

## Case Study Buffet - Module selection form



In the sunny Okanagan Valley in BC, the city of Kelowna has long been a centre for outdoor recreation of many kinds. With abundant mountains, beaches, lakes and parks, it invites residents and visitors alike to spend time outside.

To support the recreational activities of locals and visitors in Kelowna, a growing number of gear stores carry a variety of sports equipment, clothing and other gear. One such store is OUTSIDE, with a retail location in the Landmark district of Kelowna. OUTSIDE specializes in downhill and xc ski gear in the winter, and cycling gear in the summer. In addition, clothing, footwear and accessories are offered that support hiking, running, swimming and walking activities. Services include ski tuning, bike setups and repairs, bike fittings and running shoe analysis and advice.

OUTSIDE was started in 1994 by a local couple who wanted to provide the community with quality brands and outstanding service. They focus on service provided by knowledgeable staff, knowledge of the surroundings including trail and road conditions, quality gear, brands and support of the local community.

Besides providing quality products and services, the business has been involved in local events such as running, triathlon, mountain biking and multisport races. Specifically, the store has sponsored the local marathon for the last 20 years (with a 3 year break due to Covid) as well as the Apple Triathlon that has been part of the community for decades (until 2019).

The company's Mission Statement reads as follows and is printed on all invoices:

*To inspire an active lifestyle, we provide the best quality products and services to the outdoor community around us. We are proud to support all our customers and stakeholders with passion and knowledge.*

The store hosts regular weekly road bike rides, ski demo days and special discount days for local clubs such as the xc ski club.

Other facts:

- Size of store: 9000 sq ft
- Profit margin: 10 to 15%
- Employees: 4 full time, 7 part time

### Options/Modules

- Products
- Sales Channels
- Competitors and Pricing
- Promotion and Sponsorship
- Human Resources
- General Management

## Products Information

OUTSIDE caters to customers involved in many outdoor sports with clothing and gear, such as hiking (apparel), cycling (mountain biking, road cycling, e-biking, gravel biking), skate and classic xc skiing, downhill skiing, running (apparel and shoes), swimming (swimwear and accessories) as well as triathlon (apparel and triathlon bikes). The store does not currently carry gear or clothing for golf, fishing or hunting.

The store is considering adding clothing and gear for additional sports to expand the customer base. The city is growing and tourism numbers are increasing as well. The owner has considered entering the rental business or finding qualified employees to lead tours or lessons.

The owners and employees also keep an eye on new trends that could affect their offerings and speak to their customer base. For example, the growth of ski touring has created a new industry of touring equipment including specialized skis, bindings, boots, backpacks, avalanche equipment, or mountaineering tools such as ice axes. Servicing those customers with an interest in these new sports has to be weighed against the investments necessary to carry high quality products for these sports as well as training employees to provide knowledgeable service for new sports.

Even though there are a lot of golf courses in the area and the Okanagan Valley is famous for good weather and great courses, so far OUTSIDE has not added golf gear and clothing. The owners agreed that it appears to be a very specialized sales area that appeals to a different customer base and requires a lot of specialized knowledge to sell and service.

### Products Questions

- After analyzing lifestyle, sports and population statistics, would you recommend OUTSIDE add a golf line for gear and clothing? Why or why not?
- After analyzing lifestyle, spending of disposable income and population statistics, would you recommend OUTSIDE add fishing gear and clothing? Why or why not?
- Research trends in lifestyle, spending of disposable income, local competitors and populations for the Kelowna area. Then advise OUTSIDE on adding rental services to their offerings. Which rental services, if any, would you recommend and why? Consider competitors offering the same services or alternative solutions (e.g. the City's scooter program).
- Evaluate the local market for tours that feature any of the sports OUTSIDE is currently supporting (e.g. hiking tours, cycling tours on the Rail Trail etc.). Justify your recommendations about tours to OUTSIDE.
- What other products or services would you recommend that OUTSIDE add to their lineup?

## Sales Channels information

In addition to the retail location in Kelowna's Landmark district, the store maintains a website. Select brands and items are listed there and can be purchased but delivery/pickup is always through the store. These items are mostly skis and bikes, not clothing or smaller gear items.

The owners have stated that they are more interested in serving customers at their retail location so that the customers have an opportunity to try out items, demo gear and make informed decisions. It also allows them to provide services such as fittings of bikes and skis as well as finding out what additional needs the customers have.

The website was established 2015. It is a simple affair, listing the products within a Shopify interface. The store acknowledged the trends towards online shopping with the creation of the website but it has not been their focus. Overall, the website only contributes about 5% of revenues.

### Sales Channels Questions

- Evaluate the current e-tailing trends by researching academic journal databases. Provide an analysis of the benefits and drawbacks of e-tailing for outdoor stores based on the current e-tailing trends.

- Make sure to apply these external factors to OUTSIDE and assess whether OUTSIDE should continue to maintain the website. If you do, what changes do you recommend, based on your analysis of current trends? With a specific budget for their online operations, where do you suggest the money should be spent?
- What kind of marketing research do you recommend the store conduct before deciding on the budget allocation for their website operations? Which stakeholders should be engaged to contribute information to this decision making process?
- Does the website, as a sales channel, support OUTSIDE's value proposition?
- Would a larger store mean more revenue? What would be critical for a new location, which factors to evaluate? How does employee management affect decisions about expansions or relocation?

## Competitors and Pricing

Locally, the store is competing with 3 other stores. One is cycling focused with xc ski sales in the winter, run by local owners. One is purely cycling oriented but also locally owned and operated. The last one is SportChek in the mall, selling clothing and gear for a wide variety of sports.

Comparing OUTSIDE's prices with the locally owned cycling stores, they are on par in all categories that all stores sell (bikes, clothing, accessories, xc skis, etc). None of the other locally owned stores sell running and walking shoes, or gear for swimming. Compared to SportChek, OUTSIDE's prices are higher for the products that are comparable, such as running shoes. They also cannot compete with SportChek's sales and discounts.

Compared to national e-tailing websites (Altitude Sports, The Last Hunt, Valhalla, MEC etc), prices at OUTSIDE are higher by about 20% compared to regular online prices (not sales).

### Competitors and Pricing Questions

- Research common pricing strategies that are discussed in the academic literature. What pricing strategy do you recommend for OUTSIDE and why? Discuss your first choice as well as an alternative.
- As OUTSIDE's owner, how would you justify the higher prices compared to SportChek?
- Assess the competitive situation. What competitive advantages does OUTSIDE have? Which competitors should OUTSIDE be most concerned about?
- Research show rooming and web rooming. What applies to OUTSIDE and how can this be addressed?
- Research the local competitive landscape and assess the competitors OUTSIDE is facing. Which products does OUTSIDE face the strongest competition for? Should this affect the pricing strategies selected?
- Assess the usefulness of OUTSIDE's website to compete locally and nationally. Do you recommend additional features or content to enhance their competitive advantage?

## Promotion and Sponsorship Information

OUTSIDE typically has a spring sale at the end of ski season, as well as a fall sale with discounts on summer sport items. In addition, some discounts are offered to local clubs that the store is affiliated with (Kelowna Nordic Ski Club, Kelowna Running Club, Kelowna Paddle Centre and Kelowna Triathlon Club; the typical discount is 10%).

The owners used to be very involved in triathlon and were big supporters of the Kelowna Apple Triathlon (at some point even organizing the event) while it was still happening. There have been discussions within the City Recreation department to bring this event back.

Promotions and sales are advertised to all members of the store's email database. In addition, the website lists their sales promotions as well. The store's computer system identifies long-standing customers and staff would routinely offer discounts to "good" customers based on their past purchases and loyalty to the store. This is mostly done for larger items such as skis and bikes.

In the past, the store has also advertised on a local radio program on AM 1150 (the morning talk show which is produced locally and covers local and national issues).

Besides the discounts given to local club members, the store also sponsors other outdoor events in the community. This has, in the past, included the Across the Lake Swim, an XTERRA race and the Cherry Blossom triathlon.

## Promotion and Sponsorship Questions

- Research the advantages and challenges of event promotion as a marketing tool for an outdoor store. Then assess which events OUTSIDE, as a business that relies on the local community for their customers, should sponsor from this year on?
- Given the location of the store in Kelowna and the outdoor-focused lifestyle in the region, what are other suitable promotional strategies that could create a competitive advantage for the business?
- Third Assess the typical customer for this store, based on the information provided. List at least two demographic and two psychographic characteristics of this target customer, based on your research.
- How can social media be used for promotions for this store? Keep in mind the target audience and reach of various social media channels.
- Evaluate the advantages of a formalized loyalty program for an outdoor store. Make informed recommendations about this promotional option for OUTSIDE.

## Human Resources Information

As is the situation for many other retail businesses, OUTSIDE has had problems finding qualified workers especially after the Covid-19 pandemic. In the decades prior to Covid, there was a steadier stream of young outdoor enthusiasts who either filled some gap years with working at OUTSIDE or even became long term employees. Recently this has been more of an issue.

While the store is willing to train any employee on the details of the business (gear, materials, clothing, technologies etc.), a passion for gear and the outdoors is necessary to be an employee “who cares”. To advise customers on the best equipment for their sports requires some understanding of those sports. Therefore it is difficult to determine what constitutes a qualified employee. Retail processes can be taught, as can the new developments in the industry. But the passion and interest has to be there.

The store also faces the issue that new employees are being trained and educated to provide the service and knowledge level that the customers expect, only for those employees to leave after a short time of employment. Ideally OUTSIDE would like to retain knowledgeable employees to elevate the service level, e.g. for bike repairs or ski advice.

Currently the store operates on a very flat hierarchy. There are no supervisors, only more or less experienced employees. When one employee cannot answer a customer’s question, he will seek help from a longer-term employee.

The average age of their workforce is 34 years, elevated by a handful of long-term employees aged 45 to 56. Employees are not paid on commission but instead earn an hourly wage of the BC Minimum wage plus 25%.

## Human Resources Questions

- After conducting research on recruitment strategies for retail operations, state your recommendations for OUTSIDE on how to find and attract the best employees. Make sure to include recommendations on the channels the store should be using.
- Look into retention of employees and the underlying psychological factors related to motivation and incentives. What approach do you recommend to OUTSIDE to retain their employees?
- Do you recommend a form of profit sharing? What other incentives could be incorporated to retain employees long-term?
- What benefits do you recommend for OUTSIDE to offer its workforce to encourage long-term employment? What do you think are the competitive aspects that drive employees to work elsewhere?
- After researching leadership and supervision, do you recommend the store implement a more formal hierarchy? Should there be a clear leader available at all times that carries more responsibility with regards to making decisions throughout the retail day, and what advantages would this create for the store and/or for customers?

## General Management Information

The OUTSIDE store would like to continue its legacy in Kelowna and support the ever-growing population with the best products and services for their outdoor passions. The industry is evolving, for example with the arrival of e-bikes, making cycling more accessible to a growing customer base.

In addition, external factors can have a big impact on the store. For example, climate change may affect the ski season and enthusiasm for snow sports. The growing dependency and adoption of online shopping (including adjustments of online retailers to make returns easier and shipping quicker) might change shopping habits of the customer base.

The store has, in the past, relied on their staff and customer voices to stay on top of developments and trends. However, they would like to start a more formal market research program. Through this approach they hope to gain more detailed and more valuable insights into the market, which would allow them to tailor their products and services better. The owners are tentatively thinking to not only review secondary sources such as industry reports and Canadian population changes. They are also considering creating their own data by potentially using focus groups.

### General Management Questions

- After researching the trends in lifestyle and sports in the Okanagan Valley as well as BC in general, provide a summary of justified recommendations for OUTSIDE with regards to products carried and services offered.
- Conduct a PESTEL analysis, looking at political, economic, sociological, technological, legal and environmental external factors that will affect the store.
- Do you consider the store's mission statement adequate to inspire staff and inform customers?
- Which sources do you recommend for OUTSIDE to keep track of industry trends and evolving technologies?
- Review the different factors used for segmentation of target markets. Then justify which sources you recommend for OUTSIDE to assess to learn about lifestyle changes, demographics changes as well as behavioural changes that could affect their business.
- Do you consider focus groups a suitable market research tool for OUTSIDE? Recommend other market research tools and justify why they are suitable.