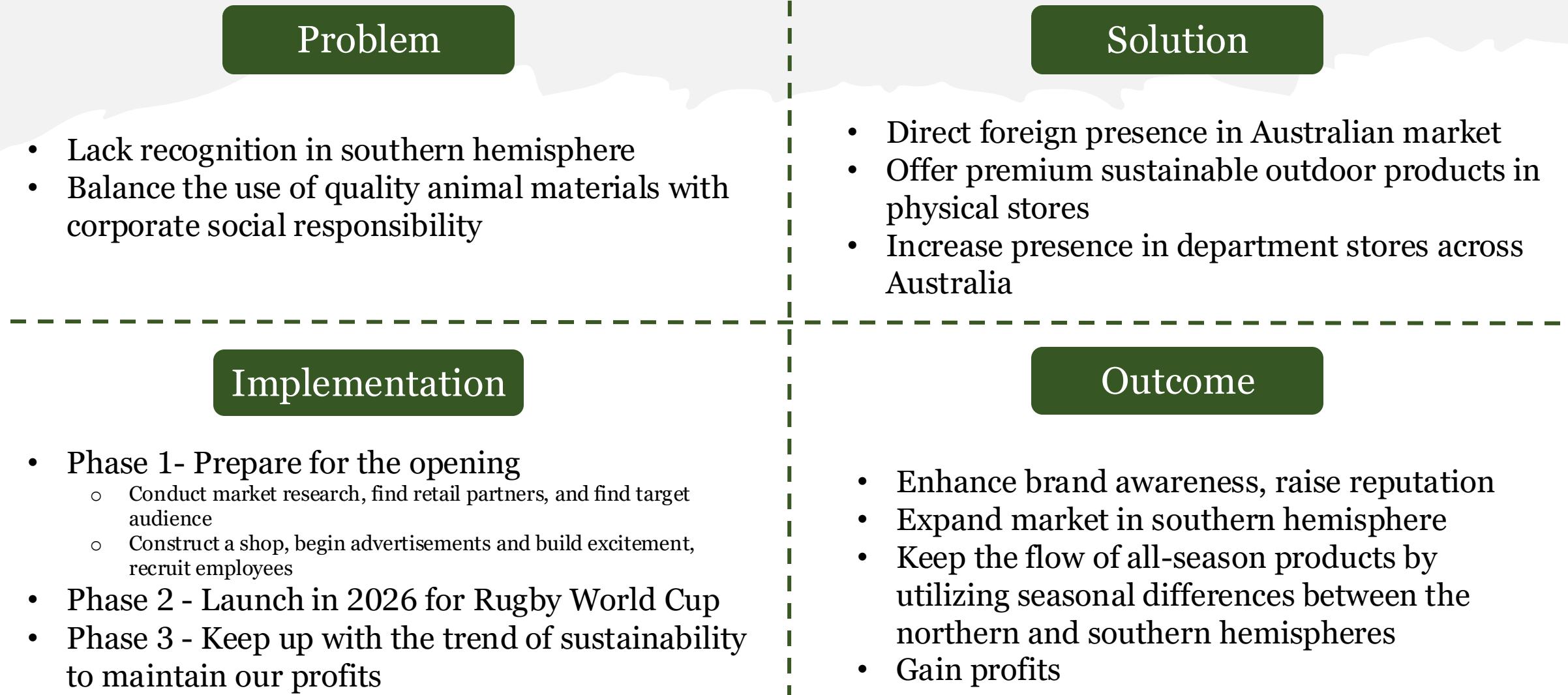
What is Filson?

Filson is a 125-year old privately owned company that focuses on producing **high-quality goods** for the **outdoorsmen and women** of the world. They produce everything from **clothing to luggage** and the sell is in their commitment to giving their customers the best.



Natalie

Executive Summary



SWOT Analysis:

Strengths

- Outdoor wear built for outdoor enthusiasts, by outdoor enthusiasts
- Comfort, protections, durability, and **QUALITY** in their products
- Longstanding brand with a longstanding, passionate consumer base
- Lifetime guarantee of their products

Weaknesses

- High prices
- Very niche audience, can't expand to other demographics
- Use of real leather may turn some environmentalists away
- Privately owned so funding may be limited
- Now manufactures overseas and that is a weakness to some

SWOT Analysis:

Opportunities

- Take the company public
- Put stores in other countries to expand consumer market
- Break into the vegan leather market to add to the consumer base
- Partnering with conservationists

Threats

- Brands with the same niche and lower prices
- Inability to meet demand due to their products being hand-made
- Rising cost of materials may hike up prices
- Competitors becoming public companies

Market Indicator Selection

Indicator 1	Level of US Exports to Country	Weight: 1
Indicator 2	GDP Per Capita of City	Weight: 3
Indicator 3	Total Market for Outdoor Wear	Weight: 2
Indicator 4	Online Shopping Engagement	Weight: 2
Indicator 5	Population of City	Weight: 2

Initial Research Data

Level of US Exports	GDP Per Capita	Total Market for Outdoor Wear	Online Shopping Presence	Population
UK: \$76.2B AU: \$30.6B NZ: \$4.17B FN: \$2.65B CN: \$151.3B DE: \$72.6B	London: \$68,569 Sydney: \$54,175 Auckland: \$46,974 Helsinki: \$59,289 Beijing: \$26,900 Berlin: \$45,993	UK: \$0.55B AU: \$0.35B NZ: \$82.3M FN: \$82.45M CN:\$23.15B DE: \$292.7M	UK: \$161B, 38% AU: \$0.35B,10% NZ: \$5.5B, 18% FN: \$82.45M,20% CN:\$23.15B,27% DE: \$292.7M,22%	London: 9.0 Million Sydney: 5.3 Million Auckland: 1.6 Million Helsinki: 0.632 Million Beijing: 21.54 Million Berlin: 3.57 Million

Market Selection Model

City, Country	Indicator 1	Weight	Points	Indicator 2	Weight	Points	Indicator 3	Weight	Points	Indicator 4	Weight	Points	Indicator 5	Weight	Points	Total
London, United Kingdom	5	1	5	10	3	30	0	2	0	3	2	6	4	2	8	49
Sydney, Australia	2	1	2	8	3	24	0	2	0	10	2	20	2	2	4	50
Auckland, New Zealand	0	1	0	7	3	21	0	2	0	5	2	10	1	2	2	33
Helsinki, Finland	0	1	0	9	3	27	0	2	0	5	2	10	0	2	0	37
Beijing, China	10	1	10	4	3	12	10	2	20	4	2	8	10	2	20	70
Berlin, Germany	5	1	5	7	3	21	0	2	0	5	2	10	2	2	4	40

Target Market Selection

Market Ranking

- Beijing, CN 70
- Sydney, AU 50
- London, UK 49
- Berlin, DE 40
- Helsinki, FN 37
- Auckland, NZ 33

Beijing, CN

- Scored the highest in
 - market for outdoor wear
 - population
- Important to consider the low GDP per capita
- Risk: Trade relations between US and China may not be favorable
 - US imports to China is not good compared to Chinese imports to the US
- Has not demonstrated a strong preference for sustainable products

Sydney, AU

- the lowest online shopping engage
- Quite high in GDP per capita
→ **able to afford the Filson's luxury goods**
- a large market for outdoor wear
- the stats of Beijing tend to simply be outliers
→ **Sydney is a more realistic choice**
- hunting and outdoor wear as well as high-quality, long lasting, and sustainable products

Final Market: Sydney, Australia

PESTEL Analysis

Political	Economic	Social	Technological	Legal	Environmental
<ul style="list-style-type: none"> • Good political relationship with the U.S. • Has a trade agreement with the U.S. (The Australia-United States Free Trade Agreement "AUSFTA") • The United States is the largest and most significant investor in Australia • Protests are allowed 	<ul style="list-style-type: none"> • Steady market growth rate • Less time consuming to start a business • High disposable income 	<ul style="list-style-type: none"> • Positive population growth and young trends • Similar culture to the US • 2/3 of Australians lead an active lifestyle • Plenty of opportunity for outdoor activity (watersports, hiking, cycling, and camping are all popular) 	<ul style="list-style-type: none"> • Technology incentives • Level of innovation • Automation • R&D activity • Technological change • Technological awareness 	<ul style="list-style-type: none"> • Low tariffs: "AUSFTA" • Imports are subject to Goods and Services Tax (roughly 10%) • Compliance with the Australian Securities and Investments Commission (ASIC) 	<ul style="list-style-type: none"> • Potential for extreme weather • Steadily increasing average temperatures • Environmental Protection act of 1977 • 8th highest carbon emissions per capita

Market Entry Strategy Assessment

	DIRECT PRESENCE	LICENSING	DEALERS
PROS	<ul style="list-style-type: none">• Better market understanding• Brand control and image• Enhanced customer relationships• Supply chain and operational efficiency• Increased market share• Local talent utilization	<ul style="list-style-type: none">• Reduced risk and investment• Leveraging local expertise• Rapid market access• Income through royalties• Brand expansion with limited resources	<ul style="list-style-type: none">• Access to established networks• Lower direct investment and risk• Local market expertise• Flexibility and scalability• Focus on core competencies
CONS	<ul style="list-style-type: none">• High initial investment• Regulatory challenges• Cultural and language barriers• Risk exposure• Operational complexity• High competition with local brands	<ul style="list-style-type: none">• Less control over brand representation• Dependency on the partner• Limited market insight• Risk of IP misuse• Revenue limitation• Potential for conflict	<ul style="list-style-type: none">• Reduced control over brand representation• Dependence on dealers• Potential for channel conflict• Margin sacrifice• Limited direct customer engagement• Risk of market misalignment



Market Entry Strategy

DIRECT PRESENCE!!

When evaluating market entry strategies, we also consider the following aspects

- Past market entry method
- Economic benefits
- Brand awareness and reputation
- Future marketing strategy
- Possibility of long-term development

Sustainability Profile

- Filson is involved in several conservation projects focused on the protecting wildlife.
 - For example, Filson heavily supports sustainable logging and has done work to promote sustainable logging in the United States. In fact, Filson dedicates over 60 stories on the journal section of its website on conservation.
- Filson supports these conservation organizations:



- Filson do their effort in long-lasting manufacturing
 - they do repairs on their products, and even create some of their products with dead-stock or salvaged materials.
- Filson focus on minimizing waste throughout their company from the manufacturing process to within their workspaces.
- "Ideals without actions are meaningless."



Sustainability Assessment

Focus Areas	Findings	Conclusions
People Change	<ul style="list-style-type: none">Increased environmental awarenessOutdoor activities gaining popularity	<ul style="list-style-type: none">Sustainability becomes more important to customers' purchase decision-makingIncreasing demand for sustainable outdoor clothing
Process Change	<ul style="list-style-type: none">Technology and innovation change production processesSustainability gaining importance in production and advertising	<ul style="list-style-type: none">New production technology → sustainable production of clothesCost and time of replacing current production methods may be highEco-friendly marketing strategies could be beneficial
Infrastructure Change	<ul style="list-style-type: none">New production technology increases production efficiencyAllow for experimentation with more materials	<ul style="list-style-type: none">Production of more durable outdoor products, applicable to more scenarios, and unique and fashionableDifficult to produce products locally for a single storeProduction technology may not be matured for cheaper production
Other	<ul style="list-style-type: none">Investors in Australia that are concerned with sustainability	<ul style="list-style-type: none">Provision of new financial resources for Filson → help with future expansion in the Australian market

Sustainability Assessment

Focus Areas	Findings	Conclusions
Industry-Level Challenges	<ul style="list-style-type: none">Consumer trends shifting to online shoppingHigh costs of transpacific shipping	<ul style="list-style-type: none">Low e-commerce trends despite increasing popularityA rise in prices in production
Company Specific Challenges	<ul style="list-style-type: none">Competition with local outdoor wear brandsBeing a private company	<ul style="list-style-type: none">lean on the "long-lasting, sustainable" marketing strategyNeed to improve transparency about goals and figures
Market Forces	<ul style="list-style-type: none">Exporting from the US to AustraliaInflation and currency exchangeFilson products being a luxury good	<ul style="list-style-type: none">Higher unit price due to exchange rateAUSFTA policy + durability of Filson's single products → cost-effectiveness
Non-traditional Forces	<ul style="list-style-type: none">Environmental push-back against leather goodsAppeal of "American-made" in a foreign country	<ul style="list-style-type: none">Need to explore alternatives to leather to satisfy eco-friendly demands while maintaining high qualityAustralia's friendly attitude towards the US → "American-made" being attractive
Business Transformation Phase	<ul style="list-style-type: none">Establish leadership in the new countryEstablish a unified global customer service standards in storesNeed for location with high foot traffic	<ul style="list-style-type: none">Hiring of expertized locals to help navigate the Australian market and local audience's needsOpening in Central Sydney with high foot traffic

Sustainability Recommendations

- Continue business recycling and extended product lifetime business model
- Use of paper bags and sustainable packaging and materials within our store
- Sustainable packaging throughout shipping process
- Maersk eco-shipping for exporting

Segmentation and Target Audience



Middle to upper income people (weekly earning \$1400 - \$2200) that are:

- Outdoor enthusiasts
 - Heritage and quality seekers
 - Professionals in the outdoor scene
- They occupy roughly 10% of the Australian population



Partnering

- Myer Department Stores
 - Main mode of distribution throughout the country outside of our Central Business District store
- Import/Export Partners (port in Sydney)
 - Organize distribution and transportation of products to retail destination
- Legal Advisor
 - Define local sustainability, import/export laws and regulations
- Cultural Advisor
 - Identify niche differences in market culture

Marketing Mix



Place and Coverage

Create offline store in central Sydney near ports

- Sell products in Myer department store nationwide
- Targets majority of (sub)urban Australians



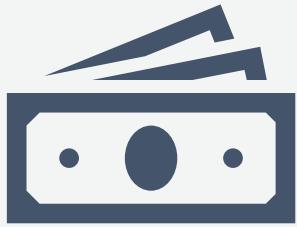
Product

Product adaptation strategy: customization and modification

- Given Sydney's temperature: use less heavy and more breathable fabrics
- Given Australians' love for water sports: consider making wet suits

15% of adults over age 15 participate in water sports

Marketing Mix



Price

Business model surrounds durability and high-quality products with a focus on craftsmanship

Meaning not much room for lower prices



Promotion

Utilize product showcases

- Have pop-up shops within major department stores
- Offer special promotions
- Collaboration with Myers

Main issues & risks with solutions

Fluctuating currency exchange rates. (Leads to revenue volatility and unstable Cashflows)

Long-term contracts with bank (lock currency exchange rate) + Agile pricing strategy

Different laws and regulations

Different customers behavior due to different cultural and social behavior

Outsource local consulting + Hiring local marketing, law and finance consultants.

Competition in apparel industry (Low barriers for entry + Local brands already have a large market share)

Have its own differentiation characteristics (features) to stand out in the market competition.

Sales performance was not as expected (Pricing strategy & Investment Termination related)

Benchmarking other global outdoor apparel companies and use Continuous improvement model.

Focus on performance of each milestones and expansion project periods.

Damage in warehouse & cargo + Contractor defaults

Employing insurance for potential product loss. Sent on-site employees and apply penalties

Road to Implementation and Success



A scenic mountain landscape featuring snow-capped peaks in the background, a dense forest of evergreen trees in the middle ground, and a vibrant field of wildflowers (including red paintbrush and blue lupine) in the foreground.

Thank You

Q&A

