Devold of Norway
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This paper is done as a part of the undergraduate program at BI Norwegian Business School. This does not entail that BI Norwegian Business School has cleared the methods applied, the results presented, or the conclusions drawn.
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1.0 Summary

In our thesis we have researched the possibility of introducing Devold of Norway in Spain. Devold of Norway is currently operating in the B2B business market in Spain with their protective clothing. This has proven to be promising. As a result, Devold of Norway is interested in the opportunity of introducing their sport and leisure wear in Spain.

To investigate we started with secondary research where we found valuable information. However, we found lack of information regarding the consumer decisions, overall consumer knowledge and awareness regarding merino wool. Therefore, we conducted several in-depth interviews, focus groups and observations, with competitors, retailers and consumers. In addition, we found that the industry as a whole was too big for Devold to have a competitive advantage. Hence, we narrowed it down and focused gradually more on the baselayer and merino wool industry.

With support from our research we found two suitable segments and we have developed generic segmentation and positioning strategies for these segments. These strategies lead us to the marketing mixes with our recommendations. The main factors regarding the chosen segments are that the main area is outdoor activities. There are distinctive differences behind the micro segments’ needs, therefore the marketing mixes have been developed to tailor these differences.
2.0 Company Profile

“Our vision is to ensure that you can enjoy outdoor life – in all kinds of weather”

Devold of Norway AS is an independent company with a long and proud history. They have produced high-quality wool clothing since 1853, which makes them one of the oldest manufacturers of knitted garments in Europe. Their aim is the same today as when Ole Andreas Devold founded the company 163 years ago, namely to create comfortable, high-quality* clothing that protects people against the elements. Last year Devold only had 0.016% complaints on their products!

Devold of Norway serves two different markets: offering sports & leisure wear and protective clothing. Their goal is to maintain their renowned product quality, which is the result of a long tradition of craftsmanship combined with the best available technology. Simultaneously, Devold of Norway has a goal to continue to to develop new, functional garments of appealing design.

Devold® sports and leisure wear comprises a wide range of comfortable wool underwear, socks, headwear, various types of mid-layer garments and knitted sweaters. Within protective clothing they supply underwear, mid-layer garments, socks and accessories. All their products are designed to protect users against cold, heat and flames.

As of today, Devold exports to 21 countries including: Sweden, Denmark, Finland, Iceland, Germany, Switzerland, The Netherlands, UK, USA, Austria, Italy, Czech Republic, Slovakia, Russia, Lithuania, Poland, France, Faroe Islands, Ukraine, Luxembourg, and Belgium. Devold also exports to Spain, but only with their protection wear.

Devold of Norway offers a wide range of products, but in collaboration with Devold we wish to emphasise on the baselayer portfolio in this thesis. The offered baselayer contains 100% merino wool and this is where Devold has their main competence. Furthermore, it is their biggest product group and Devold’s main source of income.

* Devold defines the term “high-quality” as only the best is good enough.
2.1 Merino Wool Features

Merino sheep were first bred in Spain but it was in Australia that the Merino sheep, through selective breeding, developed even finer fibre as early farmers succeeded in producing the first authentic Australian Merino wool. Devold buys most of their merino wool from Tasmania and New Zealand because these places deliver good enough materials.

Features in merino wool:

● **Soft and comfortable**
Merino fibres are extremely fine, enabling them to bend more than traditional wool. Merino wool is perfect to wear when exercising because it consist of natural elasticity so the wool will follow your movement. Merino wool is extremely breathable because it can absorb large amount of moisture, up to 35% of its own weight, then it will be released into the air. It also regulates the body temperature. It will keep you warm when it is cold, and cool when the weather is hot. Due to low micron it does not itch, low micron means long and fine fibre.

● **Easy to take care of**
It is odour resistant, because wool naturally prohibit bacterial growth. It is machine washable and you can tumble dry the products, not to mention it is also anti-wrinkle since it will return to its natural shape after being bent.

● **Reassuringly safe**
It is flame retardant and does not melt. It is also a natural barrier to UV.
2.2 Company Figures

As one can see from the numbers in the figure, Devold has a steady growth internationally. In 2014 they had a decrease in their main market, Norway. This was because they changed their distributor and the new one did not sell as much as they first promised, but this was only a fact the first year. The sales numbers from 2015 are very promising and is expected to continue its increase the following years.

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
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<tbody>
<tr>
<td><strong>Outdoor</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Norway</strong></td>
<td>98 988 000</td>
<td>128 638 000</td>
<td>113 218 000</td>
<td>133 000 000</td>
</tr>
<tr>
<td><strong>Outdoor</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>international</strong></td>
<td>17 863 000</td>
<td>23 213 000</td>
<td>26 882 000</td>
<td>36 526 000</td>
</tr>
<tr>
<td><strong>Total/outdoor</strong></td>
<td><strong>136 957 000</strong></td>
<td><strong>167 513 000</strong></td>
<td><strong>149 877 000</strong></td>
<td><strong>170 000 000</strong></td>
</tr>
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*Numbers in NOK

€1 = 9.3 kr
2.3 Seasonality Analysis 2012-2014

- Winter collection representing 75% of revenue generating significant seasonality.
- Pre-orders for the winter season are placed at the end of Q1, with delivery primarily in Q3.
- Approximately 61% of sales were supplementary in 2014.

*Numbers in NOK
€ 1 = 9.3 kr
3.0 Problem Definition

«Is there potential for introducing Devold of Norway in the Spanish market?»
3.1 Limitations

We have some limitations that we wish to emphasise, which might have impacted our process and our end result:

- Firstly, due to limited resources our research has been carried out through a convenience sample therefore we were not able to conduct research in the northern regions of Spain.
  - We accomplished our research in a restricted geographical area, mainly in Barcelona and Madrid.
- Secondly, competitors were reluctant to answer our questions and we only managed to get two interview with competing brands.
  - For instance, we were not able to get in contact with Icebreaker, and they may have had valuable information about the industry.
  - Therefore, we were not able to collect the adequate data despite our persistent attempts.
- It would have been ideal to have more updated reports and numbers about the industry.
  - However, updated reports were not available.
SECONDARY RESEARCH
4.0 Climate in Spain

- Spain’s most predominant climate is continental.
  - This type of climate affects most of the country’s surface area (excluding its coasts and mountain ranges).
- In Spain’s continental climate zone, winters are cold enough for snow and most of the rainfall occurs in late spring.
  - Summers can be hot but in the north it could be rainy.
- Spain’s Mediterranean climate is active over nearly the entire southern region of Andalusia as well as most of the eastern coast.
  - Those areas have usually a warm temperate climate with dry, warm summers and moderate, wet winters with the warmest month above 22°C over average.
- An arid climate is found in Murcia and a small corner of Andalusia.
  - Usually it is dry and hot in these areas.
- Some areas, such as Sierra Nevada (Granada) and other mountain ranges in the northeast, northwest (Pyrenees), midwest and southeast (Cordillera Bética) have a mountain climate.
  - This climate is characterised by cold winters and mild summers, with a predominance of cold temperatures.
  - Also, snow and strong winds are common in these areas.
- Oceanic climate zone dominates Spain’s northern coast and the north-western region of Galicia.
  - This climatic zone is characterised by extensive rainfall.
  - Winters are not as cold as in the continental climate zones.
  - The oceanic summer tend to be warm, but not too hot.
4.1 The Spanish Climate in the Future

- The EEA (European Environment Agency) currently predicts a rise in the average temperature in Spain.
  - Around 4 degrees by 2080, which is confirmed by UK Met Office et al. 2011.
- Temperatures in Spain are forecasted to rise steadily by 0.4°C a decade in winter, and by 0.6-0.7°C in summer.
- By 2100 temperatures in the hinterland of the Peninsula would be 5-7°C higher in summer and 3-4°C in winter.
- According to climate change projections for the Ebro basin for the periods 2021-2050 and 2051-2080, compared with 1961-1990, based on 12 regional climate models and the A1B emissions scenario, the number of warm winter nights (December to March) will continue to increase, especially in the mountain areas (25).
- Extreme summers like the 2003 spell are likely to become four times as common in Spain and southern Europe.
  - 2003: European hottest heat wave since 1540.
- For the Basque Country, model studies showed a 50% decrease in the number of frost days at the end of the century.
- Generally, precipitation is projected to decrease all over Spain, and this decrease is expected to accelerate at the end of the 21st century.
5.0 Introduction to the Apparel Industry

Definition: Apparel covers all clothing except leather, footwear and knitted garments.

- The apparel segment in Spain contributed revenues of $2,221.4 million in 2014, equating to 21.8% of the market’s aggregate value.
- In 2014, apparel and footwear in Spain registered its first year of positive growth in the review period. Reversing the negative trend which started in 2008, at the outset of the deep economic crisis.  
  - In 2014, the Spanish population finally seemed to regain trust after the country registered GDP growth. The number of employed Spaniards increased and the purchasing power of the population stopped declining.
- The growing popularity of sports and casualwear encouraged popular brands such as Desigual, Mango and Zara to introduce sportswear collections in 2013 and 2014.
- Low cost retailers continued to gain momentum in Spain, and to gain market shares  
  - For example; Decathlon, Primark.
- Online sales increased in importance in brand’s’ revenues, and manufacturers competed to offer the best shopping experience in their web stores.  
  - A “click and collect” service is already offered by all of the most important retailers, and the majority of the top players launched their web stores, including H&M in August 2014.  
  - Following this, Internet retailing registered strong growth in sales in 2013 and 2014 in terms of value.
- In 2012, prices of Spanish apparel were relatively stable compared to prices in 2011.
5.1 Outdoor Market
IN THE APPAREL INDUSTRY

By looking at this graph (European Outdoor Group) from 2015, we can see that the Spanish market is the same size as Devold's home market, Norway, both being 4%. This may give good prospects for Devold in the Spanish market. However, there are other factors to consider when looking at the outdoor market in Spain, such as the external factors and customer behaviour.

Conclusively, this graph is considered to be very useful in the strategic part of our thesis.
6.0 Habits

- The economic crisis changed consumers’ attitudes.
  - Spaniards turned to price-seeking, in other words being highly informed about different offers, as well as being critical and more demanding for a fair equilibrium between price and quality.
  - Manufacturers responded with lowering their prices, launching basic apparel lines, using online sales and attractive marketing campaigns.
- Euromonitor International Report on the apparel industry in Spain states that consumers are likely to continue investing in clothing, both in the fast, low-cost fashion and in the big names of international players, although the amount of their saving destined for clothing expenditure is unlikely to rapidly increase.
- Spanish consumers are not necessarily loyal to one brand anymore, but have a tendency to favour Spanish products or those that look like them.
- Consumers are benefiting from the situation, as promotions and outlets are widespread, permitting them to purchase at greatly reduced prices.
  - The Central Government is becoming aware of the situation and it announced the promulgation of new laws in commerce for the regulation of discounts and promotional activities.
- Spaniards like to compare brands, prices and products on the Internet. Many consumers spread their positive experience and retailers improve their policies of payments and of returns.
- Consumers embrace the “la vida low-cost” with money-saving smartphone apps and collaborative consumption becoming increasingly popular.
7.0 Trends

- A report from “The Sporting Goods in Europe 2020” states that Sports are considered to be a mega trend throughout Europe and will definitely remain as a trend.
  - This goes for year round outdoor activities. This includes year round outdoor activities, as well as winter- and team sports.

- **Trend 1: Outdoor**
  - The outdoor branch across Europe benefits from the unbroken enthusiasm for exercise and fitness in the open air.
  - For example mountaineering sports keep rising in popularity, as climbing is most popular among young people throughout Europe.
  - **Surfing** → The market of surfing apparel in Europe is expected to increase at an annual growth rate of 5%. There are 109 surfing camps in Spain. Patagonia has introduced the merino wool line of wetsuits, especially made for surfers.

- Outdoor will remain the core segment of the European sports goods market and thus relegate the previous leader, multiple sports.

- **Trend 2: “Girl Power”** → In the outdoor sector
  - Women give an ever increasing boost to sales. This is why more and more big brand name suppliers offer special products for women in this field.
  - Women are conquering the top position on the outdoor market, as far as outdoor clothing is concerned.
  - This trend will most likely continue into 2020.

- **Function** is not the only top criterion anymore.
  - An increasing number of consumers discover outdoor clothing as a trendy everyday outfit.

- A rapidly growing number of people enjoy the pleasures of cycling in the open air, therefore, cycling will remain an interesting sector.

- The traditional regular customer of multi-label sports stores are disappearing gradually.
  - This is due to the fact that it will become increasingly difficult for smaller specialist retail stores to offer a comprehensive of brand name products due to their reduced shop floor.

- Flagship stores of individual sports brand and large specialist sports stores that are guaranteed to offer their clients a wide variety of products and varied decision-making option will continue to be successful in this decade.
7.1 Trends: Online Sales

Over the years, many Spaniards have changed their purchasing habits, and online shopping is increasing greatly in popularity. This graph shows us numbers from 2013, which again tells us that online offers are becoming the number one source for shopping all kinds of products. It is important to keep in mind that this is a trend in growth of online sales and the graph does not necessarily show the absolute level in each country.

The growth of retail sales in Spain was 18.6% in 2013, but is expected to grow even more in the future.

More brands are choosing online stores or to distribute their products through third party online retailers.
8.0 Indoor Sports Versus Outdoor Sports

- It is important to keep in mind that Devold has different kinds of competitors.
- The reason for this is that the weather plays a big role when people decide how to spend their time.
  - For example, imagine a group of five people having two alternatives of how to spend their day; 
    → 1) hiking in the Spanish mountains, or 2) playing basketball inside 
    If the weather is bad, they will most likely choose option number 2, and therefore they will possibly prefer other fabrics.
- Therefore, all indoor activities can be seen as competitors, for instance handball, bowling or going to the cinema.
  - These competitors consist of all the other alternatives that include not needing the products of Devold.
- However, as we can see in “Trends”, outdoor sports are becoming more and more popular all over Europe.
  - Conclusively, this is something that Devold can benefit greatly from if they manage to position themselves correctly in the Spanish market and generate awareness among potential customers.
9.0 Competitors: Brands

- Seeing that Devold operates in the apparel industry, there are plenty of competitors.
- Their main focus area regards sports wear, and mainly outdoor sports.
  - Therefore, the list of competitors becomes a bit more narrow.
  - The reason for this is because great brands like Chanel and Dolce and Gabbana do not sell these types of clothes, Gucci have some items but not something that compares with Devold’s products.
- Devold focus on high-performance and long lasting wool clothing and we can therefore assume that the main competitors in Spain are Icebreaker, Odlo, Patagonia, Helly Hansen, Trangoworld and Boomerang.
  - These competitors/brands offers similar underwear/baselayer where wool is the main material.
- Since Devold have a wide range of wool products, there may be different competitors in the different products category.
- For instance, Devold have a competitor named Buff in the product category headcovers.
  - Buff specialises in multifunctional headwear/buffers and has managed to get a strong position in the market.
  - Then again, Buff only competes with Devold in the product category: headovers/accessories.
- In further studies we will see who are the direct competitors to Devold in Spain and what category they operate in.
9.1 Retailers

- Some of the vendors sell their own clothing lines, therefore they can be seen as competitors, and naturally some vendors can be potential distributors.

- Number 4, Decathlon, have 126 stores in Spain and is seen as one of the biggest competitors and retailers in Spain.

- Number 5, Intersport, have 274 stores in Spain and is seen as one of the biggest retailer in Spain.

- Number 2, Sport 2000, only have 2 stores in Spain, and are therefore not perceived as a huge retailer - the same as number 3, Sports Direct.

- Number 1, 6, 7 and 8 cannot be counted as a retailer because they either lack of stores in Spain or thermal wear in general.

- Barrabes is not on this list, but have 7 stores in Spain and are perceived as a retailer because they sell Haglöfs, among other brands.

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**Top sport retailers in Europe**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Retailer</th>
<th>Turnover</th>
<th>Headquarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Footlocker</td>
<td>6,292*</td>
<td>USA</td>
</tr>
<tr>
<td>2</td>
<td>Sport 2000</td>
<td>6,264</td>
<td>Germany</td>
</tr>
<tr>
<td>3</td>
<td>Sports Direct</td>
<td>3,651</td>
<td>UK</td>
</tr>
<tr>
<td>4</td>
<td>Decathlon</td>
<td>3,020</td>
<td>France</td>
</tr>
<tr>
<td>5</td>
<td>Intersport</td>
<td>2,860</td>
<td>Germany</td>
</tr>
<tr>
<td>6</td>
<td>JD Sport</td>
<td>1,698</td>
<td>UK</td>
</tr>
<tr>
<td>7</td>
<td>Groupe Go Sport</td>
<td>641</td>
<td>UK</td>
</tr>
<tr>
<td>8</td>
<td>Jack Wolfskin</td>
<td>345</td>
<td>Germany</td>
</tr>
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10.0 PESTLE

P: Politics
S: Social
E: Economy
T: Technology
L: Legal
E: Environment
10.1 PESTLE - Politics

- Members of the European Union apply the EU common external tariff to goods imported from non-EU countries.
  - Import duties are calculated on an ad valorem basis, for example, expressed as percentage of the cost, insurance and freight value of the imported goods.

- Different data shows that tension has been rising in different parts of Spain due to increased austerity measures by the Rajoy government.
  - According to business leaders, this may have a chilling effect on investment.

- Increased cuts in healthcare and education budgets has been continuing as of late 2014.
  - Spain’s national healthcare spending was cut by a total of 13.6% (nearly 10 billion euros) from 2009 to 2013, Treasury Ministry figures show - one of the biggest reductions in the European Union.
  - In 2012, Rajoy's government introduced a set of changes to the country's education system that introduced new grading systems and further funding cuts aimed at saving 150 billion euros to stabilise public finances in Spain, making the unions wanting to strike.
The crisis in 2008 is still affecting the apparel industry in Spain due to several factors such as customer behaviour and employment.

According to INE (Spanish Statistical Office) on the “Survey of family budget”, Spaniards had an average expenditure per household of €27,098 in 2013.

- The survey states that the average expenditure of apparel and footwear in homes were €1,348.
- The Spanish Bank estimates that private consumption will be 3.3 % of GDP in 2015.

Spain’s GDP returned to consistent positive growth rates in 2014 after the financial crisis in 2008, and in 2015/16 GDP growth is expected to reach 3.1 %.

- Clothing and footwear was one of the categories that showed the most positive growth in 2014, with 2.9 %.
- The capital spending increased by 0.8 %, which is an important factor to the GDP growth.

Imports are expected to remain afloat in line with final demand, according to the Spanish Bank.
10.3 PESTLE - Social

- Due to the crisis, people were forced to change their spending habits and thereby choosing cheaper alternatives seeing that many became unemployed.
  - It has left an indelible mark on local consumers, leading them to become both more value and cost conscious.
  - According to Financial Times, the Spanish economy created 525,000 jobs last year (2015), helping to lower the country’s unemployment rate to 20.9 % - still one of the highest in Europe but the lowest in Spain for almost half a decade.
  - The quarterly labour market survey found that the number of employed Spaniards rose 3 % year-on-year to 18.1 million in the final quarter of 2015.

- Having suffered a savage economic downturn that lasted for the better part of a decade, the Spanish economy is now beginning to revive.
  - The Spanish authorities implemented a tighter fiscal policy to in the long term, among other, attenuate the increase in the level of public debt as a percentage of GDP.

- Consumer buying power is also strengthened
  - The Spanish households are benefiting from higher wages, lower oil prices and a government tax reform.
According to Euromonitor International, money-saving smartphone apps and collaborative consumption increasingly popular.

- Consumers remain extremely value conscious in everything from grocery shopping to transport.
- In 2013, around half of cellphone users in Spain used their smartphone for buying goods, and you can find several price comparison websites and applications.

Internet retailing is growing rapidly in Spain.

- In 2013, Spain was the fastest-growing market for online shopping in the European Union.
- Studies have showed that this market will continue to grow by around 18 % a year until 2017 → then it will be worth an annual 9.1 billion euros.
European standard EN 14682 aims to ensure that children’s clothes are safe with regards to cords and drawstrings, including costumes and skiwear.
  ○ Producers must ensure that garments they place on the EU market are safe.
  ○ Importers, distributors and retailers are required to act with due care to ensure that products they supply to consumers are safe.

  ○ For example, fibre content labeling, care labeling, country of origin labelling and size labeling.

According to the World Bank’s Doing Business 2015, it takes 13 days to start a business in Spain, compared to the OECD average of 9.2 days.
  ○ It takes six procedures to start a business in Spain while the OECD average is 4.8.

The Spanish Government has announced the promulgation of new law in commerce for the regulation of discounts and promotional activities.
10.6 PESTLE - Environment

- According to the Professional Academy, more consumers are each day demanding that the products they buy are sourced ethically, and if possible, from a sustainable source.
  - As a whole, it has become an important aspect for consumers due to the increasingly scarcity of raw material, pollution and carbon footprint.
  - A study shows that about a third of 5000 respondents would pay a 5-10% price premium for many ethical products.
  - Labels of organic and fair-trade clothes are booming, and there are also an increasing number of brands specifically dedicated to ethical practices throughout the production process.
  - For example: Patagonia was one of the earliest defenders of environmental ethics in the activewear fashion industry and are working with Fair Trade Certified factories.

- People are more aware of the “negative sides” with the use of animals for human comfort.

- Spain is overall seen as a sunny country with high temperatures, a factor that impacts the lifestyle of citizens in Spain thereby their choice of clothing and sport activities.
10.7 PESTLE - Summary

<table>
<thead>
<tr>
<th>ASPECTS</th>
<th>FINDINGS</th>
<th>CONSEQUENCES</th>
</tr>
</thead>
<tbody>
<tr>
<td>POLITICS</td>
<td>Tension in different parts of Spain, due to austerity measures and cuts in healthcare and education.</td>
<td>Chilling effect on investment, higher willingness to strike - causing an unstable environment.</td>
</tr>
<tr>
<td>ECONOMY</td>
<td>Still affected by the crisis but GDP experiences consistent positive growth rates.</td>
<td>The category of clothing and footwear has had the most positive growth.</td>
</tr>
<tr>
<td>SOCIAL</td>
<td>Unemployment rates are going down but are still one of the highest in Europe - with higher wages, lower oil price and tax reforms.</td>
<td>Consumers are more value conscious but their buying power is also strengthened.</td>
</tr>
<tr>
<td>ASPECTS</td>
<td>FINDINGS</td>
<td>CONSEQUENCES</td>
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<td>------------------------------------------------------------------------------</td>
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<tr>
<td>TECHNOLOGY</td>
<td>Money-saving smartphone apps, collaborative consumption and Internet retailing are growing rapidly.</td>
<td>Value conscious consumers comparing prices and online shopping is very popular.</td>
</tr>
<tr>
<td>LEGAL</td>
<td>Legislations for children’s safety and consumer protection, and regulation of promotional activities and discounts.</td>
<td>Regardless of price and promotion, the products need to have certain qualities.</td>
</tr>
<tr>
<td>ENVIRONMENT</td>
<td>Consumers are demanding ethically sourced products.</td>
<td>Some consumers are willing to pay more for ethically produced products.</td>
</tr>
</tbody>
</table>
11.0 Key Areas

To find a solution to our problem definition, we have chosen two key areas to focus on:

● The first topic that we want to research is the competitiveness in the industry.
  ○ This is because we need to find out if there is a place for Devold in the industry in Spain.
  ○ Also, we must determine if they are able to compete with their competitors.
  ○ To research the competitiveness in the industry we have chosen to use Porter’s Five Forces Model.

● The second area will be consumer behaviour.
  ○ Looking further into this area, we can find how the consumers will behave towards Devold’s line of products.
  ○ By doing so it could help us find a strategy that Devold could implement.
  ○ In this area we will use the buying decision-making process.
12.0 Porter’s Five Forces

“Awareness of the five forces can help a company understand the structure of its industry and stake out a position that is more profitable and less vulnerable to attack.”

“Understanding the competitive forces, and their underlying causes, reveals the roots of an industry’s current profitability while providing a framework for anticipating and influencing competition (and profitability) over time.”

The Five Competitive Forces That Shape Strategy (Porter, 2008)

- According to Michael Porter, five competitive forces and the interaction between them determine the competitiveness of an industry.
- The model is a tool for understanding the industry’s structure and the underlying drivers of profitability.
- We have narrowed the industry down step by step, and in the Porter’s five forces we have decided to look at the baselayer sector, and a special focus on merino wool, since this is the main material in Devold’s products.

\[\text{Diagram:} \quad \text{Threat of New Entrants} \rightarrow \text{Rivalry Among Existing Competitors} \rightarrow \text{Bargaining Power of Suppliers} \rightarrow \text{Threat of Substitute Products or Services} \rightarrow \text{Bargaining Power of Buyers}\]
12.1 Threat of Substitutes

HIGH

“A substitute performs the same or a similar function as an industry’s product by a different means”
_The Five Competitive Forces That Shape Strategy (Porter, 2008)_

- The threat of substitutes can affect the profitability of an industry when the consumers choose to purchase the substitute product instead of the industry’s product.
- One of the substitutes to merino wool products is fleece.
  - Fleece is a product well recognised for keeping the body warm.
  - Also, fleece is generally cheaper than merino wool clothing.
- Other substitute materials can be cotton, bamboo and synthetics like polyester and technical underwear.
  - These other fabrics usually display lower prices than the merino wool products.
- The threat of substitutes depends on consumer knowledge about the use and the excellence of merino wool products.
- If the consumers knowledge about these factors are small, the consumers switching costs are determined to be low and therefore the threat of substitutes is high.
12.2 Threat of New Entrants

LOW/MEDIUM

«New entrants to an industry bring new capacity and a desire to gain market share that puts pressure on prices, costs, and the rate of investment necessary to compete»
The Five Competitive Forces That Shape Strategy (Porter, 2008)

- To achieve brand recognition in this industry, where many big companies already are established, is quite difficult. As we have seen regarding trends, consumers are likely to invest in clothing in fast, low cost fashion or for the big names of international players such as Nike, Adidas and Helly Hansen.

The primary barriers to entry are:
- Differentiation
  - Brand recognition and product differentiation
- Capital requirements
  - Advertising and branding
- Economics of scale
  - Affordability to enter the market equally, cost advantages
- Switching costs
  - Customers experience low switching costs
- Access to distribution channels
  - For example: Department stores, speciality shops, online sales

- The lack of differentiation in sport baselayer will foster the threat in new entrants.
  - Customers are not necessarily loyal to one brand and prefer cheaper alternatives.
  - By having minimal differentiation the customers could easily switch from a more expensive brand to a cheaper one with similar or a substitute textile.

- Online offers are becoming the number one source for shopping for all kinds of products, and the growth in Spain has been 18.6 % in 2015.
  - More brands are choosing online stores or to distribute their products through third party online, which may be an easier and cheaper way to enter.
    - Devold use €25000 to develop an online shop, this amount includes translation to Spanish, shipping, payments and customs clearance.

- However, there are many brands in Spain that are very settled and have a strong brand name that offers substitute brands such as synthetics or cotton.
  - Therefore it would be difficult for new entrants to gain a significant market share when customers usually invest in the big names such as Nike and Adidas.
12.3 Bargaining Power of Buyers
HIGH/MEDIUM

«Buyers are powerful if they have negotiation leverage relative to industry participants, especially if they are price sensitive, using their clout primarily to pressure price reductions»
The Five Competitive Forces That Shape Strategy (Porter, 2008)

- Buyers are capable of forcing down prices or bargaining for better quality by playing competitors against each other.

- Due to the aspect of discounts in Spain, it is fairly easy for buyers to perform price comparison.
  - This fact further adds to their power since many companies compete on a level of price.

- In addition, buyers in this industry do not experience high switching costs.
  - Therefore, buying wool underwear or baselayer from Icebreaker versus from Devold is very easy.

- Furthermore, their ability to substitute is quite high considering the variety of similar products.

- Yet, considering the buyer focus on style and fashion, we find that their bargaining power is not high.
  - Buyers of, for instance, wool underwear and such, are not the ones deciding the trends of fashion and what is currently in style.

- As a result, buyers do not have full power seeing that they follow trends of fashion and will buy from the companies who design with respect to those trends.
12.4 Bargaining Power of Suppliers

LOW

«Powerful suppliers capture more of the value for themselves by charging higher prices, limiting quality or services, or shifting costs to industry participants»

*The Five Competitive Forces That Shape Strategy (Porter, 2008)*

- In the apparel industry, suppliers have high bargaining power when the supply is regarding unique and undifferentiated products.
- The fact that Devold owns 90% of their own value chain gives them an unique position in the market and the supplier power can therefore be considered as relatively low.
  - Devold produce 90% of their garments in their own facilities, and because of this they have control on the working conditions of their employees.
- Devold have suppliers in cultures with different norms and values.
  - These certain standards in the code of conduct are universally applicable and all the suppliers should meet these standards.
- Some of the socks and caps are being bought from Italy and Malaysia because Devold does not have enough machines to produce these products.
  - However, there are requirements that must be documented before anything is bought.
- Devold have 8 main conventions which should prevent child labour, forced labour and discrimination and also the right for freedom and the right to organise.
- Conclusively, Devold will only need to focus on maintaining the relationship with their suppliers, since they own and control 90% of their value chain.
12.5 Rivalry Among Existing Competitors

There are several companies that sell products similar to Devold’s, but not all of these are made of merino wool.

- Most of these products are made of some kind of synthetic fabric and will therefore not offer the same benefits that merino wool products do.

The companies that can compete with Devold regarding fabric are Icebreaker, Helly Hansen, Haglöfs, Odlo, Patagonia, Trangoworld and Boomerang, and some of these are considered to be economies of scale.

- Out of these, Icebreaker is the strongest competitors because they offer a great range of products, just like Devold.
- The other companies are perceived as weak/medium strong.

As for the companies with similar products made of synthetic fabrics like Columbia, The North Face, Nike, these cannot be perceived as competitors in the merino wool industry but are competing for the same customers and against Devold in the baselayer industry because they offer substitute fabrics.

Many competitors are already settled and offer their products in different retailers around Spain and some have also gotten market share.

Overall, the rivalry among existing competitors are high in the baselayer industry.

However, when it comes to specialising in merino wool there are some competitors, but these are rivals that Devold compete with in other markets such as Germany and France.

- Conclusively, the threat of meeting them in the Spanish market is medium to low because of the lack of differentiation.
12.6 Five Forces Conclusion

MEDIUM/HIGH

By looking at the five forces we can see that the rivalry among competitors with similar or substitute materials are high. For instance, we find that products made of cotton, fleece, bamboo and synthetics can substitute merino wool.

With so many substitutes, the list of competitors expand further, for example, Icebreaker, Helly Hansen, The North Face and Nike. Also, when this list expands, the consumers get more bargaining power. The Spanish consumers search for low prices and discounts. Also, they are capable to force prices down by comparing brands. Loyalty is neither a factor that Spaniards are focusing on. Bargaining power of suppliers in the apparel industry is high, but because Devold own 90% of their supply chain the bargaining power of suppliers in Devold’s case is weak/low.

Threat of new entrants is low because there are brands with high brand recognition in Spain. However, from Devold’s point of view this would be a high threat if they choose to introduce their brand.

On the basis of this we could see that the competitiveness in the industry is medium to high.
13.0 List of Information Needed

- Who would buy the products?
  - Segment, target market
  - What influences the buying decisions?
- What products would consumers buy?
  - Needs
  - Attitudes
  - Access
  - Concerned about trends or fashion?
- What products are in the market now?
  - How is the purchase reached by the consumer?
- When and where do the consumers buy?
  - Geographic areas
  - Seasonal change
- Consumer knowledge about the use and the attributes of merino wool
- Are the consumers loyal?
PRIMARY RESEARCH
14.0 Research Design and Methods

Based on the information needed, we saw that we needed in-depth data. Therefore, it will be more beneficial for our research to use qualitative research methods. In the qualitative research it is possible to use in-depth interviews and focus groups, and we have decided to use both of these methods in order to get as much in-depth information as possible. In addition, we wanted to use observations to retain further information.

**In-depth interviews**
To get the information needed we have decided to conduct in-depth interviews with people inside the industry, this contains retailers, distributors and competitors, and to gain this information it would be best to conduct in-depth interviews. These business people often have strong opinions and could override other participants in a focus-group.

**Focus groups**
In order to receive opinions, thoughts and inputs we will organize focus groups. Here we will like to observe their attitude towards Devold’s products and the merino wool itself. The focus groups consist of active people who could be potential buyers.

**Observation**
To get an overview of what the different sports stores in Spain offer, we will visit different sports stores in both Barcelona and Madrid. We will be looking for brands of both competitors and substitutes to see what types of products they offer, and what attributes these products have compared to what Devold can offer. We will also ask the staff about merino wool to check their knowledge regarding this fabric, because this can be very important when customers are seeking advice from the staff regarding outdoor wear.
14.1.0 Observations - Madrid

El Corte Inglés
This store in Madrid offered merino wool baselayer from Odlo, Patagonia, Helly Hansen, Colombia, Trangoworld, Boomerang and Icebreaker. The products were located at the same section but it was not a delicate exhibition. It was difficult to separate the different brands and products. The collections were also on sale and the discounts were between 25-30%.

Despite our interests in the products at El Corté Inglés, no employee showed interest in helping us. So our impression on customer service at El Corté Inglés was not good.

Barrabes
The store had several products made of merino wool from brands like Helly Hansen, Icebreaker and Patagonia, as well as some products of synthetic material. The store manager was very aware of merino wools attributes and had a lot of experience with the different products. He recommended these products to people that needed new clothes when hiking and climbing.

Barrabes is an attractive store for people with special interest in outdoor sports.
14.1.1 Observations - Barcelona

**El Corte Inglés and The North Face**

These stores offered some products made of merino wool, El Corte Inglés more than The North Face. However, both stores offered mostly products made from synthetic fabrics.

The employees at both stores did not seem to know a lot about merino wool. One of the employees at El Corte Ingles actually recommended another store for us when we asked about merino wool, even though they have some products themselves.

After the observation, in El Corte Inglés, we asked some of the employees for more information regarding merino wool, the response we got was either go to another store or to go to the tourist information office.

Overall, the customer service has a potential for improvement.

**Balmat and Barrabes**

Both stores had several products made of merino wool from brands like Helly Hansen, Icebreaker, Odlo and Patagonia, as well as some products of synthetic material. The employees were very aware of the attributes of merino wool and recommended this to customers who did not know what to buy. But mostly, these two stores seemed like the places people who know what they are buying go to.

One thing that might be challenging, is that some of the competitors have similar packaging as Devold. But this problem can be solved by making sure that the boxes are upright as well as having some kind of posters that accentuates that this is Devold, and not any other brand.
Helena loves going outdoors and is well familiarised with the benefits of wearing proper clothing when spending time outdoors. She says that the most important thing for her is that the fabric is breathable and warm, and that design is not as important as function and features, even though a cool design is a bonus.

She believes that people who can use Devold might be people that enjoy hiking, skiing or simply walking outside. In addition, she suggested that people working outside could benefit from using Devold, for example biologists. However, she says that many people do not wear merino wool because it is expensive, and that people are not aware that the benefits make up for the cost. Another factor that may contribute to the small use of this fabric is the lack of advertising, thus people do not know about its existence nor its benefits.

However, she says that if people were aware of Devold, people who live in the north of Spain, or Spaniards that enjoy hiking maybe more people would buy their products.

As for the lack of advertising, she thinks it would be smart to use Facebook, “nature web pages” and put up posters in train stations and airports. She does not necessarily think that a celebrity has to front the campaign, because she and many others do not care nor know about them.

We showed her three different products from different categories, that she got to try on, and she said that for her outside activities she would prefer the Breeze category.
14.2.1 In-Depth interview 2

Interview subject: Non-consumer, Eliseo

Eliseo wears, like many Spaniards, coats from Zara and does not usually use inner layers in cold weather. When it comes to buying winter wear, neither the price nor the fabric is of concern. He usually goes to Zara because of the range of assortment, including the different designs. The clothes he buys are so-called impulse purchases, sometimes with the influence of a second (female) opinion. For him, the style and the visual aspects are more important than price and product features.

He was not familiar with merino wool or wool in general, even though he had been introduced to wool as a fabric to keep him warm when he was young. As a result, he knew more about the technical aspect of clothing, for example polyester and synthetics. However, he believes that it is better to wear natural textiles, for example wool.

When we told him about the abilities of merino wool, he got excited and started bringing up ideas. For instance, he would really like to see the wool combined with sports, surfing or swimming. These activities are among his main interests. He pursues surfing as a hobby. His idea was to combine the wetsuit with a product made of merino wool seeing that the water temperature can be colder during some parts of the year. When looking the different collections, he thought Devold’s “wool mesh” could be an option since this looked most comfortable.

He imagined the clothes to be quite expensive, ranging from €35 to 45. In his opinion, Devold’s clothes are for people really interested in sports, hiking, mountaineering, skiing and cold weather sports.

Conclusively, he thinks Devold in Spain could work, using a marketing style where the natural part and sports should be highlighted. He believes that it would be best to sell Devold products in both colder places in Spain (the North) and the big cities with the eco-friendly hipsters.
Balmat is a store that offers products for mountain climbing, hiking, camping, skiing and other activities. There are two stores in Barcelona. One which sells clothes and one which sells shoes and equipment.

Growing market
Balmat was the first store in Barcelona to sell Icebreaker's merino wool products and they have seen an increase in the sales of merino wool products the last years. Outdoor-activities are more popular now and people are more aware of the sustainability of the products they use, in all situations. Most popular for outdoor activities but also for people who work in cold storage rooms. People associate wool with warmth and they first believe that it will be too hot in the summer. But after they have tried the merino wool products they will use it for all seasons. Since merino wool products are relatively expensive, it is people older than 30 years who bought the products.

Wool products
They are offering merino wool products from Icebreaker. These products are very popular but singlets and underwear are often preferred, both for children and adults.

For some years they have been selling Dale of Norway, which is a Norwegian textile company that makes knitted wool sweaters.

Other findings
The employees have to recommend and explain characteristics about the product for customers. When the customers have tried it they will not go back to using synthetics products. The North Face, Odlo and other brands often sell products that are a mix of fabrics and not 100% merino wool. Both tourist and local people buy these products.
14.2.3 In-Depth interview 4
Interview subject: Retailer, Store manager Barrabes

Barrabes
C/ Roger de Llíria, 77, Barcelona

Barrabes is a retailer that has three of Devold’s biggest competitors available in their stores; Helly Hansen, Icebreaker and Odlo. Barrabes has 7 stores in Spain. Barrabes is mainly a store for outdoor sports and activities (Mountain and ski).

The key information we got from the store manager was that people genuinely loved the merino wool products that they carry in their stores, especially Helly Hansen and Icebreaker. In addition, Barrabes has experienced an increase in sales within their merino wool products every year in the four years they have existed. The rate of growth is not forecasted to decline. He also brought up the customers misconception of wool as an “itching” product. He said that they solved this in the store by showing the customer the merino wool product, and every time the customers got to try it on their perception of the product changed immediately.

Customer knowledge
He told us that the merino wool product was a product that they had to explain to their customers, as for example the benefits of using the merino wool and teach the customers the value of the product. But there are also people coming into the store that has prior knowledge about the merino wool products. He stated that people usually gain first time knowledge about merino wool through their circle of friends.

Growth
He stated that the merino wool products have shown a steady growth in sales every year, this includes products for women, men and children. The store manager thought that a main reason for the increasing popularity could be that the consumers are more aware of the products than they used to be. He was confident that the growth in sales would increase in the following years as well.

In addition, he pointed out that parents often bought the merino wool products for their kids, especially when going on skiing trips with the family. He emphasised the importance of the customer knowledge, seeing that it would to defend the high prices. This was not a big challenge seeing that communication between employee and customer usually runs smoothly.
14.2.4 In-Depth interview 5
Interview subject: Distributor, José

About
José has been collaborating with Devold since 2004 and selling their products in Spain and Portugal. His main focus is on Devold Protection because this is the market he has most knowledge and experience in.

Spaniards
They have little knowledge about merino wool and prefer trademarks such as Nike. Do not pay attention to underwear (baselayer) and focus on the visible products (sweater, pants, footwear). People that are interested in sport and outdoor know what they want. They often associate wool with itching and in thicker clothes. However, those that try merino wool and Devold does not go back to substitutes. José have sponsored some athletes with Devold’s products because he thinks word-of-mouth is important in this business.

Discounts
Consumers pay attention to the discount. Retailers want the best prices and discounts, but for an agent, such as José, it is hard to get them a big discount because he has limitations and no authority to make such decisions.

Competitors
Icebreaker is the only player with the same wide range of products as Devold. José knows there are other players that sell merino wool

Retailers
José thinks Barrabes could be a future retailer for Devold. This is because of their focus on outdoor, like hiking and climbing, and the fact that they are located near the mountains. According to José, retailers in the mountain areas sometimes do “mafia business” because they have control and are pressing down prices and want discounts.

El Corte Inglés
Potential retailer but José have experienced that the retailer have copied products from former collaborations. For instance, Helly Hansen sold their line in El Corte but they copied and made their own brand, Boomerang. Small producers or agents, such as himself, have difficulties with entering El Corte Inglés because of their size.

Devold in Spain
Regarding the price, Devold is in the market and José thinks there is a place for Devold of Norway in Spain. However, Spaniards need some convincing. He thinks the niche would be people with special interest in outdoor sport and who are located in the north.

«There is a place for Devold of Norway in Spain, but Spaniards need some convincing»
14.2.5 In-Depth interview 6

Interview subject: Distributor, Andrés

Potential in the market
Andrés thinks that, despite the crisis, the leisure sports are increasing. More and more people run, new gyms are opening everywhere and the interest around outdoor activities like skiing, hiking and trekking are increasing.

Distribution
The only thing he think could be a problem is the distribution of Devold’s products. It will be difficult to sell massive amounts of Devold in the beginning. Therefore, it have to be sold in a store where the sellers can recommend the products and customers can feel it, try it and discuss it. He sees an opportunity in opening own store in an important mall, for example, in Madrid or Barcelona near a ski or sport shop. If it works, he recommended to keep opening shops.

Geographical area
Mainly north of Spain or important cities like Madrid and Barcelona. Also other cold places like the mountains and different countries.

Change their preferences
In Spain, merino wool is not usual to wear, unless it is a thick sweater. Many associate it with their grandmother who knitted heavy, thick and itchy wool sweaters. When he has shown people products from Devold, they did not believe him at first when he said it was wool. He sees a huge potential for sporty people who has interest in wearing high performance clothing when doing sports. For those that do not practice much sports, he thinks technical synthetic clothes will be preferred.

«Almost all the people I have shown Devold’s products for the first time, look at me and say “Really, is this wool?”»
14.2.6 In-Depth interview 7

Interview subject: Competitor, Patagonia

We managed to get a hold of the manager (Mikel) from the Patagonia store in San Sebastian. Patagonia is the leading brand in the activewear fashion industry and offers a wide range of sport clothes, including merino wool baselayer. The store in San Sebastian specialise in surfing, skiing and hiking.

According to Mikel, Patagonia offers merino wool baselayer only in the fall and winter season, due to the demand from the customers. However, they offer their merino lined wetsuits all year around. This wetsuit has been a success but Patagonia still have a tendency to replace this line with the polyester in their wetsuits. The reason for this is that customers still favours the polyester. Mikel thinks this is because of the lack of knowledge of the merino wool.

The customers who use the merino wool wetsuits and the baselayers like the feeling of being comfortable, such as the warmth it gives them. Regarding those who enjoy hiking or climbing the performance of the merino wool is valued. This is also the opinion the rest of the staff at the store have.

Mikel believes that customers who try merino wool products would not go back to other substitutes such as polyester. Regardless, it is important to educate the consumers about the attributes of merino wool because there is a lack of knowledge in this market.
14.2.7 In-Depth interview 8
Interview subject: Competitor, Helly Hansen

After doing observations and interviews with retailers we saw that Helly Hansen was one of Devold’s main competitors in the Spanish market. Based on this, we concluded that it was important to gather information from Helly Hansen.

Helly Hansen has seen an increase in demand of merino wool baselayer in the last years, due to the fact that outdoor activities are trending. They only offered merino wool in the fall before. However, because of this trend they have been selling merino wool the last years during all seasons. In summer, they offer a baselayer which include both merino wool and polyamide. In fall, they offer the baselayer with 100 % merino wool. The reason why they have chosen this is based on seasonality.

According to the store manager at Helly Hansen, the consumers who buy the baselayer with merino wool are people who are active in outdoor sports, where both hiking and climbing are very popular. Those who hike and climb is most interested in the performance it provides them with. People who participate in water activities, such as sailing and surfing, are also interested in using merino wool baselayer. These use the products mostly to stay comfortable.

He believes that there is much potential in the merino wool baselayer industry in Spain, but the customers need more knowledge about this product.
14.3.0 Focus Group 1

Participants: Young women in the age of 21-24, all active in indoor sports, but some in outdoor activities as well.

One of the participant showed a great interest of spending time outdoors, unlike the others who usually do not spend as much time outside. This participant was aware of the biggest players in the industry as well as being the only one who prefers to use several layers when going outside.

The group named Zara as a brand where they often buy their warm winter jackets. It is important for them to be able to take off their jackets easily when for example using the metro.

When asked about where they usually got input on their clothes, they named friends and that they generally went to the store to find the things they were looking for.

The group did not seem to have much knowledge regarding different types of fabrics, other than being aware of polyester. A common denominator for the group was that they were not aware of merino wool nor Devold, which we found out after showing them the products.

As for regular wool, they agreed upon thinking that it itches and they therefore prefer using other fabrics like cotton and polyester, and maybe using wool over the baselayer.

The group also agreed upon Decathlon as the best place to go when buying sports wear, both for indoor and outdoor use. As for brands they knew about, they listed Helly Hansen, Mammut, North Face and Salamon. They had also heard about Patagonia, but not Icebreaker.

Observation
They all seemed to like the Devold’s products we brought, and at first the price they were willing to pay was around €20. However, when we told them about the features and what makes Devold and merino wool great, they said they would be willing to pay more, up to €40-50.

When presenting the different collections of the baselayer we saw that the Devold Breeze and Devold Energy was the most attractive. They thought the baselayers looked like “normal” clothes and they did not believe it was wool.

The group agreed when saying that they think Devold would become popular for people who like hiking and going outdoors if they were aware of the company’s existence.
14.3.1 Focus Group 2

Participants: Young women in the age of 19-20, all active in indoor sport, but some in outdoor activities as well.

They normally shop at Zara, Pull & Bear, Delta and Primark, and the clothes are made of cotton, polyester or leather. They often do not buy/wear one thick jacket, but prefer to wear layers, so they can adjust depending on the temperature. They said that the most important aspects for them when buying clothes were comfort, price, design and if it fits their body type.

For sports clothes they normally go to Decathlon, Roxy, Wala or outlets (mostly the one close to Parc Güell). For warmer winter clothes, the participants said that they buy this very seldom, because they do not feel the need for this type of clothing in Barcelona, only when they are going skiing, or somewhere colder. When they do buy this type of clothing, the fabric has to be able to “breath”, so the sweat does not stay on their bodies and make them cold.

When shopping they usually take advice from their mothers, friends, boy-/girlfriends and sometimes salespeople. They use Internet and Instagram for inspiration before going shopping.

When we mentioned “merino wool”, only one of the participants had heard about this, and she had some products from Icebreaker (sweater, t-shirts and socks) that she uses when she is hiking in the mountains. She had also heard about the brand Quechua and The North Face, but not any other brands.
The other participants that had not heard about merino wool, associated it with “old fashioned”, thick wool that itches when you wear it.

Observation
They thought the fabrics was soft and comfortable and they were surprised when they felt Devold Breeze and Devold Energy, because they thought the fabric would be thicker, like the Devold’s Duo active, since it was wool.

Prefer “cooler” designs, with fresh colors and creative patterns and they thought the products have potential to become popular for use in the mountains and in the colder areas of Spain, like for example in the north.
14.3.2 Focus Group 3

Participants: Young men in the age of 19-24, all active in outdoor activities such as rock climbing, hiking and football. Some participate in indoor activities as well.

They normally use a coat to keep warm, but also have many layers so that they could adjust to the temperature in the metro or outside. The fabric they use the most is synthetics. Regarding warmer clothes they preferred clothes which were not too thick. Some of the participants like the jackets with feathers inside.

They usually go to Zara or Pull & Bear when buying regular wear, but when buying sport clothes they go to Decathlon or on online shops, such as GymShark.

Design, fit, comfort, practicality and sustainability were attributes that the participants valued in sport clothes. However, the fit of the clothes that was the most important attribute.

Mother’s opinion is valued when finding out what to wear, but also images of people wearing the clothes. Instagram and Google searches are sometimes helpful. But usually they buy products on impulse.

When we mentioned “merino wool” only one participant had heard about it, but did not know its attribution or history. They associated the wool with really warm clothes, itching and stringy. Only one associated it with soft material.

Observation
They thought the products like the Wool Mesh and Energy were soft and a lot thinner than expected. They would wear it both when climbing, hiking and skiing but also when practising football. They thought it would be better to use a merino wool sweater than having many layers because of its attributes.

Some did not think there would be a market for it in Barcelona, only in the north, while others believed it could sell in Barcelona because of the unstable temperature (Winter: in the morning it could be 5 degrees, while it could be 15 degrees in the middle of the day).

They would pay more for the clothes when they were going skiing or hiking, then to normal wear, because their excellence is more important when doing sports than when going shopping. Would prefer that the products were a bit more exclusive and had a modern design, because now they associated it with grandmothers and kids.
15.0 Global Conclusion

- Interest for outdoor activities are increasing.
  - Both for women, men and children.
- The sale of merino wool products has increased the last years.
- People use baselayer for training, outdoor activities and leisure.
- People are willing to pay more for products they use for hiking, skiing or climbing than for normal wear.
- People interested in outdoor activities and people living or staying in colder environments are more inclined to buy merino wool products.
- According to our competitors, merino wool baselayer can be used to watersport activities as well, such as seiling and surfing.
- The potential market for Devold of Norway might be in different geographical areas in the north, the mountains and big cities such as Madrid and Barcelona.
- The buying decisions are mainly influenced by family, friends and impulse purchases.

- Our subjects felt that when using outdoor clothes, these need to fit, be breathable and temperature regulated.
- People are concerned about trends and fashion when it comes to everyday wear but when using/buying baselayers the excellence and its attributes are most important.
- Many associate wool with warmth and itching, and we found an overall low knowledge about the attributes of merino wool.
- In the focus groups we saw that the Wool Mesh, Breeze and Energy collections were the most attractive.
- As a whole, the subjects communicated little knowledge about merino wool but in the observations, the subjects saw that the material was breathable and non-itching.
  - This was also emphasised in the interviews with the retailers; “when people gain knowledge about the merino wool products they have very positive attitudes towards the products”.
Global Conclusion cont.

- Overall, consumers show greater loyalty to products made of merino wool compared to products made of other materials.
- In the interviews and focus groups we found that consumers usually go to Decathlon to buy normal sportswear.
  - This shows the price sensitivity among younger consumers when buying frequently used sportswear.
- In the interviews and observations with retailers we found that there was existing merino wool products presented well in the store, which emphasises the easy access when consumers visits these stores.
- Retailers and distributors think that season does not impact the decision to buy merino wool products.
  - For example, people hike regardless of season and weather conditions.
- Distributors (Balmat and Barrabes) who focus on outdoor activities such as climbing and skiing have more information and knowledge about merino wool products than in chains like El Corte Inglés.
- As of today, the products in the market do not differ significantly from Devold’s products.
  - From our observations we could see that it was Icebreaker and Helly Hansen who were mainly represented in stores.
- Similar packaging might be a problem but there are measures that can be taken to strengthen Devold’s visibility.
- According to distributors, it is people over 30 years who buy merino wool products, both to themselves and their children.
  - From the focus groups we found out that it was mostly their parents that bought their outdoor clothes for hiking and skiing.
- Retailers and distributors told us that people who try merino wool products never go back to the synthetics or other substitutes.
- Overall, quality is more important than quantity.
16.0 The Buying Decision Making Process

To find out more about the consumer behaviour we have chosen to use the buying decision making process from Kotler and Keller. With this model we could learn more about how the consumers think, behave and how they make the decision to buy a product. The model contains five steps to how a consumer makes the decision to buy a product.
16.1 The Buying Decision Making Process

1. **PROBLEM OR NEED RECOGNITION**
   The needs of consumers and non-consumer vary. However, they both have functional or physical needs, which usually are needs of necessity. We found that attributes are important aspects for active people when identifying needs. The comfort of the baselayer is important, seeing that it has the greatest impact during active pursuits. Consumers have different needs, such as warmth, breathability, drying speed, weight, layering ability, durability, comfort and fit.

2. **INFORMATION SEEKING**
   The internal and external search will vary depending on consumer needs and knowledge. After identifying needs, they are at times influenced by second opinions. Usually, consumers gain first knowledge about merino wool through their circle of friends. More importantly, the biased opinion that wool products might be itchy and too warm will be changed in this step when consumers realise the attributes of merino wool products. For instance, this might happen when touching the product for the first time or being educated. Therefore, personal selling and experience are important parts of this aspect.

3. **EVALUATION OF ALTERNATIVES**
   Merino wool products are temperature regulated, dry quickly and will not absorb odours. Synthetics are cheaper and have higher store availability, but do not have the same attributes most active consumers need. However, the evaluation of alternatives will vary depending on different needs. In addition, product aspects such as price, long-lastingness and brand will be taken into account. Generally, high price coincide with high performance.

4. **PURCHASE DECISION**
   Consumers are willing to pay more for the kinds of products that Devold offers (merino wool). However, most of them are over a certain age, thereby showing that purchasing ability is an important aspect even though the need do not differ. Also, the vendor plays a crucial role in educating and can be able to change a consumer’s opinion from buying synthetics to merino wool products.

5. **POST-PURCHASE EVALUATION**
   Consumers that end up buying merino wool products do not go back to their previous preferences or substitute products. In addition, many will also start using them during all seasons. This stage directly affects the probability of repurchasing, so the product has to solve the different needs the different consumers have.
17.0 PROBLEM DEFINITION:
Is there potential for introducing Devold of Norway in the Spanish market?

ANSWER:
Yes.
Now would be the right time to introduce Devold of Norway. Devold will have to allocate resources to increase product awareness by concentrating on a few specific micro segments to better present their merino wool products to their segments.
STRATEGICAL PART
What business are we in?
Devold Protection is already established in the Spanish market and it looks promising for the future. The B2B business is their main focus and Devold Protection offers baselayer for workplaces.

Devold of Norway Outdoor, on the other hand, is not in the Spanish market, but there is a potential for introducing the brand in Spain.

What business should we be in?
- Baselayer wear.
  B2C because of the long presence of Devold Protection in terms of workwear in Spain.
- The business that should be entered is private wear.
  Private wear in terms of:
  - Outdoor activities
  - Sport

What business should we not be in?
We would not recommend Devold to go into businesses where Chanel, Puma and Nike are competitors, as well as in the “outer wear” business which offers coats, wind jackets and such.
Another business that we do not recommend going into are the ones without wool products.
19.0 Mission

«We shall deliver cutting-edge wool innovations by using our expertise to ensure quality and continue to bring modern wool to our customers»
20.0 Profitability Binomial

The risk profitability binomial in the baselayer industry is affected by certain factors, some more important than others. The most important ones will be highlighted here:

Firstly, there are several players in the Spanish market who offer baselayer, some bigger than others. This creates strong competition among the players and increases the risk. If we concentrate on those who offer baselayer with merino wool, we could see that there are only a few players and because of the lack of differentiation between these, the risk will be reduced. In our primary research we found that it is a market who has increased within the last years. This gives Devold an opportunity and an increase in demand, but it also attracts other players to the market as well, both existing and new players. The already existing competitors in the baselayer market with the focus on merino wool in Spain are also Devold’s competitors in other countries such as Germany and France. This reduces the risk of introducing Devold in Spain because Devold already has knowledge about their rivals from competing with them in other markets. Devold has great knowledge regarding France. Also, Devold has managed to be successful in these markets.

Low knowledge about the attributes of merino wool and the low switching cost are also factors to consider. Consumers can easily choose another player who offers substitutes because this fabric is known for them. With this low knowledge about merino wool the risk will increase. Devold could reduce this risk by choosing a segment where both employees and consumers have awareness about merino wool.

Based on these factors we consider that the risk profitability binomial is on a medium to high rate.
Devold’s corporate objectives are divided into three factors; the originals, wool and innovation. These factors represent the main functional activities of their business.
21.1 Corporate Objectives

The Originals → World Class Brand
Devold has been wool experts since 1853 and has ever since delivered specialist credibility. It is a premium Norwegian brand with a clearly defined value proposition. Ambassadors have always been important for their branding and their Norwegian heritage proven by explorers is at the heart of their brand. The most famous ambassadors are Roald Amundsen and Fridtjof Nansen.

Wool → Premium Quality Produced in Europe
For Devold excellence is extremely important, they have an uncompromising commitment to high sustainability of their products. They use 100% merino wool and have strong and durable clothing. Since they fully own their vertically integrated value chain, it gives them an unique position in the market and they easily can compete with price. The aim of Devold of Norway AS is to develop an effective partnership with its suppliers in order to secure decent working conditions for anybody involved in the production of the garments sold by Devold of Norway AS.

Innovation
Devold have wool at the heart of everything they do. They focus on function, design and comfort. Development is driven by consumer preferences. Innovation targets outlining % of sales delivered by new products. They have a “roadmap” to product development allowing integrated planning. Their competence of the fabric gives Devold an advantage since they easily can work with lighter products than their competitors.

All these objectives make Devold a company that has a high focus both on the sustainability of their products and their customers preferences and they are all related to their mission.
22.0 Market Definition

* We define «comfort» by experiencing physical comfort through warm and soft fabric that provides the support the body needs.

* We define «to be active» by the different product functions resulting in higher performance with aspects of breathability and a long-lasting product.
23.0 Macro Segments

MACRO SEGMENT 1:
- **Who**: Individuals
- **What**: To be active
- **How**: Baselayer merino wool products

MACRO SEGMENT 2:
- **Who**: Individuals
- **What**: Comfort
- **How**: Baselayer merino wool products

After looking at the risk-profitability binomial, which is medium to high, it is recommended to focus on one to two segments, namely macro segment 1 and 2. These segments are the most fitting according to the criterias for the macro segments. These segments have needs that Devold are able to satisfy with their core competences. In addition, both segments align with Devold as a brand, especially with their mission regarding high quality and innovating methods to use merino wool as a material.
24.0 Solution Life Cycle

THE ACCELERATED GROWTH PHASE

The baselayer industry in Spain, focusing on merino wool, is located in the accelerated growth phase, complying with the environmental factors, objectives and the marketing program based on primary and secondary research. Therefore we see that both of our macro segments are in this category. All of the following factors express the fact that the merino wool baselayer products that Devold offers are aligned with this phase.

ENVIRONMENTAL FACTORS

- Merino wool products in Spain were introduced a few years ago and the sales showed a steady increase the last years, which complies with an accelerated increase of sales.
- The number of people with knowledge of merino wool is limited.
  - Therefore, it is fitting to categorise the target public as early adopters.
- Also, the substitutes in form of technical clothing are increasing, which shows a relatively new competitive environment in terms of technological competitors.
- As a whole, the merino wool baselayer products consist of a widely spread technology.
  - There are many similarities in competing products, and therefore the merino wool technology is not significantly differentiated.

OBJECTIVES

- We see that the market is expanding with its growth.
- Conclusively, it is a crucial time to enter and thereby gain market share.

MARKETING PROGRAM

- One of Devold’s goals is to intensify their distribution
  - It is a need for such a marketing program because of the factors established in the market.
- The widely spread technology makes it important to differentiate from competitors.
  - Since there is little differentiation there is a need to find variables that will stand out for consumers when entering the market.
- Growing market means a significant change in prices, more players equals more price elasticity.
The merino wool baselayer market in Spain is located in the accelerated growth phase and both our macro segment will in this case be early adopters based on the environmental factors, objectives and marketing program.
## 25.0 Strategic SWOT Analysis

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<tbody>
<tr>
<td><strong>The Spanish Recession</strong></td>
<td>Consumer buying power is strengthened seeing that the economy is beginning to revive.</td>
<td>There is a chance for a new recession to come and consumer may change their preferences and needs.</td>
<td>Devold did not operate in the Spanish market when the recession affected the economy and therefore Devold is not weakened by this when entering the market, something that the already existing competitors could be.</td>
<td>Habits from the recession might still influence the consumers and Devold’s products is in a relatively high price range.</td>
<td>Take advantage of the strengthened economy and launch products soon.</td>
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## 25.1 Strategic SWOT Analysis

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<tbody>
<tr>
<td>Global warming</td>
<td>Product innovation; developing new products equipped to meet the climate change.</td>
<td>Global warming may change the need for merino wool in Spain.</td>
<td>Devold has the skillset to develop merino wool products that can face different climates.</td>
<td>Devold does not have the resources to predict the future climate change.</td>
<td>Promote summer wool. The R&amp;D department have to continue working on products equipped to different climates.</td>
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## 25.2 Strategic SWOT Analysis

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<tbody>
<tr>
<td>Spanish consumers are loyal to merino wool products*</td>
<td>Market players can gain a loyal customer base.</td>
<td>Low differentiation between competitors and low switching costs. Therefore, customers could easily switch from one brand to another without this going at the expense of the customers needs.</td>
<td>Devold offers and specialises in developing merino wool products to their customers.</td>
<td>Devold currently have weak brand awareness in the Spanish market.</td>
<td>Effective marketing communication. Educate the consumers around the Devold brand.</td>
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<tr>
<td>“People who try merino wool and Devold does not go back to substitutes” - José Arauna</td>
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* Based on our primary research
### 25.3 Strategic SWOT Analysis

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<tbody>
<tr>
<td>Few big competitors in the merino wool baselayer market in Spain*</td>
<td>Consumers have low brand awareness and are therefore not loyal to one specific brand.</td>
<td>These few big competitors are economies of scale making it more difficult to become established in the market and harder to gain a significant market share.</td>
<td>Devold competes with these competitors in other markets, they also have similar product line and have qualities to be able to compete on a higher level.</td>
<td>Devold have not yet launched their products in Spain and therefore do not compete in this market.</td>
<td>Develop brand awareness and try to target specific segments.</td>
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* Based on our primary and secondary research.
## 25.4 Strategic SWOT Analysis

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<tr>
<td>Negative perceptions regarding wool*</td>
<td>Changing consumers perception.</td>
<td>High costs and resources have to be allocated to raise product knowledge, awareness and change consumer misconceptions.</td>
<td>The company has operated in the industry since 1853 and has experience with both customers and their products.</td>
<td>Low product range; Devold only offers merino wool products, and is therefore dependent on changing consumer perception.</td>
<td>Having educational campaigns.</td>
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<td>They agreed upon thinking that it itches - Focus group 1</td>
<td>Market players can try to be the “educator”, thereby the merino wool products could be simultaneously associated with that respective brand.</td>
<td>Devold have successfully managed to enter market such as France without having problem regarding negative associations about wool.</td>
<td>Overall, Devold has a higher uncertainty entering the market.</td>
<td>In addition, illustrating the positive attributes of merino wool to the consumers.</td>
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* Based on our primary research
## 25.5 Strategic SWOT Analysis

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<tr>
<td>Lack of product differentiation*</td>
<td>Satisfy customer needs once they have purchased a garment, making them loyal to one specific brand.</td>
<td>Customers experience low switching costs, which overall makes it difficult to gain customer attention towards the different brands. Also, lack of innovation in product design might further cause low interest concerning the different brands.</td>
<td>Devold has a long history of producing high quality merino wool products, which is considered to be one of their main strengths in all aspects of competition.</td>
<td>Being a new entrant in the Spanish market, and competing with economies of scale, might require high cost and use of resources.</td>
<td>Find ways to differentiate the Devold product. For instance, by further promoting the Norwegian aspect of Devold. Be the first to innovate product design, thereby easier gaining consumer attention.</td>
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* In the baselayer merino wool industry- based on our secondary and primary research

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DEVOLD
WOOL UNDERWEAR
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<tr>
<td>Some Spaniards think that climate may affect the usage of merino wool products*</td>
<td>Educate the consumers about the year round benefits of the fabric.</td>
<td>Spaniards may be reluctant to change their perception. Overall a significant scepticism from Spaniards towards these products.</td>
<td>Devold’s merino wool products are fit for temperatures up to +20 degrees, and could fit for different climates in Spain.</td>
<td>Seeing that Spaniards do not know how or where to wear merino wool products, it might be difficult for Devold to sell the products.</td>
<td>Cooperate with great retailers or distributors with knowledge about the products so they can convey this to buyers.</td>
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</table>

*Best to sell Devold products in both colder places in Spain* - Eliseo

* Based on our primary research
## 25.7 Strategic SWOT Analysis

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<tr>
<td>There are many other products that could substitute a baselayer made of merino wool*</td>
<td>Further differentiate merino wool products by, for instance, innovating the product design. Educate consumers by explaining the benefits of the usage of merino wool.</td>
<td>Synthetic products and technical wear are substitutes to merino wool products, and Spaniards are overly dependent/rellying on these types of products.</td>
<td>Devold’s product contains merino wool and the attributes of merino wool are greater than the substitutes and Devold’s customers already know the great excellence of merino wool products.</td>
<td>Devold do not yet have a strong enough brand name in the Spanish market to change consumer behaviour.</td>
<td>Promote merino wool attributes and functions in order to further educate the consumers.</td>
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* Based on our primary and secondary research
## 25.8 Strategic SWOT Analysis

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<tbody>
<tr>
<td>Outdoor activities are increasing in popularity*</td>
<td>Great time to enter the Spanish market.</td>
<td>Several competitors both regarding merino wool and synthetic fabrics.</td>
<td>Devold offers products especially made for outdoor activities.</td>
<td>Not much knowledge about the Spanish market yet.</td>
<td>Enter the Spanish market as soon as possible.</td>
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* Based on our secondary research
### 25.9 Strategic SWOT Analysis

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<tr>
<td>Online offers are becoming the number one source for shopping for all kinds of products*</td>
<td>New platform to offer products on and possible to reach a bigger customer group.</td>
<td>Customers depend on personal selling to be educated on merino wool and it could be difficult to convince them through online shopping.</td>
<td>Devold has already developed a online shopping website where they offer their products to Norway. Sweden will be launched soon, and France and Germany are planned in 2017.</td>
<td>As of now, Devold is not offering online shopping for Spain.</td>
<td>Improving their online shopping site so that spaniards could buy Devold’s products online. This includes developing shipping, payments and customs clearance to Spain but also to translation to Spanish.</td>
</tr>
<tr>
<td>* Based on our secondary research</td>
<td>Customers have the products available at any time.</td>
<td>Hard to get a satisfying stream of customers to the respective sites seeing there are many online shopping sites available and well established.</td>
<td>Thereby Devold has both the knowledge and experience on operating online.</td>
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<td>Spain and Norway both have 4% in the outdoor market*</td>
<td>Overall, it shows that it is possible selling outdoor products at a high scale even though the percentage is low.</td>
<td>Difference in culture, climate and needs between the two countries gives a high need for market research.</td>
<td>Devold is successfully present in many countries thereby they have experience and resources to enter Spain.</td>
<td>Do not have a satisfying level of knowledge about the Spanish market yet.</td>
<td>Pursue this market while it is still growing, and going in with marketing campaigns to present Devold’s products.</td>
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* Based on the European Outdoor Group report
## 25.11 Strategic SWOT Analysis

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<tbody>
<tr>
<td>The most predominant climate in Spain is continental but one can find both oceanic and mountain climate zones as well*</td>
<td>Seeing that the climate vary across Spain, companies have to adapt their product strategies to become suitable for each of the different climate zones.</td>
<td>By having different climates in one country it could be difficult to follow one specific strategy because the needs may change from one climate zone to another.</td>
<td>Devold offers both summer wool and wool specialised for cold winters. By having a wide range of products they could reach customers who lives in different types of climate.</td>
<td>Devold has no experience in selling products to Spain and therefore no knowledge about the different climate zones or the customers in Spain.</td>
<td>Use their wide range of product line to adapt their product strategy so it consist with the different climate zones.</td>
</tr>
</tbody>
</table>

* Based on our secondary research
<table>
<thead>
<tr>
<th>Fact</th>
<th>Opportunities</th>
<th>Threats</th>
<th>Strengths</th>
<th>Weaknesses</th>
<th>Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;Clothing and footwear was one of the categories that showed the most positive growth in 2014, with 2.9 %&quot;*</td>
<td>This growth might lead to consumers becoming more aware of the different types of products offered in this sector. Higher demand of clothing and footwear could result in a bigger market for companies who operate in the apparel industry.</td>
<td>The rise of this category might cause emergence of new entrants. Also, this growth might make the rivalry among existing competitors immense.</td>
<td>Devold offers products that can satisfy different needs, for example, training, outdoor activities and leisure. Seeing that Devold offers high quality products in this category, there is a great potential for them in the Spanish market considering the positive growth rate.</td>
<td>Devold is not present in the Spanish apparel industry and do not have any competitive advantage in this market.</td>
<td>Find a specific segment where Devold could make a competitive advantage. Make consumers aware of their products through campaigns.</td>
</tr>
</tbody>
</table>

* Based on our primary research
26.0 Criteria For List of Actions

Through our strategic SWOT analysis we came up with some actions on how to further develop our plan. To determine whether these actions should be pursued in the short, medium or long term, we will use three criteria as guidelines:

- **Importance**  
  ○ How important is this action for the company at the moment?

- **Urgency**  
  ○ Does Devold have to do this now, or can it wait?

- **Resources**  
  ○ Does Devold have the right resources for this at the moment?  
    Both in regards of human- and economical resources.
# List of Actions

<table>
<thead>
<tr>
<th>CRITERIA</th>
<th>SHORT TERM</th>
<th>LONG TERM</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th><strong>Action</strong></th>
<th><strong>Description</strong></th>
<th><strong>Importance</strong></th>
<th><strong>Urgency</strong></th>
<th><strong>Resources</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Take advantage of the strengthened economy and launch products soon.</td>
<td>I</td>
<td>U</td>
<td>R</td>
</tr>
<tr>
<td>2</td>
<td>Promote summer woo. The R&amp;D department have to continue working on products equipped to different climates.</td>
<td>I</td>
<td>R</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Effective marketing communication. Educate the consumers around the Devold brand.</td>
<td>I</td>
<td>U</td>
<td>R</td>
</tr>
<tr>
<td>4</td>
<td>Develop brand awareness and try to target specific segments.</td>
<td>I</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Having educational campaigns. In addition illustrating the positive attributes to the consumers.</td>
<td>I</td>
<td>U</td>
<td>R</td>
</tr>
<tr>
<td>6</td>
<td>Find ways to differentiate the Devold product. For instance, by further promoting the Norwegian aspect of Devold. Be the first to innovate product design, thereby easier gaining consumer attention.</td>
<td>I</td>
<td>R</td>
<td></td>
</tr>
<tr>
<td></td>
<td>LIST OF ACTIONS</td>
<td>CRITERIA</td>
<td>SHORT TERM</td>
<td>LONG TERM</td>
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<tr>
<td>---</td>
<td>--------------------------------------------------------------------------------</td>
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</tr>
<tr>
<td>7</td>
<td>Cooperate with great retailers or distributors with knowledge about the products so they can convey this to buyers.</td>
<td>I U R</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Promote merino wool attributes and functions in order to further educate the consumers.</td>
<td>I U R</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Enter the Spanish market as soon as possible.</td>
<td>I U R</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Improving their online shopping site so that Spaniards could buy Devold’s products online. This includes developing shipping, payments and customs clearance to Spain but also translation to Spanish.</td>
<td>I R</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Pursue this market while it is still growing, and going in with marketing campaigns to present Devold’s products.</td>
<td>I U R</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Use their wide range of product line to adapt their product strategy so it consist with the different climate zones.</td>
<td>I R</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Find a specific segment where Devold could make a competitive advantage. Make consumers aware of their products through campaigns.</td>
<td>I</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Strategic Problem Definition

### Key Success Factors
- Long-Lasting
- Temperature regulating
- Breathability
- Availability

### Needed Distinctive Competence
- Production needs to satisfy the value of having great durability and find innovative ways to improve the products (R&D department) and test how long the products last.
- Using 100% merino wool in products.
- Products have to be properly tested to see if products are breathable.
- Products must be available in several cities across Spain.

### Is it a Distinctive Competence for Devold of Norway?
- 1. Yes
- 2. Yes
- 3. Yes
- 4. Currently not

### MACRO SEG. 1

<table>
<thead>
<tr>
<th>Who: Individuals</th>
<th>What: To be active</th>
<th>How: Baselayer merino wool</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Non-itching and soft features</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Temperature regulating</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Protection</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. In-store availability</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| 1. R&D department have to tailor to the need for non itching and soft products and the consumers perception of these features. |
| 2-3. Using 100% merino wool in their products. |
| 4. Be present in stores with easy access with an effective marketing department. |

### MACRO SEG. 2

<table>
<thead>
<tr>
<th>Who: Individuals</th>
<th>What: Comfort</th>
<th>How: Baselayer merino wool</th>
</tr>
</thead>
<tbody>
<tr>
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<td></td>
<td></td>
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| 1. R&D department have to tailor to the need for non itching and soft products and the consumers perception of these features. |
| 2-3. Using 100% merino wool in their products. |
| 4. Be present in stores with easy access with an effective marketing department. |

### Is it a Distinctive Competence for Devold of Norway?
- 1. Yes
- 2.-3. Yes
- 4. Needs to be established
28.0 Conclusion of Porter’s Five Forces

Threat of substitutes - **HIGH**
Threat of new entrants - **LOW/MEDIUM**
Bargaining power of buyers - **HIGH/MEDIUM**
Bargaining power of suppliers - **LOW**
Rivalry among existing competitors - **MEDIUM**

When looking at the competitiveness of the merino wool baselayer industry, Devold is not yet present in this market. In addition, Helly Hansen and Icebreaker are the two strongest players. On the other hand, Devold operates successfully in other markets with many strong players and therefore holds great knowledge regarding this aspect. By having a medium rivalry among the existing competitors, the risk profitability binomial is medium to high. This is for instance caused by low product attribute awareness. In addition, the lack of differentiation between the players in this industry is also considered a factor. However, the merino wool baselayer market in Spain is located in the growth phase, which is where we have placed our two macro segments as well. Conclusively, the possibility to gain profitability in this market exist.

Competitiveness in the industry - **MEDIUM**
29.0 Development Strategy

COMPETITIVE STRATEGY - DEFINITIONS
“Chapter 4: Kinds of Strategy by Xavier Gimbert”

SPECIALISATION
The specialisation strategy involves the firm focusing on a market segment (whether geographical or in terms of the needs met) instead of catering to the whole sector.

DIFFERENTIATION
When a company offers a better feature than the firm’s rivals and the customer both perceives and values this edge. The firm becomes ‘exclusive’ through its competitive advantage, which in turn leads to a differentiation strategy.

COST LEADERSHIP
Firms not seeking differentiation pursue a strategy of being a good as the rest but cheaper. The competitive advantage here is low cost and the generic strategy is cost leadership.
Regarding to the competitive strategy we have chosen the specialisation strategy. The main reason for this is due to the fact that the Spanish market is too big for Devold to have competitive advantage in economies of scale. In addition, the Spaniards lack of knowledge of the attributes of merino wool products and Devold lack resources to educate the entire Spanish population about these aspects. This specialisation strategy allows Devold to focus on their great reputation for quality in brand development. Merino wool baselayer is Devold’s area of expertise and it would be difficult for the company to satisfy the needs of the entire industry, therefore they have to focus on segments where customers needs correspond with their mission.

Overall, when focusing and concentrating on a part of the sector, knowing the needs of the niche inside and out and satisfying its customers better than firms catering to the whole sector, Devold will be able to increase their competitive position in the merino wool baselayer industry in Spain.

We have found little differentiation in the merino wool baselayer industry as a whole. The strategic target is industry wide whereas the competitive advantage is the uniqueness perceived by the customer. As of today, Devold lack the resources needed to compete industry wide. In addition, none of the products in the merino wool baselayer industry have distinctive attributes that can create a significant uniqueness compared to other products.

In the cost leadership strategy the company seek to be as good as the competitors but cheaper. Customers in the merino wool baselayer value product performance higher and associate low prices with poor quality. In Devold’s mission they state that they want to deliver innovation to their customers. In order to deliver innovation, a company must invest in for instance in R&D, which again leads to higher costs for the firm. Therefore, cost leadership will not be sustainable for Devold as a competitive strategy.
29.1 Development Strategy cont.

GROWTH STRATEGIES - DEFINITIONS

“Market-Driven Management: Strategic and Operational Marketing by Lambin, Jean-Jacques”

**Market penetration:** Trying to increase or maintain sales of current products in existing markets

**Product development:** Increasing sales by developing improved or new products aimed at current markets

**Market development:** Increase the number of users or increase the average quantity used per user

**Vertical integration:**
- Backwards integration - Driven by the concern to maintain or protect a strategically important source of supplies
- Forward integration - To control outlets without which the firm will choke

**Horizontal integration:** To reinforce competitive position by absorbing or controlling some competitors

**Diversification:** Enter into new product markets
GROWTH STRATEGY - MARKET PENETRATION

To determine the stages of growth for Devold we have decided that the market penetration strategy is the strategy that best represents the steps moving forward. Devold is not currently in the baselayer market in Spain, in addition Spain is not one of the areas where Devold wants to utilise big resources but they want to establish a platform for further market investments.

The strategy can be used in all stages of growth, but it is generally seen as especially beneficial in the primary stages. These factors show that Devold is in the primary stages of setting up in a new market, for example Spain. Therefore their strategy will be based upon existing products in the existing baselayer merino wool market. Market penetration will help Devold establish where they are currently and which direction to take.

There are three main methods that can be utilised in this strategy get current customers to buy more, gain new customers to buy or taking customers from competitors. For Devold the strategy involves persuading new customers to buy and gain some customers from the competition seeing that they currently do not have any customers in this market. According to our research we saw the need for consumer awareness thereby we see that Devold should use effective marketing communications to obtain a satisfying customer base. Proper communication and promotion will help Devold attract new customers in the target segment and peak interest from competitors customers. Naturally, Devold will have to establish distribution channels and this will evidently help increase consumer awareness.
29.2 Development Strategy cont.

COMPETITIVE ATTITUDE - DEFINITIONS

“Market-Driven Management: Strategic and Operational Marketing by Jean-Jacques Lambin”

**LEADER:** In a product market, the market leader is the firm that holds a dominant position and is acknowledged as such by its rivals. A market leader can consider several strategies:

- **Primary demand development:**
  The firm looks for new users and more usage of its products

- **Defensive strategies:**
  The firm protects its market share by countering the actions of the most dangerous rivals

- **Aggressive strategies:**
  The objective is to reap of experience effects to the maximum and thus improve profitability

- **De-marketing strategy:**
  This strategy is about reducing its market share to avoid accusations of monopoly or quasi-monopoly

**MARKET CHALLENGER:** A firm that does not dominate a product market can choose either to attack the market leader and be its challenger, or to become a follower by falling into line with the leader’s decisions

**FOLLOWER:** Policy of “peaceful coexistence”, adopting the same attitude as the market leader

**NICHE:** Interested in one or a few market segments, but not in the whole market
COMPETITIVE ATTITUDE - FOLLOWER

To decide what competitive attitude we want Devold to take, it is important to pay attention to different factors. These factors include the structure of the market, competitors strategies, Devold’s objectives and resources and to what degree they are willing to use those resources. Devold has communicated that Spain is not of main concern or a priority market at the moment. Therefore, we see it most suitable for Devold to adopt a follower attitude in the Spanish market. A follower attitude entails a presence in limited number of segments, which aligns with the relatively low prioritising of this market and less invasive in terms of resources. By embracing this competitive attitude, Devold will emphasise profit rather than market share and specialisation rather than a differentiation strategy, as we have stated in the competitive strategy. In addition, this method will make it easier to see the pathway to consumer awareness and knowledge, seeing that the companies established are successful. Another reason for choosing this competitive attitude is that the company has a high probability to offer the level of resources needed to be a follower. By categorising Devold as a follower the importance of having clearly defined strategic objectives rises, which have to be adapted to the company’s strategic ambitions.

In conclusion, the company has a high probability to offer the level of resources needed to be a follower and it aligns with the company’s objectives regarding the entrance in this market.
30.0 Definition of Variables

IN MICRO SEGMENTATION
Macro segment 1 - To be active

PRODUCT USAGE:

● Leisure:
Consumers use the products either when going for a walk with their dog, or when they are vacationing at their cabin and are active for various parts of the day.

● Outdoor activities:
Seasonal activities such as skiing, as well as activities like hiking and running all year around. More focus on satisfaction than on improving skills.

● Training:
Organized activity where they want to improve either their knowledge or skill in some kind of sport or activity.

LEVEL OF EXPERTISE:

● Sport professionals:
The consumer has some kind of sport as a profession, and needs the best products available to succeed.

● Enthusiasts:
They enjoy spending time being active more than the average, and therefore their knowledge level is set accordingly.

● Amateurs:
Occasionally like being active but knowledge regarding equipment or products is not particularly high, nor do they want or need it to be.
30.0.1 Definition of Variables cont.

IN MICRO SEGMENTATION
Macro segment 2 - Comfort

PRODUCT USAGE:

- **Hobby:**
  Products are needed for pursuing hobbies like mountain climbing, hunting, or other activities that practised frequently.

- **Casual:**
  Products are used regardless of activity, solely because of comfort, convenience and cool design. Can for example be used while watching TV.

MAIN BENEFIT SOUGHT:

- **Temperature regulating:**
  The fabric is able to adapt to the consumer’s body temperature, keeps you warm when you are cold and cold when you are warm. Thus making the product more comfortable.

- **Soft features:**
  The fabric is not itchy like “regular” wool, but smooth and cozy.

- **Fit:**
  The products have the ability to adapt to the consumer’s body and therefore be comfortable. This also makes it perfect to wear underneath other items of clothing.
<table>
<thead>
<tr>
<th>Product usage</th>
<th>Leisure</th>
<th>Outdoor activities</th>
<th>Training</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level of Expertise</td>
<td>The Sports Freak</td>
<td>The Medalist</td>
<td>The Top Athlete</td>
</tr>
<tr>
<td>Sport Professionals</td>
<td>Spend every second of the day to become better at their profession. This requires clothes that can handle frequent use and contribute to excellent performance, even during their spare time and the off season.</td>
<td>These professionals need the right equipment to practice outdoor activities in the best way possible. This means getting the best equipment regardless of factors such as price. These are people with an intention of solely practising the sport they are passionate about.</td>
<td>Sport is considered their career. They need clothes that grant an opportunity to become excellent in the sport they are practising. They will normally seek out products that perform well regarding important attributes, for example, breathability, temperature regulation and is long-lasting.</td>
</tr>
<tr>
<td>The Extended Family</td>
<td>This type of family consists of three generations; grandparents, parents and children. They enjoy spending time together and occasionally go on excursions where outdoor activities and joy are mixed. They can either spend their whole day outside having fun doing different activities, or simply going for a short hike followed by enjoying abuela’s homemade food surrounded by loved ones.</td>
<td>The Adventurer</td>
<td>The Sporty Wannabe</td>
</tr>
<tr>
<td>Enthusiasts</td>
<td>In general, different outdoor experiences. For example, going on expeditions, climbing and hiking, are their main way of living. They enjoy being active and spending time outside. They search for and plan outdoor activities and will spend most of their time outdoor, every chance they get. Overall, being outdoor doing outdoor activities is considered as their lifestyle and they need clothes that allow them to be active outside during all seasons.</td>
<td>The Seasonal activity</td>
<td>The Exerciser</td>
</tr>
<tr>
<td>Amateurs</td>
<td>The Holidayer</td>
<td>The Exerciser</td>
<td>Need clothes that make it possible for them to conduct their frequent exercise. These like to stay active regularly, therefore the clothes need to be long-lasting.</td>
</tr>
<tr>
<td>Like spending their holidays being outdoors, for example by renting a cabin in the mountains and going skiing.</td>
<td>The Exerciser</td>
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<td>Enjoys spending time outdoor during the “peak” of the season, for example for the berry picking season or the ski season.</td>
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</tbody>
</table>
| **Temperature regulating** | **The Hunter**  
When someone is out hunting, they often stay outside for several hours. This could mean sitting down at the same place for a while. To be able to conduct this, clothes that regulate their body temperature are necessary. | **The “Sweaters”**  
People who have a tendency to sweat more than average and have a need for clothing with temperature regulating features to feel comfortable. |
| **Soft features** | **The Meditator**  
People performing activities like yoga or other acrobatic movements, need clothes that are soft and comfortable that further their motions and augments mobility. | **The Parents *  
Children will most likely remove their clothes if they itch. The parents have a focus on clothes the children will keep on in different weather situations. In addition, they have their child’s best interest at heart and will often buy garments that are soft and sensitive to the skin.  
* parents of children between the age of 0-8** |
| **Fit** | **The Wave Rider**  
The wave rider is always on the hunt for waves, the main environment is water. Most pursue surfing and kite surfing during other seasons than the summer, and then it is important to have something warm and fit beneath their wetsuit in order to be comfortable which can enhance the experience. | **The Fashionistas**  
The design and the fit of the their clothes matter more than normal, regardless of whether they are using outerwear, baselayer or footwear. |
<table>
<thead>
<tr>
<th>Sport Professionals</th>
<th>Leisure</th>
<th>Outdoor activities</th>
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<td>Spend every second of the day to become better at their profession. This requires clothes that can handle frequent use and contribute to excellent performance, even during their spare time and the off season.</td>
<td><strong>The Medalist</strong></td>
<td>These professionals need the right equipment to practice outdoor activities in the best way possible. This means getting the best equipment regardless of factors such as price. These are people with an intention of solely practising the sport they are passionate about.</td>
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<td><strong>The Seasonal activity</strong></td>
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<tr>
<td>Main benefit sought</td>
<td>Product usage</td>
<td>Hobby</td>
<td>Casual</td>
</tr>
<tr>
<td>---------------------</td>
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<td>The wave rider is always on the hunt for waves, the main environment is water. Most pursue surfing and kite surfing during other seasons than the summer. Therefore, it is important to have something warm and fit beneath their wetsuit in order to be comfortable which can enhance the experience.</td>
<td>The Fashionistas The design and the fit of the their clothes matter more than normal, regardless of whether they are using outerwear, baselayer or footwear.</td>
</tr>
</tbody>
</table>
31.4.0 Choice of Micro Segments

We have chosen two micro segments that we want to pursue and develop strategies for. The two micro segments are The Adventurer and The Wave Rider. The reason behind choosing these two micro segments is that they fulfill the needs Devold is able to answer with their products and resources available for this market. As mentioned, Devold do not see the Spanish market as one of their main priorities. Therefore, these two segments are just specific enough, yet broad enough when taking this factor into account. The products they are in need for greatly align with Devold’s baselayer products and gives great opportunities in terms of the marketing mix.

**Micro segment 1: The Adventurer**

The Adventurer is chosen because they are inclined to purchase merino wool products seeing that they often will be exposed to harsh and challenging weather and environments. These factors make Devold product features very appealing, for example as the long-lasting, temperature regulating and breathability of Devold’s baselayer products. In addition, The Adventurer have experience in different conditions and will likely have low price sensitivity to get the best products. Considering these factors we see that Devold will be able to provide The Adventurer with a solution to their need regardless of the adventure they are pursuing.
31.4.1 Choice of Micro Segments cont.

**Micro segment 2 : The Wave Rider**

The Wave Rider is chosen because they are exposed to an environment unlike others. The cold water has a significant impact on body temperatures. Devold answers the needs of The Wave Riders have in terms of warmth and temperature regulation. As stated by www.surfing-waves.com, the surf season in Spain runs from Autumn through Spring, Devold’s products will also be desirable in warmer climate because of the water temperatures. In addition, Devold’s merino baselayer has the features to sustain under a wetsuit. The surfer will not show great price sensitivity seeing that the product is such an important factor regarding the activity. These factors makes The Wave Rider segment very attractive in terms of their size and value.

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32.0 Criteria for Efficient Segmentation

When deciding on what micro segments Devold should focus on, it was important for us how the different micro segments fulfilled the criteria for efficient segmentation.

Lambin defines these criteria as: differential response, adequate size, measurability and accessibility.

- **Differential response**
  “The segments must be different in terms of their sensitivity to one or several marketing variables under the control of the firm”. The purpose of using Devold’s clothes in the two segments are different. **The Adventurer** need clothes that helps them to perform better in all kinds of weather. **The Wave Riders** need to be comfortable to enhance their experience in water. The difference between staying on land and being in the water are the main variables that makes the two segments have a differential response. Therefore they will respond different to the marketing variables and the communication method Devold decides to use has to act accordingly.

- **Adequate size**
  “Identified segments must represent a market potential large enough to justify developing a specific marketing strategy”. We do not have an exact number of potential customers, but from our research we know that the market for both outdoor activities and the surfer environment are increasing in popularity. Therefore we also see them fit to fulfill the competitive attitude Devold have towards the market and the size is appropriate because the Spanish market is not Devold’s main focus area.
Criteria for Efficient Segmentation cont.

- **Measurability**
  “We must be able to measure the variables we use in our segmentation”.
  - **The Adventurer**
    *Outdoor activities:* These variables could be difficult to identify and measure. But the potential customers depend on the knowledge of the employees to find the best equipment available. This gives the employees information about how and where the customers use the products.
    *Enthusiasts:* Usually the people buying merino wool products have a special interest in outdoor environment and this information needs to be gathered from the selling points.
  - **The Wave Rider**
    - *Fit:* This variable is measured when a vendor is helping a customer. Through their conversation the salesman gets a better image of what each customer needs and wants.
    - *Hobby:* This variable can be measured by contacting different surfing- and water sports organizations and ask about the number of members.

Since we have not chosen to conduct a quantitative research method, measures will be taken with estimation from our primary and secondary research.

- **Accessibility**
  This means “the degree to which a market segment can be reached through a unique marketing program”. The segments chosen have distribution channels that are explicitly selling only two reach those two segments. This makes the reach easier both in terms of communication and especially distribution, because the places are focused solely on the segments and their needs. Thereby it is easier to know where to reach and how to develop the market program.
33.0 Segmentation Strategy

SEGMENTATION STRATEGY
“What Is the Difference Between Differentiated and Undifferentiated Marketing Strategies? By Daria Kelly Uhlig, Demand Media”

Definitions

Undifferentiated strategy:
Focuses on an entire target market rather than a segment of it. This strategy employs one single marketing mix.

Focused strategy:
To target one specific segment with a single marketing mix.

Differentiated strategy:
Targets different market segments with marketing mixes that are tailored to each segment.

First Step: The Undifferentiated Strategy
Seeing that the market is in the accelerated growth phase, the recommended strategy Devold should use when entering the Spanish market is an undifferentiated segmentation strategy. This means that Devold will not operate with any micro segments listed above at this initial stage. In other words, they will target the entire market which in turn are the macro segments we have developed.

The market will eventually reach the slow growth phase in the solution life cycle, and when Devold finds themselves in this phase we recommend using a focused segmentation strategy. Therefore, we are going to develop the marketing mixes in the focused segmentation strategy for the micro segments we have recommend to focus on above, at that stage. This strategy is further explained in the next slides.
33.1 Segmentation Strategy

MACRO SEGMENT 1

When the macro segments goes further into the slow growth phase we recommend to use a focused segmentation strategy in macro segment 1 (to be active), based on the information we have gathered from the primary and secondary research. When the macro segments are located in this phase, the company will know more about the customers and by choosing a focused segmentation strategy the company could further grow in the market. We want to focus on the micro segment The Adventurer, which has proven to be the largest in terms of size, and the potential for profitability is high. The great attractiveness of The Adventurer is based on these factors.

Another important argument to choose the focused strategy is that Devold will adopt a follower attitude in the market, thereby the criteria with regards to experience when choosing a focused strategy have less of an importance in this case. We have also seen that Icebreaker and Helly Hansen is represented in this micro segment. We need to emphasise on the fact that Devold, at this moment, does not have Spain as a main concern. Therefore, we see it fit to focus one micro segments from each macro segment, even if these are in two different macro segments. Overall, this will entail less of an effort from Devold’s side.

By focusing on one well defined micro segments and by tailoring the marketing mix in this specialised segment, Devold could better meet the needs of the target market and gain further growth.
33.2 Segmentation Strategy

MACRO SEGMENT 2

For the second macro segment (comfort), we recommend to focus the segmentation strategy. Out of the six options in this macro segment, we have decided to go for the Wave Rider segment. We see through our research that the attractiveness of the other micro segments in this macro segment is low. Therefore, we are not able to recommend any other strategy for this macro segment seeing that we do not have the arguments to support these strategies.

The reason for this recommendation is that through our secondary and primary research we found out that the interest for watersports, and surfing in particular, has increased the last years. It could therefore be very beneficial for Devold to focus on this market when going into a slow growth phase in the solution life cycle. At the moment, there is only one competitor that we know of who pursue this micro segment, Patagonia, offering merino wool baselayers to use under wetsuits. Devold’s competitive attitude when launching in Spain, is to be a follower and therefore they will use Patagonia’s knowledge to their benefit when entering this market.

We believe this segment can be profitable because many surfers are most active during the fall, when both the weather and water are colder. This would be a great way for Devold to accentuate the benefits of their baselayer products, to be able to reach a great group of potential consumers.

We choose to exclude the other micro segments within this macro segment because we believe that, at this time, they do not have the right potential for Devold to pursue them.
34.0 Positioning Strategy

When using a positioning strategy, it is important to keep in mind that a perception is shaped in relation to other products, companies or brands. Therefore, the positioning depends on the other offers available to the customer. This strategy is in relation to how the company want to be perceived in the market, which again is relative in comparison to competitors. The main goal is to differentiate from the competitors with something that customers value.

First, we determined which decision making criterias our target customers found critical. Secondly, we positioned Devold in the map, bearing in mind that they are not yet present in the market. As of today, the technology of merino wool is not well understood in Spain. Therefore, the positioning will be around what the clothes made of this can do or prevent, for example it is possible to go for a run and sweat without getting cold.

We will use two different dimensions in our perceptual map - namely performance and price. These dimensions are based on our primary research regarding the merino wool baselayer industry. **Price**, seeing that customers focus on price but are willing to pay more for clothes that have a high perceived quality. We define the price as high when it is over €100. **Performance**, seeing that customers require their clothes to satisfy their needs of for example long-lasting and breathability. We define performance as features and attributes regarding the clothes. These are factors such as long-lasting, breathability, temperature regulation and the ability to absorb moisture.
In this perceptual map we have taken into consideration the substitute brands to merino wool as well. Since Devold is not yet launched in Spain we have placed them in position under Icebreaker. This is based on the price Devold offers in other markets and the performance the consumers associates with Devold. Devold uses a market based pricing and find a position near their main competitors.
35.0 Marketing Mix

Since we have chosen a focused segmentation strategy with two different micro segments we have developed two different marketing mixes to these segments, namely The Adventurer and The Wave Rider.

The marketing mixes will demonstrate similarity seeing that our segments have some similarities and due to factors from Devold we are not able to change the second P, namely price. In addition, the two segments are placed in the same phase in the solution life cycle, the accelerated growth phase. Even so, we see that the two segments differ significantly and therefore we have chosen to change the three P’s place, product and promotion. One important note is that we have some guidelines regarding place and promotion which will be identical for both segments, these will be listed before we go into the marketing mixes tailored to each of the micro segments.

<table>
<thead>
<tr>
<th>The Adventurer</th>
<th>MS 1</th>
<th>The Wave Rider</th>
<th>MS 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Place</td>
<td></td>
<td>Place</td>
<td></td>
</tr>
<tr>
<td>Price</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product</td>
<td></td>
<td>Product</td>
<td></td>
</tr>
<tr>
<td>Promotion</td>
<td></td>
<td>Promotion</td>
<td></td>
</tr>
</tbody>
</table>
35.1 Place

INTERMEDIARY

For Devold to reach their potential customers in Spain they need to find the right way and places to do so. The first step in the distribution process is to choose a local intermediary, this could either be an agent or a distributor. This is an important part of the process since the local intermediary would provide the communication to the retailers regarding the market knowledge. As we have seen in the solution life cycle, the merino wool baselayer market in Spain is located in the accelerated growth phase. This means that there is generally limited knowledge about the market and again a high risk for entering the market successfully. A local agent could lower this risk since Devold could send only the products necessary and not set up a storage in Spain. In this case, it is recommended to start with one local agent that could help Devold with building up a market in Spain for both micro segments. We see favourable to use the same agent for both segments in terms of overall resources it would take to manage two agents because the segments are relatively small and specific so the agent will be able to cover both segments. Furthermore, the cost of having an agent instead of a distributor is significantly lower in the short run. Nonetheless, if the demand increases in the long run, it would be more efficient to have a distributor. This distributor could help Devold with the logistics and with expanding to other segments if this is preferable in the future.

This local agent must be intrigued by the segments that we have chosen, have insight in the outdoor activity market and value the same goals as Devold of Norway.
35.2 Price

In order to operate successfully in a market, it is vital to set the right price. A company has three options with regards to pricing, namely same price everywhere, market-based pricing in each country or cost-based pricing in each country. One may find both advantages and disadvantages with all of the options.

Conclusively, we consider the market-based pricing to be the best alternative for Devold in the Spanish market. In addition, this is the strategy that Devold uses when operating in their other export markets. Therefore, this strategy would be a natural choice for Devold in the Spanish market as well.
35.3 Promotion

Promotion should not be standardised for the two segments, but there are some factors that both segments could benefit from.

Devold is using English as a standard language on their packaging, more specifically on their information labels. This is a common practice in the baselayer industry. Seeing that we are in Spain, we see that the pride they have regarding the Spanish language could be something Devold could use to differentiate themselves and could also help with promotions.

Through our research we have found that the Spaniards generally do not have much product knowledge regarding merino wool, we therefore see it fitting to use an Informative marketing strategy. If Devold manages to be the “informer”, the opportunity of people thinking that merino wool equals Devold rises. This is an unique position to have in a market, but may also require many resources. This is something Devold should take a closer look at. One suggestion is that the employees for the different retailers should have information and knowledge about their products. In addition, the customers should be able to feel the products and naturally the products should be visible in the stores.

Through our research we have also found that the online market is expanding in Spain. We see great opportunity to promote Devold online, and this is something we see fit to customise to each of the two segments. In addition, we would recommend that they move into e-commerce in the Spanish market, but this will be assessed in our five-year plan. In addition, we recommend to advertise in magazines and use ambassadors, this will be specified in the next pages, customised to each segment.
MARKETING MIX 1:

The Adventurer

MS 1: TO BE ACTIVE
36.0 Place: Retailers

**Barrabes** is a retailer who offers equipment for people who enjoy outdoor sports and activities, especially regarding mountain and ski, such as our micro segment. This retailer have equipments that satisfy the climbers, hikers and the skiers, who is included in the micro segment “The Adventurer”. After talking to the manager at Barrabes Barcelona we know that the employees have knowledge about the merino wool and have the competence to educate the potential customers who visit their stores. Barrabes has 7 stores located around Spain but mainly in the north near the mountains, in addition to the one in Madrid and Barcelona.

**Balmat** offers products for mountain climbing, hiking, camping and skiing, similar to Barrabes. They have two stores in Barcelona and the employees have experience with merino wool baselayer. The manager at Balmat believed that the merino wool baselayer market was growing. To have retailers who believes in the product is essential when choosing retailers.
36.1 Product

In this micro segment Devold should use two product collections, Breeze and Energy. Those two align with the attributes The Adventurer value and can provide the users with the best performance. The fabric in both products are 100% merino wool.

The Breeze garments give consumers breathability and can regulate the body temperature if this is needed. It provides warmth but also have a cooling effect in warm weather. This gives the Adventurers opportunity to be in outdoor environments regardless of the weather. The Breeze is also categorised as summer wool, and from the strategic SWOT analysis we concluded that Devold should promote summer wool when launching in Spain.

The other collection that should be offered to the Adventurers is Energy. This fabric is the ultimate high performance wear. It is perfect for outdoor enthusiasts who spend every chance they get to be outdoor, and do not have time to necessarily wash the product after each time. It is natural resistant to odour when made out of merino wool.

Both collections give the Adventurers the ability to be active and to perform in all kinds of weather conditions. Devold can be more visible than other players by combining two collection rather than only one, like their competitors. It also gives them an opportunity to reach several consumer needs.
# 36.2 Promotion

<table>
<thead>
<tr>
<th>WHAT</th>
<th>WHERE</th>
<th>WHY</th>
</tr>
</thead>
</table>
| **Online Advertising** | 1. [www.desnivel.com](http://www.desnivel.com)  
2. [www.sporttraining.es](http://www.sporttraining.es)  
3. [www.revistaoxigeno.es](http://www.revistaoxigeno.es)  
4. [www.deportesextremos.net](http://www.deportesextremos.net)  
5. [www.revistaiberica.com/](http://www.revistaiberica.com/)  
6. [www.andarines.com](http://www.andarines.com) | Desnivel has a YouTube channel with over three million hits and almost 170,000 followers on social media.  
Sport Training has over 115,000 followers on social media with its own segment for different needs.  
Oxigeno has around 40,000 followers on social media.  
Revista Iberica and Andarines are perfect for a person that wants to search for his/her next adventure. |
| **Advertising in Magazines** | 1. Desnivel (Revista de Montaña)  
2. Escalar  
3. Grandes Espacios | These magazines are considered to be the most popular and are therefore regarded as an optimal choice for advertising. |
| **Social Media** | 1. Instagram  
2. Facebook  
3. Blog/individual web pages  
4. Youtube  
5. Twitter  
6. Vimeo  
7. Tumblr | This segment gets inspired by photos and reading about experiences. Also, videos are a source of inspiration. |
| **Ambassadors** | 1. Jesús Calleja  
Explorer from Spain.  
2. Chris Sharma  
Lives in Barcelona, is rated as the number one rock climber and is considered a leading force in the climbing industry. | Jesús has almost 1.5 million followers on social media.  
Chris has almost 400,000 followers on social media. |
MARKETING MIX 2:
The Wave Riders
MS 2: COMFORT
37.0 Place: Retailers

We find it essential that the retailers in this micro segment are located at the cost, most importantly in San Sebastian. This town attracts both national and international surfers all year around. We recommend that Devold find retailers in San Sebastian at the first step and then find in other surfer spots in the future, such as in Zarautz and Mundaka. We already know Patagonia has opened up a store in San Sebastian and have had success with their merino wool wetsuits.

Pukas Surf Shop, located in San Sebastian, is a multi branded surf shop who brings great international brands mixed with the local knowledge and the experience in surfing. They have been running the store for over 30 years and have great understanding about the surfer environment. This retailer could provide and help Devold with educating the customers about the merino wool products and the benefit of using Devold’s products under wetsuits. If this turns out to be a success Devold could expand to the Pukas Surf Shop in Barcelona and in Zarautz.
37.1 Product

Energy and Wool Mesh will be the collections that will be used for the second micro segment; The Wave Riders. Both products are of 100% merino wool and consist of something called “mesh”, which is a way of knitting. These products will keep the consumer comfortable while doing water-related activities. Both types of the products are designed with mesh, which dries quicker if you get wet than the other products without mesh. Wool Mesh and Energy will be very relevant to use underneath for example a wetsuit and are lightweight products that are suitable all year round.

For Wool Mesh the whole products consist of mesh, but it is two layers on the chest and the wrists. Since the whole product is made as mesh it has some features that are perfect for this use, the surplus heat and moisture are passed on to the next layer and when it is cold the air trapped by the mesh keeps you warm. The mesh is more strategically placed for the other product, Energy, and the rest is tightly knitted. This provides comfort and breathability during exercise. Both are naturally resistant to odour which makes them perfect for endurance or all day activities.

Both collections give The Wave Riders comfort through all seasons. Since Devold can offer two collections they can offer variability to their customers and also reach out to several customer preferences.
## 37.2 Promotion: The Wave Rider

<table>
<thead>
<tr>
<th>WHAT</th>
<th>WHERE</th>
<th>WHY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Online Advertising</strong></td>
<td>1. <a href="http://www.wipeoutsurfmag.com">www.wipeoutsurfmag.com</a></td>
<td>Wipeout has almost 50,000 followers on social media.</td>
</tr>
<tr>
<td></td>
<td>2. <a href="http://www.thekitemag.com/revista-espanola-de-kitesurf">www.thekitemag.com/revista-espanola-de-kitesurf</a></td>
<td>KiteMag has over 40,000 followers on social media.</td>
</tr>
<tr>
<td></td>
<td>3. <a href="http://www.surferrule.com">www.surferrule.com</a></td>
<td>Surfer Rule, 3 Sesenta and Radical have over 20,000 followers on social media.</td>
</tr>
<tr>
<td></td>
<td>4. <a href="http://www.3sesenta.surf">www.3sesenta.surf</a></td>
<td>Surf Actual has almost 5000 followers on social media.</td>
</tr>
<tr>
<td></td>
<td>5. <a href="http://www.radicalsurfmag.com">www.radicalsurfmag.com</a></td>
<td></td>
</tr>
<tr>
<td></td>
<td>6. <a href="http://www.surfactual.com">www.surfactual.com</a></td>
<td></td>
</tr>
<tr>
<td><strong>Advertising in Magazines</strong></td>
<td>1. Wipeout Surf Magazine</td>
<td>These magazines are considered to be the most popular and are therefore regarded as an optimal choice for advertising.</td>
</tr>
<tr>
<td></td>
<td>2. Surfer Rule</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3. 3 Sesenta</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4. Radical Surf Magazine</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5. Surf Actual</td>
<td></td>
</tr>
<tr>
<td><strong>Social Media</strong></td>
<td>1. Instagram</td>
<td>This segment gets inspired by visuality, for example: videos, and this is important to focus on.</td>
</tr>
<tr>
<td></td>
<td>2. Vimeo</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3. Facebook</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4. Youtube</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5. Twitter</td>
<td></td>
</tr>
<tr>
<td></td>
<td>6. Tumblr</td>
<td></td>
</tr>
<tr>
<td></td>
<td>7. Blog/Individual web pages</td>
<td></td>
</tr>
<tr>
<td><strong>Ambassadors</strong></td>
<td>1. <strong>Aritz Aranburu</strong>&lt;br&gt;Spanish professional surfer, is rated as the fifth best in the world.</td>
<td>Aritz has over 150,000 followers on social media.</td>
</tr>
<tr>
<td></td>
<td>2. <strong>The Acero Brothers</strong>&lt;br&gt;Kepa Acero: Spanish ex-professional surfer, now surf-adventurer/explorer. Shows that surfing is exploring not just a type of sport and he is travelling for the experience and the adventure.&lt;br&gt;Eneko Acero: One of Spain’s most successful professional surfers.</td>
<td>Kepa has a YouTube channel with almost three million hits, and almost 80,000 followers on social media.&lt;br&gt;Eneko has almost 15,000 followers on social media.</td>
</tr>
</tbody>
</table>
### 38.0 Budget Proposal - Year 1

**Estimated cost:**

<table>
<thead>
<tr>
<th>Action</th>
<th>Cost (in €)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising online</td>
<td>5.000</td>
</tr>
<tr>
<td>Advertising magazines/newspapers</td>
<td>4.000</td>
</tr>
<tr>
<td>Exhibition (participation)</td>
<td>25.000</td>
</tr>
<tr>
<td>Showroom + give away samples</td>
<td>10.000</td>
</tr>
<tr>
<td>Travel costs</td>
<td>6.000</td>
</tr>
<tr>
<td><strong>Total cost:</strong></td>
<td><strong>50.000</strong></td>
</tr>
</tbody>
</table>

Devold usually provides a startup cost of 30.000-50.000 euros when entering a new market. These funds are spent on showrooms, exhibitions, catalogues (including translation), customer management and travel costs, among other things.

In addition to these costs, the agent receives a provision of 5-10%, but this is not included in this budget because the costs come from the revenues, not from the costs.
The second year Devold spends 100,000 euros to cover costs regarding exhibitions and customer management, among other things, similar to year one. The second year they usually spend more on marketing, so the budget for this post is significantly higher than for year one.

### Estimated cost:

<table>
<thead>
<tr>
<th>Action</th>
<th>Cost (in €)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising online</td>
<td>25,000</td>
</tr>
<tr>
<td>Advertising magazines/newspapers</td>
<td>22,000</td>
</tr>
<tr>
<td>Exhibition (participation)</td>
<td>30,000</td>
</tr>
<tr>
<td>Showroom + give away samples</td>
<td>12,000</td>
</tr>
<tr>
<td>Travel costs</td>
<td>11,000</td>
</tr>
<tr>
<td><strong>Total costs</strong></td>
<td><strong>100,000</strong></td>
</tr>
</tbody>
</table>
38.2 Budget Proposal - Five Year Plan

Between year three and five in a new market, Devold usually decides whether or not it is profitable to continue, or if it is better to pull out of the market. If they find it profitable enough, they will most likely establish an e-commerce platform, which will cost 25,000 €. Seeing that Spaniards generally shop more than normal online, it can be somewhat safe to pursue this course of action.

As for further planning of budgetary measures, this will be challenging before having entered and experienced the Spanish market. We therefore find it more appropriate to do this in a few years time, when Devold has a better understanding of the market.
39.0 Conclusion

- Now would be the right time to introduce Devold of Norway in Spain.
- Devold should have an undifferentiated strategy when entering the market.
  - When the market has reached the slow growth phase, we recommend implementing a focused segmentation strategy.
- The Adventurer and The Wave Rider will be the most attractive micro segments for Devold.
- When it comes to product, Devold should offer different collections in the two micro segments.
- The price should be market-based and be equal in both segments.
- It is recommended to have a local agent who will be the intermediary between Spanish retailer and Devold.
- In both segments the retailers should have enough knowledge and experience about the Devold’s merino wool products.
40.0 Evaluation: **Do’s and Don’t’s**

Writing this thesis has taught us both what is smart to do, and what is not so smart to do during a big project like this. Here is a list of the most important do’s and don’ts:

**Do’s:**
- Get a group that you know you work great with, it is a huge advantage to have the same work methods.
- Create an agenda for each day, it makes things more efficient.
- Get an overview of the course and the different steps in the project and the theories that are going to be used. We felt it important to understand these so we could avoid redoing a lot of work.
- Get to know the locals in order to ease the primary research process, like neighbors, class mates or get a hobby.
- Be effective with the secondary research so you have enough time to focus on the strategic parts which are more complicated and time consuming.
- We valued the efficiency we got from being more concentrated on the big details and get the main things done, before we got into small details for example little things like correcting grammar.
- Meet the group to work. We also felt like it was important being able to divide some tasks when we were sitting together so we could get input from each other but also were able to work individually within the group setting.
- Do understand how to sell the product, we have worn them ourselves in order to experience the product benefits on our own.
- Prepare questions prior to guidance meetings in order to remember to ask about everything.
- Write for a company that actually interests you - it makes writing the thesis much more fun and interesting.
40.1 Evaluation: Do’s and **Dont’s**

**Dont’s:**

- Initially we only sent out e-mails requesting interviews and this showed to be difficult, so do not wait too long on an answer. We were surprised of the willingness to answer when we went into the stores directly.
- Arrange a second interview to get more details if necessary.
- Always bring a recording device so you have all the needed information on tape, in case you can not recall everything.
- Categorise the sources from the beginning, so you can add the sources to the things needed to back up arguments in the slides later on.
- We were not able to conduct focus groups that covers all of our micro segments.
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Guidelines: In-Depth Interviews

This is an interview protocol that can help is to increase the reliability of our findings. This includes different aspects, such as how to approach the interviewees, which questions to ask and how to handle the information during and after the interviews.

We have decided upon an outline of the interview:
Introduction → current products used → purchasing behaviour → concept introduction → spontaneous comments → detailed comments → likes/dislikes/changes → purchasing attitudes
Lastly, we will choose interview objects that we felt could be beneficial for our thesis, those being consumers, retailers, distributors and competitors.

Consumers
Most importantly, we have a desire to further understand our market. We want to learn about the products consumers will buy, where and when they will buy them. Also, we want to find out about their knowledge of the use and excellence of merino wool.

Retailers, distributors and competitors
Initially, we find it important to gather more information about current products in the market. In addition, we want to understand more about the consumers and their purchasing process in the eyes of these interviewees. Also, the aspect of when and where the consumers buy is fundamental for us to gain more information.

Gathering all of these aspects will help us collect data supporting previous accusations.
Guidelines: Observations

- We have a desire to find out what retailers who sell merino wool baselayer, and which brands they offer.
- Additionally, it would be interesting to find out how much knowledge and experience the employees in different stores have on merino wool. We want to compare those who work in big chains, such as El Corte Inglés, with the smaller, independent retailers.
- The customer service varies in different stores, and therefore it could be helpful to see how the staff treats the customers.
- The placement of the products would also be important to observe. To see how available the products are for the potential customers.
- Since there are several substitutes it is important to look at those and see how they are presented in stores compared to the merino wool baselayers.
Guidelines: In-Depth Interview
WITH RETAILERS

We wish to get a better understanding of the business, who the customers are, what products they use and when they use the products. We are therefore going to conduct in-depth interviews with both retailers and distributors in order to see things from their point of view.

We will use some standards questions, and ask follow-up questions where this is natural.

- What brands do you have that consist merino wool?
- Has there been an increase/decrease in sales of merino wool products the latest years?
- Who normally buys these products?
- What is your opinion about consumers in this market? Do people know about merino wool baselayer?
Guidelines In-Depth Interview WITH COMPETITORS

It is desirable for us to get to know the already existing competitors in the industry in order to know their strengths, as well as weaknesses. Since they already operate in the industry we can use this as an opportunity to get an insight of how Devold should act if they choose to enter the Spanish market.

We will use some standard questions, and ask follow-up questions when this is needed.

- What is your experience with the merino wool industry?
- How do you perceive the industry?
- Is there a seasonality for this product?
- Who buys it?
  - What do they use it for?
Guidelines: In-Depth Interview
WITH CONSUMER AND NON-CONSUMER

For these interviews we will bring several Devold products for the interviewees to try out.

- Who do you think will wear Devold’s products?
- On what occasions do you think people will need Devold’s products?
- What was your first impression when you saw the products?
- What do you think people know about merino wool?

In addition to this we will ask follow-up questions where it is necessary and needed, in order to make the interview seem more like a conversation.
Guidelines: Focus Groups

We use focus groups to reach out to potential customers and to hear their opinions, thought and further input about the products Devold are offering. This information will give us a clear indication of whether the products will be bought or not, and also why they would buy/not buy it. We will chose participants with an intention of getting a deeper insight in active people’s consumer behaviour. This information would help us later in our research. We will show them the different collections, to get an insight in what products that would be prefered and why.

Discussion guide:
Introduction → current products used → purchasing behaviour → concept introduction → spontaneous comments → detailed comments → likes/dislikes → purchasing attitudes

Main questions:
● What kind of clothes do you wear when going outside?
● What kind of fabrics do you prefer in clothing in different occasion?
● When you buy clothes which factors are you taking into consideration?
● Have you ever used wool baselayer, when and why?
Devold’s Products

**Breeze** garments are soft and lightweight, designed especially for the days when you need ultra-light clothing that’s breathable and helps to regulate your body temperature. These garments are made of 100% extra fine merino wool – a wool that has a cooling effect in hot weather and feels warm against your skin when the temperature drops.

**Energy** is light, technical, functional exercise wear made of 100% merino wool. With sweat-wicking rib fabric and strategically placed mesh panels, it provides comfort and breathability during exercise. Both the mesh and rib are very elastic, permitting a full range of motion. Additionally, the Energy series is superbly soft and naturally resistant to odour – perfect for endurance or multi-day activities.

These products was the preferred products from the focus groups.
Wool Mesh – comfortable mesh underwear with moisture-wicking abilities. Offering both ventilation and insulation, these lightweight garments are suitable for all year round use and during intense activity. Wool Mesh is very elastic and follows the movements of your body. Wool Mesh dries more quickly than tight woollen sweaters if it get wet, and when you’re hot, surplus heat and moisture are wicked away from your body and passed up to the next layer. But when it’s cold, the air trapped by the mesh keeps you warm.

Duo Active is knitted in two layers, with fine merino wool on the outside and ThermoCool Eco2 on the inside. This is a high quality functional fibre designed to wick away moisture perfectly, and at the same time the wool on the outside has outstanding insulating properties that make sure you stay warm even if you get wet. This combination of fibres creates the perfect product for outdoor activities no matter what the time of year. ThermoCool Eco2 consists of 100% recycled material, and combined with merino wool this makes for a very eco-friendly product.

These two products were the preferred products from the focus groups.
THANK YOU!

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