

**A Report for Potential Investors      L O W   L E V E L   3****A**

# SHIVER WINTER WEAR

## Investors' Report A Plan for International Expansion

**B****A Brief History**

My business opened on October 25, 1988 in Montreal. The idea behind my business was inspired during the winter of 1986 in the Laurentian Mountains. I was on a ski trip and bought all the latest and most expensive skiing apparel. The weather was less than ideal at the time, snow, frozen rain, followed by more snow. As a result my winter hat quickly became wet and uncomfortable. I also became sick because of my wet head. Although the hat kept me warm when dry, I was not satisfied with how it held up in rough snowy weather, and frozen rain. I started thinking that maybe I was not the only skier who was unsatisfied with the winter hats. I became more aware of what those around me were wearing outside. I paid closer attention to other hotel guests coming in from the outdoors and scanned restaurants and shops with a new attentiveness. I believed the answer to my problem was waterproof ski wear.

When I returned home I decided to investigate exactly what was available on the market in the Montreal area. By the spring I narrowed my search to items made of waterproof material. The selection was quite limited so my next step was to go back one step further and see what types of waterproof materials were available to the manufacturers. The first material I found was a sort of rubbery material. This material definitely kept water and snow out, moreover, it was also available in several colours and patterns. After I bought about ten yards of the material I set out to make a simple design for a hat. The design process was slow at first, but eventually four possibilities became apparent. The next step was to approach a local tailoring business with the material and design and commission the first prototypes of the hat.

Once made, I tested the prototype in the rain and came quickly to the conclusion that it kept the rain out and it kept my head warm. The major flaw however was that the material did not breathe at all, so it was very easy to perspire while wearing the hat. The end result being a wet head, the very problem I was trying to avoid.

During that same summer I frequently visited trade shows searching for the appropriate material for my hats. Finally at the end of August I found my dream material at a medical material manufacturer. They had this material that they used for burn patients that kept water out and breathed to prevent perspiration. I bought enough material for a prototype and maintained close contact with the medical supply company. Once again, I brought the design and material to the tailor and commissioned additional prototypes.

The prototype was everything that I wanted it to be. With the idea of selling these hats I proceeded to buy enough material for 50 hats. I approached the tailor with an

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order and a price was negotiated for the sizable order. I then went out and bought a patent for my design and began to think of possible names for my company. I decided on the name Shiver Winter Wear. I checked to make sure the trade name had not been previously copyrighted, and when no such copyright was found I took out the copyright for my own use. I then approached a graphic artist and commissioned a logo to accompany the product trade name. I then took the logo, material and design back to the tailor to begin production.

It costs me \$25 for the material and \$5 for the sewing. I charge \$44.99 for a profit of \$14.99 for every hat sold. In the winter of 1987 I sold all 50 hats I had made during the ski season. There was definitely a strong demand for my product. During the Spring I wrote up a twenty page business plan for a business loan of \$25,000 to start up my business. Upon receipt of my loan, I went to all the sports stores in the Montreal and Laurentian area to get them to sell my product. The hats sold in most sports stores for \$55. I also set up a few booths in popular Montreal malls during the ski season. In the summer of 1990 I landed a contract with The Bay. My product is now available in most Bay stores across Canada.

#### **Current Business**

I currently supply 192 sports stores across Canada. I supply the Bay and I have a web site where customers can go to purchase merchandise online. I also expanded my product lines to include socks, fleece sweatshirts, a winter coat line, as well as the classic hats with the Shiver Winter Logo on them.

Shiver Winter Wear is well known across Canada. As the volume of orders grew I hired patch work sewing firms in Mexico and opened a packaging and distribution centre in Hamilton. I acquired a partner who oversees the Hamilton operation. We have averaged a net profit of \$700,000 over the last four years.

#### **Rationale for Expanding into Sweden**

Shiver Winter Wear is a household name across Canada. The company enjoys a successful product line and a loyal consumer base in Canada. I do feel however that the company has grown to its greatest potential for the current economy in this country. I do not see much more room for growth and feel that the product could be marketed in just about any other northern climate.

I believe there is a growing trend toward Globalization and I feel that embracing the existing opportunities for international expansion and distribution will help make Shiver Winter Wear stronger in the twenty first century.

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There is quite a bit of competition in the winter clothing industry already. This company is currently competing with the large and firmly established Columbia Sportswear. Other sports companies such as Adidas and Nike are also trying to break into the winter sportswear market. In order to continue to compete with current competitors and stay one step ahead of future competitors, I feel that it is imperative for this company to expand and sell our quality products on an international scene. With a larger market we will be able to pull in more revenues and eventually become a global leader in winter wear.

Our company would like to be able to sell our products in Europe. Now that European countries have reduced their trade barriers and formed the European Union, Europe has a high standard of living and there are many areas in Europe that receive cold winters, thus the potential for a new consumer base is presented. After extensive research into the E.U. countries, I feel that Sweden would be an ideal European test market for our product.

I feel that with the appropriate plan and modifications to our product, it will be possible to be successful in Sweden. A successful trial in Sweden could lead to future expansion into other European countries, increased sales, logo recognition and possibly provide new insight into other market niches in Europe as well as in Canada.

#### **Current Market Conditions**

Sweden has a cold northern climate with mountains in the western part of the country. Sweden has a tertiary based economy with 76% of its workforce in services. Sweden has a population of just under 9 million people, with 64% of the population in our target market range (15 to 64). The country has a GDP per capita of \$25 400 U.S.

The infrastructure in Sweden is particularly well established, especially in the area of wireless communications. 3.7 percent of their GDP goes toward Research and Development. The country also has the most multinational corporations per capita in the world. This makes the area highly competitive, and it is in the best interests of the Swedish government to foster international investment and maintain its commercial reputation.

There is a heavy emphasis on innovative technology in Sweden. They have the second most patent applications per capita in Europe. Sweden is a large user of the internet as well with over 60% of the population an internet user. Sweden has been described as a particularly progressive country in the world. Its government is very similar to Canada with respect to government spending trends. There is universal health care in the country along with a well funded welfare system. There is only 4% unemployment in the country and most of the work force is knowledgeable and skilled.

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As mentioned earlier, skiing is one of the most popular sports in Sweden. This means that there is also an established winter clothing market. Companies such as Lefa Inc., Sasquatch Inc. and Nylander & Son HB enjoy national recognition as winter clothing suppliers.

#### Needs and Wants of Consumers

Taking into account the local skiing tradition as well as a very cold climate, there is a strong possibility that a demand for waterproof winter coats and hats exists. With appropriate marketing, my company could direct consumer's attention towards our specific products, and introduce a unique line of winter clothing. Shiver Winter Wear can be introduced as a popular brand name in the country in part due to its success in Canada, presenting it as new and novel from the great Canadian North. Our marketing experts could also try and get various Swedish celebrities or sports heroes such as Peter Forsburg or Matt Sundin to wear the signature hats in public. Promotion of our products could also be achieved by sponsoring charity events or the Swedish Olympic team.

Environmental issues are very big in Sweden. The government has been heavily funding environment programs and there is intense consumer pressure on companies to be environmentally friendly. To play on this swing toward environmentalism we could tell our customers that every time they buy our signature hat or winter coat, our company will donate one dollar toward Green Peace or some other environmental protection agency.

Studies have shown that a large percentage of the Swedish population uses the internet. This also means that quite a bit of the population have a computer or have access to one. This is very positive from a marketing standpoint. A very simple way to get the word around Sweden about our product might be to have our web site translated into Swedish. We could also purchase e-mail lists of people living in Sweden and e-mail some sort of introductory offer to everyone on the list.

These are all legitimate ideas as to stimulating public demand for our product. The only real way to know what works in Sweden as far as marketing is concerned is by hiring a local marketing firm to aid us. After extensive research we have found a European agency that has a branch in Sweden. Euro RSCG Sweden will be a consultant in our efforts to market our product to the people. This large firm is highly qualified, having been retained by successful Swedish companies such as Volvo and international companies like Pfizer. We are currently searching for a local placement agency to match us with translators and district managers.

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#### Modifications to the Products and Business Practices

As mentioned earlier we will be hiring a translator for our web page. We will also have to translate our warranty agreement as well as slogans. We may have to revise our company's slogan in an effort to create a pleasing sound in Swedish. The same applies for information on our web page. We must be careful not to mislead our customers.

A Swedish law firm has been retained to advise the company on copyright issues, warranty and exchange policies as it applies to Swedish trade law. Lawyers will also be retained to advise the company about safety standards, as well as appropriate salary and benefit packages for employees.

Our logo will stay the same because there is no English in the logo. On some of our fleece sweatshirts we will have them either translate to Swedish or change the saying so that it is suitable and trendy. Our translator will be of particular help in these areas.

We are currently surveying the sizes of sweatshirts and coats in the Swedish clothing stores. We will need to have an idea of the size of the average Swede. If the sizes are different than Canadian sizes, modifications will have to be made.

Prices of our product will have to go up by 15% to allow for shipping cost from Canada. Eventually we would like to establish a European based manufacturing plant. This would allow us to label our product as European made and reduce shipping costs and tariffs.

#### Distribution Plan

My company will be leasing an industrial space in Stockholm for our packaging and distribution centre. All packaging will be labelled in Swedish and applied here. All orders over the internet from Sweden and the rest of Europe will come from this centre.

All products will be produced in Mexico. From Mexico they will be air transported to Stockholm International Airport by FedEx Express. From the airport Velsic Courier service will take our products to the distribution centre which is located 25 kilometers from the airport.

Once all products are packaged they will be sent to the various sports and clothing stores that have agreed to sell our product. Regional representatives will make inquiries at the stores as well as make presentations about product values and potential benefits. The representatives will provide the stores with advertisement posters and negotiate product placement in the store. They will also check in on the stores to monitor sales.

All internet orders from Sweden will be shipped by land by Velsic Courier Service. All orders from Europe will be shipped by FedEx to the desired location at the expense of the customer.

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**Conclusion**

With success in Sweden, Europe could become a very loyal and lucrative market for our company. The plans for Sweden have been carefully thought out by a number of very well respected individuals. The future looks very promising for this innovative company and I encourage you and your friends to get on board for the exciting ride to the future.

**Bibliography**

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**Teacher's Notes****Knowledge/Understanding**

- The student describes current market conditions in Sweden with considerable accuracy. He or she points out that Sweden is a cold, mountainous country in which "skiing is one of the most popular sports" and astutely states that "64% of the population [is] in our target market range (15 to 64)". Furthermore, the student refers to Sweden's "heavy emphasis on innovative technology" and discusses Sweden's commercial interest in fostering "international investment". The student identifies existing competition in the "winter clothing market", but does not provide any further information about the companies mentioned.

**Thinking/Inquiry**

- The student interprets the needs and wants of new consumers with considerable effectiveness. He or she focuses on marketing strategies to attract the interest of the Swedish population. The student intends to capitalize on the success of the product in Canada and advertise it in Sweden as "new and novel from the great Canadian North". Additional marketing strategies include enlisting the aid of local celebrities to endorse the product, appealing to consumer support for environmental groups, the use of the Internet, and the hiring of local marketing and placement agencies. However, these comprehensive marketing strategies are based solely on an assumption that a demand for the product exists rather than on evidence obtained from research.
- The student analyses modifications to the existing product with considerable effectiveness. He or she provides detailed and comprehensive modifications to comply with business practices in Sweden (e.g., the use of a Swedish law firm to interpret Swedish trade law and "to advise the company about safety standards, as well as appropriate salary and benefit packages for employees"). Other modifications include the use of translators to provide web page information, company slogans, and the warranty agreement in Swedish, and increasing the price of the product to allow for shipping costs. However, only

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one possible modification is suggested for the product itself – namely, changing the sizes of sweatshirts and coats to accommodate “the size of the average Swede”.

**Communication**

- The student communicates the potential of the proposed expansion for success with some clarity. He or she writes well, maintaining a confident, persuasive tone, and makes good use of business terminology (e.g., “prototype”, “patent”, “copyright”, “product trade name”, “volume of orders”, “household name”, “market niches”). However, the report lacks a table of contents, and the first section, “A Brief History”, is inappropriate for inclusion in a formal report for potential investors. The student presents a well-thought-out distribution plan that includes the role of “regional representatives”. However, the claim that Sweden has been selected “after extensive research into the E.U. countries” is undermined by the fact that no comparison of the market potential in Sweden versus that in other E.U. countries is included in the report.

**Application**

- The student provides a rationale for the international expansion of considerable effectiveness. He or she points out that “the company has grown to its greatest potential for the current economy in this country” and thus is looking for new opportunities to increase revenues by expanding into a European market. The student successfully establishes short- and long-term goals for the company (e.g., taking advantage of reduced trade barriers to set up a “test market” for the product in Sweden and then expanding further into other European markets if the initial venture is successful). However, the potential investors would no doubt require more assurance than “a strong possibility that a demand for waterproof winter coats and hats exists”, and the invitation “to get on board for the exciting ride to the future” suggests a certain uncontrolled risk element to the venture.

**Comments**

This work is representative of a low level-3 performance. The student demonstrates a considerable degree of achievement of the expectations in the Knowledge/Understanding, Thinking/Inquiry, and Application categories of knowledge and skills. However, in the Communication category, the student demonstrates some degree of achievement – i.e., achievement that is more characteristic of level 2.

The result is report that displays entrepreneurial inventiveness and enthusiasm but requires more evidence of solid research to be entirely convincing.

**Next Steps**

In order to improve his or her performance, the student needs to:

- carefully reread the description of the task to ensure that all requirements are understood;
- provide information for potential investors about existing competition in the new market;
- conduct further research into the needs and wants of the new consumers;
- consider further modifications to give a more competitive edge to the product;
- review and use the components of a business report;
- assure potential investors of the soundness of the proposal.