

Merrell's Hydro Moc Shoe: Comfort at Home in These Uncertain Times

Achieving the goal of versatility between the outdoors,
working from home, and everything in between.

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Executive Summary

Merrell is an American company located in Rockford, Michigan that specializes in hiking gear for both men and women. Their current consumer is anyone who enjoys spending time outdoors. However, since many consumers have been forced to stay inside during the pandemic, retailers have started to notice a shift in buying behavior. Retailers product lines are referencing spending time at home in order to relate to the current consumer. Merrell is the ideal company to adapt their Hydro Moc shoe to meet the current phenomenon of “Comfort at Home in These Uncertain Times” because of the potential benefits of adhering to the new market and gaining new consumers. The Hydro Moc is meant to give comfort to individuals after a long day of hiking. This comfort can be translated indoors by adding three new colors to the existing style of the Hydro Moc as well as adding a loafer style for men and a ballet flat for women. Each new style will be made from the same materials as the existing style. The new styles and color options for both men and women will achieve a professional look the work-from-home consumer will desire. In order to meet the demands of the consumer at home, the collection will be sold on Merrell’s website as well as in-store and online at Nordstrom. The styles will launch with the current phenomenon in mind in Spring 2021 in order to provide comfort to the consumer during this ongoing pandemic. This collection will produce \$4,000,000 in the first six months. Merrell will grow its consumer base by adapting the Hydro Moc shoe to bring comfort at home during this pandemic.

About the Zeitgeist: Comfort at Home in These Uncertain Times

In March 2020, many were forced to quarantine inside their homes due to Covid-19. As a result, the living room and kitchen turned into the “office”.

Individuals were adapting to the new normal by wearing what was comfortable since they did not have to leave their living space. This comfort also brought peace to the uncertainty of life. Subsequently, retailers noticed the shift of consumer buying habits and changed the messages relating to their products. No longer were consumers going out but staying in. During these uncertain times, retailers are advertising comfortable items to entice the consumer. Comfort at home is here to stay, since many companies have extended working from home to summer 2021.

MERRELL.

Merrell's Hydro Moc water shoe was first released in Fall 2019 (Pemberton, 2020). Normally a high-performance hiking boot brand, Merrell wanted to create a shoe for hikers who wanted to relax after a day on the trails (Pemberton, 2020). Hydro Moc sales have increased due to the demand of comfortable, practical, and affordable shoes during the pandemic (Brain, 2020). The shoes offer the imagination of going outside and exploring while being indoors (Watamanuk, 2020).



CROCS™

Crocs launched as a boat shoe in 2002. This shoe is practical for kitchen workers, nurses, and others who are on their feet for hours (Cupper, 2020). Recently, Crocs has started to collaborate with brands such as Balenciaga in order to appeal to the fashion forward consumer (Cupper, 2020). Due to the pandemic, Crocs sales have started to rise again because of their comfort and affordability (Slone, 2020). Many consumers like Crocs because they purposely clash with their outfit, which is the look they are trying to achieve in quarantine (Slone, 2020).



Why Merrell?

Merrell would benefit from creating a line that addresses the social phenomenon of "Comfort at Home in These Uncertain Times" because of their product's versatility in many environments. While this shoe was created for outdoor use, the Hydro Moc has also been called the ideal "house shoe" because of their easy transition from working, dining, and resting at home (Pemberton, 2020). Since many consumers have a strong aversion to Crocs, they believe the brand is "played out" (Pemberton, 2020). The Hydro Moc is a new concept that is affordable, and many consumers will gravitate to the outdoor and indoor mix during this pandemic.

Target Market

The target market segments Merrell hopes to attract are men and women who are working from home and seeking comfort as a result of the pandemic. With fifty percent of “information workers” and one-third of every American worker able to perform their jobs from home, this is a new market for Merrell to appeal to (Dans, 2020).



Current Positioning

With Merrel's current position of being an outdoor brand, expanding their target market to consumers working from home will be a rewarding challenge. This target market will include their current consumers since they may enjoy hiking on the weekends with Merrell's products.

Competitive Advantage

Merrell's competitive advantage include having many channels of selling their product. This includes many online retailers as well as in brick and mortar stores.

Strengths and Weaknesses

Merrell's strength includes having a consumer base that is currently transitioning to working from their homes. However, a weakness includes not currently catering to an indoor lifestyle.

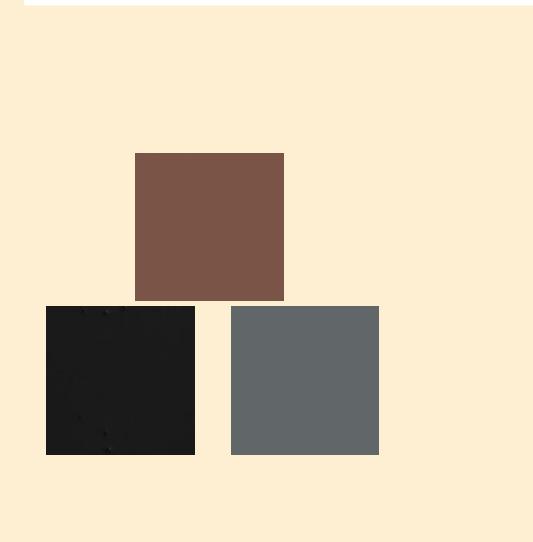
Men's Product Assortment

The men's assortment will include an existing style as well as a loafer. Merrell will produce each style in everyday, casual colorations of brown, black, and grey to achieve a professional look. Each style will retail for \$50.

In order to meet the needs of the consumer's increased desired comfort at home, each style will be made of one piece of rubberized EVA. The existing style of Hydro Moc will also have a rubber heel strap (Pemberton, 2020).

The men's Hydro Moc has a SKU count of 27 because there is 1 style, 3 colors, and 9 different size options. The men's loafer has a SKU count of 27 as well because there is 1 style, 3 colors, and 9 different size options.

The size options are currently offered on Merrell's website.



Women's Product Assortment



The women's assortment will include an existing style as well as a ballet flat. Merrell will produce each style in everyday, casual colorations of red, tan, and black to achieve a professional look. Each style will retail for \$50.

In order to meet the needs of the consumer's increased desired comfort at home, each style will be made of one piece of rubberized EVA. The existing style of Hydro Moc will also have a rubber heel strap (Pemberton, 2020).

The women's Hydro Moc has a SKU count of 21 because there is 1 style, 3 colors, and 7 different size options. The women's ballet flat has a SKU count of 21 as well because there is 1 style, 3 colors, and 7 different size options.

The size options are currently offered on Merrell's website.

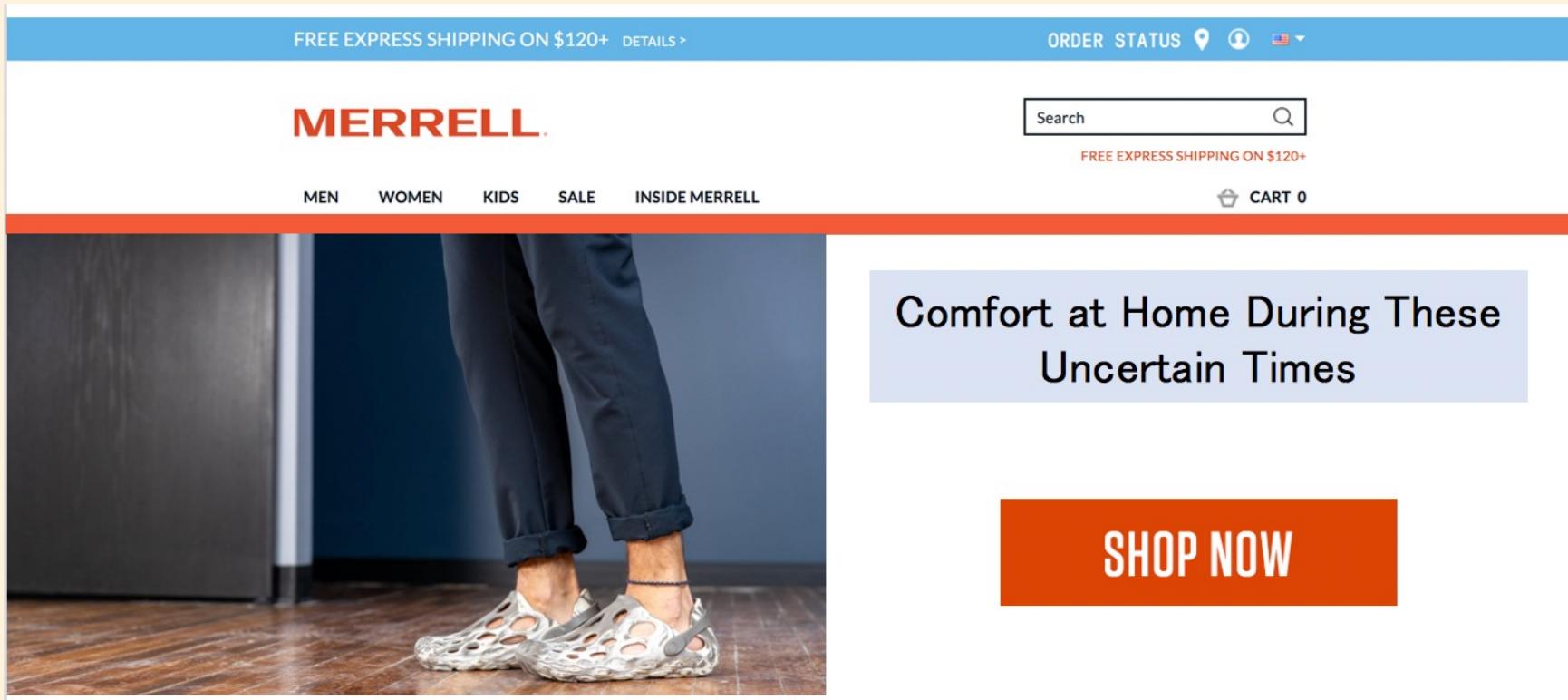
Merchandising and Distribution Strategy

Product	Retail	Cost	IMU	Margin Goals
Men's Hydro Moc	\$50	\$22.50	55%	45%
Men's Loafer	\$50	\$22.50	55%	45%
Women's Hydro Moc	\$50	\$22.50	55%	45%
Women's Ballet Flat	\$50	\$22.50	55%	45%

The men's and women's collections will launch on February 15, 2021. Product will be on sale until July 2021, running through the Spring/Summer season. The collections will launch in two retailers, Merrell and Nordstrom. Product will be for sale on Merrell and Nordstrom's websites as well as in-store at select Nordstrom locations.

The sales breakdown will be 60% men and 40% women based on Merrell's history. 75% of sales will be completed through Merrell and 25% will be done through Nordstrom's in-store locations and website.

Launch Plan for Merrell



Since the zeitgeist is “Comfort at Home in These Uncertain Times”, Merrell should only sell online because many consumers are at home. Also, Merrell does not have many brand stores since they sell their products through other retailer’s. As a result, if Merrel were to sell their new Hydro Moc colors and styles on their website, they will reach a wider consumer base. Merrell’s website will include all the men’s and women’s SKU’s. There will also be informational sizing and product material tools to assist the consumer in making a confident purchase.

Launch Plan for Nordstrom

Online



In Store



Nordstrom will carry all the men's and women's SKU's. Informational tools will be available to assist the consumer in making a confident purchase. The consumer shopping at Nordstrom is different than the one shopping at Merrell. The Nordstrom website will differ from the Merrell website because it will include more lifestyle pictures for the consumer to picture themselves wearing the product.

Nordstrom will launch the shoes in 10% of their flagship stores in major markets where database has shown strength with Merrell product. Each store will be sent the same assortment, which will include each SKU in the men's and women's sizes. There will be a designated table with the product as well information about the zeitgeist.

Target Consumers



Catherine is a 33-year-old woman who is currently working from home in Grand Rapids, Michigan. Her job is a digital marketing assistant and enjoys hiking and running in her free time. Since her office has recently delayed the return-to-office date to summer 2021, she is wanting to start investing in comfortable items to wear at home that can also be worn outside as well. When shopping, she looks for items that will last a year through multiple wears and is not afraid to spend extra for better quality. Catherine prefers solid colors in order to have maximum use. She prefers online shopping because of convenience.



David is a 54-year-old stay-at-home father. He lives in a two-story house in Seattle, Washington. His main responsibilities are taking care of the tasks and errands at home. However, in his free time, he enjoys cooking and sharing recipes on his cooking blog. David takes delight in going on hikes and walks around the neighborhood with his family. Constantly on the go, he prefers clothing and shoes that are comfortable and easy to care for. He is simplistic, preferring solid colors. Tending to shop online, David is not afraid to spend extra for quality and convenience. When the product online has informative information and great reviews, he is more likely to make the purchase.

Marketing Campaign

Reaching the Consumer

Through Instagram and Facebook, Merrell has a combined following of about 2.7 million consumers. Nordstrom's combined following is about 8.3 million consumers. The Hydro Moc will be advertised as any other product on their page has been. However, instead of the Hydro Moc being pictured outdoors, it will be photographed inside apartments and homes to present the consumer with the new environment for wearing their product.



Consumers who are subscribed to both Merrell and Nordstrom's email list will receive notice of the new colors and purpose of their product. In addition to the email's pre-launch, these consumers will also get reminders about the product through emails curated towards "What to Wear When Working from Home".



Merrell and Nordstrom's home page will feature a photo of the Hydro Moc that includes an easy access point to shop. The product will be displayed similarly to products sold on each website. Merrell's site will include more informative information compared to Nordstrom.



Marketing Plan: Spring 2021

February

- Announce and explain the product launch on February 1.
- Present a preview of the new product on social media.
- Product drop and send email on February 15.

March

- Continue to send emails about the product.
- Social media campaign “Moc @ Home” will start on March 1.
- Share consumers photos on social media with #Moc@Home throughout the month.

April

- Review and post consumer reviews on social media on April 1.
- Announce on social media the giveaway of 100 male and 100 female original Hydro Moc styles on April 15.
- Giveaway held on Earth Day (April 22).

May

- Continue to send emails about the product.
- Hold special promotion of 15% off the red women’s ballet flat for Memorial Day (May 28-31).

June

- Continue to send emails, reminding consumers to buy product before all sold out.
- Share images on social media of consumers using #Moc@Home.

July

- Share on all social media announcing the final weeks of product being in stock.
- Send email to consumers asking for feedback on product bought in February.

Financial Projections

	Dollars	Percent
Net Sales	\$4,000,000	100%
Markdowns	\$800,000	20%
Cost of Goods Sold	\$2,200,000	55%
Gross Margin	\$1,800,000	45%
Receipts	\$5,500,000	-----
Average Inventory	\$1,600,000	2.5 T/O

Nordstrom Assumptions

Overall, 50% of Net Sales done through Nordstrom (44,500 units)

60% sales in-store (26,700 units), 40% online (17,800 units)

Merrell Assumptions

Overall, 50% of Net Sales done through Merrell website (44,500 units)

100% sales online; not being sold in Merrell outlets and other retail partners

Assumptions Continued

- Conversion rate online = 5%
- Number of visitors online = 1,246,000
- Purchases online = 62,300
- Conversion rate in-store = 10%
- Number of visitors in-store = 267,000
- Purchases in-store = 26,700

Assumptions

- **Net Sales:** Wolverine's annual net revenue for 2019 was \$2.274 billion. Estimated Merrell revenue is \$400 million.
- **Units Sold:** 89,000; (total sales divided by average retail); Average retail = \$45, based on limited in-season promotions.
- **Markdowns:** End of season clearance for less productive styles and colors as well as in-season promotional activity.
- **Gross Margin:** Wolverine's total gross margin= 40.6%, expectations on this key item are 4.4% higher.
- **Receipts:** Will carry product over into next season because they are basics.

Profit and Loss

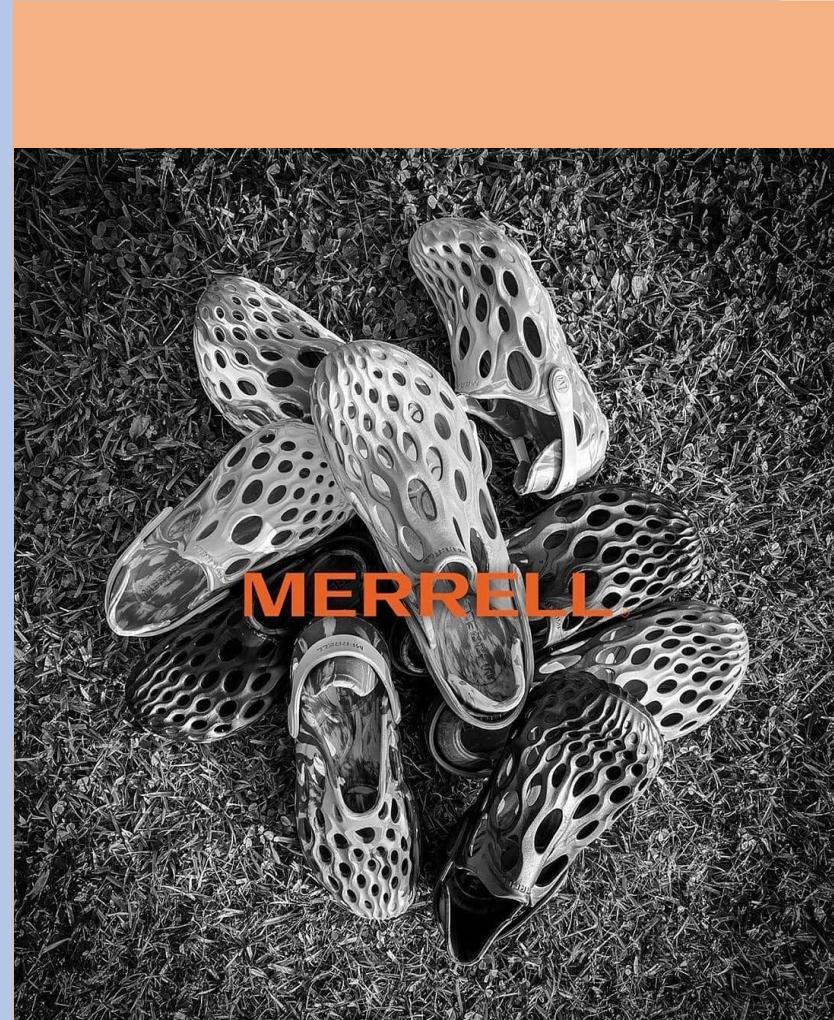
	Dollars	Percent
<u>Net Sales</u>	\$4,000,000	100%
<u>Gross Margin</u>	\$1,800,000	45%
<u>Expenses</u>	(\$131,100)	3.275%
<u>Net Profit</u>	\$1,678,900	42%

Expense Assumptions

- **Product Development and Samples = \$21,000**
 - Sample Mold of Shoes = \$10,000 each for loafer and ballet flat; \$20,000 total
 - Sample Cost = \$1,000
- **Marketing = \$110,000**
 - Social Media
 - Emails
 - Paid Searches
 - Marketing for in-store and online
 - Photography, Display Designs
 - Earth Day Product Giveaway = \$10,000

Scale Up

If the Hydro Moc exceeds expectations of sales, measures will be put in place to expand the collection and sales. This expansion will take place immediately. First, the collection for both men and women will increase by two styles for Fall 2021 and two new colors will be introduced. This growth will be evaluated at the end of each season to follow. The product will still be sold through the same channels as before but will also expand to selling the product at full price at the Merrel Outlet stores in the Pacific Northwest. The new styles will also start to be carried at other retailers that carry the existing style of the Hydro Moc.



Appendix A: Working from Home

In an attempt to stop the spread of COVID-19 in early March, many employees were forced to work from home. Lives were being adjusted because of the schedules that were put in place at the new “office”. Fifty percent of “information workers” and one-third of every American worker are able to perform their jobs at home (Dans, 2020). Also, through this same study, 98% would like to work from home permanently (Dans, 2020). However, after months of this new work environment, many employers are offering the option to work from home even if the office has reopened again. For example, Google has announced that they are giving the option to their employees to work from home if they are not needed in the office space (Dans, 2020). A typical employer can save about \$11,000 per year if the employee works from home half of the time (Global Workplace Analytics). Also, by the end of 2021, it is estimated that 25-30% of workers will be working from home multiple days a week (Global Workplace Analytics).

Appendix B: Merrell's Hydro Moc Popularity

Because of the recent pandemic, many have shifted their fashion choices. Consumers are moving towards comfort and utility when shopping because of the new reality when working from home. Dress shoe sales have dropped “71% year-over-year during the second quarter of 2020” (Biron, 2020). However, when consumers were purchasing shoes, they wanted products designed for an actual purpose. The water shoe does just that because while being stuck indoors, it reminds consumers of being outside and exploring (Watamanuk, 2020). Also, the water shoe is a bold fashion choice as well as a mix between sportswear and city wear (Watamanuk, 2020). Specifically, Merrell’s Hydro Moc shoes have been very popular. Merrell’s marketing director for lifestyle has said that the shoe has been one of their best sellers since its release last fall (Pemberton, 2020). Because of the water shoe’s versatility, it has made hikers and city dwellers both enjoy the shoe (Pemberton, 2020).

Appendix C: Comfort at Home

With more employees working from home, fashion at the “office” has had a major shift. As a result of this new attire, pant sales have been down 14%, while top sales have increased (Morgan, 2020). Also, pajama sales have increased 143% while bra sales have declined 13% (Morgan, 2020). Consumers are wanting to feel stylish and comfortable, while spending less money on trendy items. The clothing should be able to be worn for both work and leisure (Mullen, 2020). Also, as retailers have noticed this shift in consumer demand, they have started to adapt by adding specific locations for these items on their websites. For example, Nordstrom has sent out an email about “Cute shoes to wear at home or around the block”, and Rent the Runway has a section for “Perfect Zoom Tops” (Thomas, 2020).

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