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# SLOPES TO SAND

## International Expansion Plan



A Report for Potential Investors

B

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## HIGH LEVEL 3

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**SLOPES Sunscreen International Expansion Project****Company Name**

Originally named **SLOPES Sunscreen**, but for the international expansion to summer climates, the name will be changed to **SLOPES TO SAND Sunscreen**.

**Executive Summary**

SLOPES sunscreen was established in early 1997, with the principle goal of satisfying the demands of the winter sunscreen market. SLOPES sunscreen was created with the technology to allow it to deflect the light that was emitted from the snow, that would shine onto a skier, or snowboarder's face, causing in some instances, serious burns.

During the ski season of 1998, SLOPES sunscreen was unleashed onto the Canadian winter sunscreen market, primarily selling in Canadian Ski Resorts, such as; Blue Mountain, Whistler, Mount Tremblant, Mount Ste. Anne, and Sunshine, among others. SLOPES was an instant success, and seemed to meet the needs that the winter clientele has expressed.

Since SLOPES hit the market in 1998, much promotional work has taken place. The Company has purchased ad space in popular Ski and Snowboard magazines (SKICanada, Transworld SNOW, and SNOWBOARDER), and has also sponsored many forms of ski and snowboard races among different resorts within Canada. SLOPES has also lined up some celebrity endorsements from many well known skiers and snowboarders from Canada.

After the creators saw the success that SLOPES was having on the winter sunscreen market, an executive decision was made, and SLOPES is going to transform itself from winter sunscreen, to summer sunscreen. Using the same technology that was used to deflect the sunlight from the snow that would hit skiers' and snowboarders' faces, the summer version of SLOPES will have the same feature, but instead of deflecting snow it will deflect the sunlight that is reflected off the water onto the face of boaters, swimmers, and vacationers.

SLOPES is also planning to change its name for the summer clientele to SLOPES TO SAND, but in the winter, the SLOPES name will remain the same, in attempts to keep the already established winter market. We are continuing to keep the name SLOPES in the summer name in hopes that our product has created some brand loyalty, and consumers of the winter SLOPES will recognize the name, and purchase the product.

The revisions to SLOPES is underway, and SLOPES TO SAND will be available on both the Canadian and American Markets in the summer of 2003.

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**Current Canadian Market**

The Canadian market already consists of many forms of sunscreen. SLOPES TO SAND primary rivals in the sunscreen industry are: LaRoche, Ombrelle, Coopertone, Banana Boat, PreSun, Neutrogena, NoAd, and Sea and Ski. Although there are already many different sunscreen products on the Canadian market we are confident that our product will be able to attract the target market that we are intending to reach.

Sunscreen is a vital part to Canadian life. In 2001 alone, 500,000 new skin cancer cases had been reported, and it has been proven via survey, that '60% of Canadians do not use any form of sunscreen protection'. Although our product will not be able to force those 60% of Canadians who do not use sunscreen, we do believe that with highly effective commercials, free samples at beaches, and resorts, that we will be able to attempt to inform many individuals of the effects that the sun can cause on an unprotected body.

The sunscreen market is a fairly open market, with increasing awareness of skin cancer, and the depleting ozone layer. Canadian society is becoming more aware of the dangerous effects that the sun can have. The advantage to being in the sunscreen market is that sunscreen has transformed over the years from a want, to a necessity. Another advantage to the sunscreen market, is that sunscreen is a very inelastic product, if the price rises, consumers will continue to buy the product. However, in this sort of market, it is impossible to have pricing power, as there are already many other more established, and more known sunscreen products on the market.

The Canadian government is in the form of a mixed economy. This allows the blend of government involvement in the actions of business and private ownership. The mixed economy idea allows for competition. This is crucial in the sunscreen market, in that there are already many companies that have been established for a long time, and having the ability to compete against the other companies freely is an asset to the new branch of SLOPES sunscreen.

**Market Segmentation**

A market segment is a distinct subgroup of customers who share certain personal behavioural characteristics. This is a crucial area that must be analysed in order to achieve the best target market for our sunscreen.

**Target Market**

The demographics within the target market that SLOPES TO SAND is hoping to attract, is: individuals of any age, individuals who are health conscious, primarily women, as they are generally the individual within the family who makes the choices of the types of sunscreen to purchase. We are also attempting to aim our target market at summer enthusiasts. We believe that those individuals, who enjoy being in the sun, or who enjoy vacationing in hot places would be more likely to purchase our sunscreen over the individual who stays in an air conditioned house all day.

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**Rationale for Expanding**

Expansion is a necessity for all business. We at SLOPES TO SAND believe that in order to maximize our capital, and maximize sun awareness, we must internationally expand the reach of our product. Although we are going to present our newest line of sunscreen to the Canadian market, we feel the need to introduce it to another market it well.

We have chosen to market SLOPES TO SAND to the United States as well as in Canada. We did this for the reason that the United States has more skin cancer related causalities, and more individuals who do not take the proper skin care precautions. It has been estimated that about 45% of Americans who live to the age of 65 will have skin cancer at least once in their lives. This is an incredibly high number. It was equally alarming when we learned that '70% of Americans had admitted to not taking any sort of skin care precautions before entering into the sun'. The United States also has the highest skin cancer rate around the world, and we believe that by introducing our new product to that country, it may give the American consumers more initiative to protect themselves for now, and for the future.

Another reason why we are choosing to expand to the United States is the wealth in the economy. We will go into further detail into the economic standings in the United States in the next section.

International expansion will allow SLOPES TO SAND to get its name out in the international community. We understand that the United States attracts many visitors and vacationers each year from a variety of different countries. It we are able to attract the attention of a vacationer from France, or from Australia, or from Brazil, then that allows us a larger opportunity to expand our company even more.

SLOPES TO SAND eventually wants to build itself into a sunscreen empire, and without expanding, this would be near impossible to achieve. We have chosen to expand in order to maximize our chances in becoming the sunscreen giants we wish to be, to maximize capital, to maximize global awareness of sun damage, and to eventually market in another international location.

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**International Location**

The International location that SLOPES TO SAND has decided to target is the United States of America. We understand that the United States is an incredibly large market area, so we have decided to keep our primary focus on the states of Florida, California, and Hawaii. We realize that there are many other warm climate areas in the United States, but these states have the largest population, and are some of the areas that attract the most tourists.

**Florida:**

- \*The U.S. Census Bureau estimates Florida's 2002 population at 16,713,149.
- \*Average min. temperature in June – 75.1
- \*Average max. temperature in June- 81.3
- \*Average min. temperature in July- 76.5
- \*Average max. temperature in July- 89.1
- \*Average Min. temperature in august- 76.7
- \*Average max. temperature in August-89.2
- \*ALL TEMPERATURES ARE MEASURED IN FAHRENHEIT\*

**California:**

- \*Current population approximately 32 million
- \*Average min. temperature in June 73.2
- \*Average max. temperature in June-88.1
- \*Average min. temperature in July-75.3
- \*Average max. temperature in July-94.0
- \*Average min. temperature in August- 78.3
- \*Average max. temperature in August-92.1
- \*ALL TEMPERATURES ARE MEASURED IN FAHRENHEIT\*

**Hawai:**

- \*Current population approximately 2.3 million
- \*Average min. temperature in June-72.5
- \*Average max. temperature in June-86.8
- \*Average min. temperature in July- 76.2
- \*Average max temperature in July-87.7
- \*Average min. temperature in August- 78.3
- \*Average max. temperature in August- 88.5
- \*ALL TEMPERATURES ARE MEASURED IN FAHRENHEIT\*

## HIGH LEVEL 3

## G

**Existing Market Conditions****Legal Factors**

When dealing internationally, there are many obstacles to overcome. Luckily, Canada and the United States are part of a free trade agreement entitled the North American Free Trade Agreement (NAFTA). This agreement allows free trade to be conducted across the borders of all the countries in the agreement (Canada, the United States, and Mexico).

SLOPES TO SAND really does need to be careful when dealing with the components of the sunscreen when it is being shipped over the United States. We need to be careful that there are no products in the sunscreen that could have possibly come from Cuba, as there has been a ban on importing Cuban products to America since the Gulf War.

**Cultural Factors**

When dealing with other countries, the host country must be very careful and sensitive to the cultural needs of the home country. Although Canada and the United States are very similar to each other, there is some difference in culture. For example, in Canada, on our packaging, we would put two languages, French and English, but in the states where we are choosing to do business this will have to be different. On all of the packages being sent to the United States English will be on the packaging, but Spanish will take the place of French.

SLOPES TO SAND also has to make sure that no ethnocentric comments, or even actions are taken while attempting to make deals within the states that we are attempting to acquire deals with.

**Economic factors**

SLOPES TO SAND has done some research, and has found that the GDP (Gross Domestic Product) per capita of the three states that we are attempting to expand into is all in the same range of US\$36,300. This is a relatively high GDP per capita, which allows us to make the assumption that these states will be able to afford higher priced products. This also allows us to make the assumption that the individuals who are travelling to these areas are also not short on cash, so we can charge a higher amount than what we would in a country that had a significantly lower GDP per capita.

As we have stated earlier in our expansion report, we do not have pricing power, and will have to locate ourselves in the middle of the lower to higher price sunscreens. It would be a wise strategy for us to place our price a few dollars lower than the most popular sunscreen at the particular area, and do intense promotions.

Another economic factor that we have to consider is that the American economy focuses around the free market approach. This means that the government has no intervention in business affairs. This does work to our advantage, as we are still able to compete within the market.

## H

**Existing Competition**

Since SLOPES TO SAND is breaking into a new market, it is expected that there is already competition in the market. The American market for sunscreens is basically the same as the Canadian market. The United States carries: Coppertone, Neutrogena, Hawaiian Tropic, Ombrelle, NoAd, and Sport sunscreens. Although there are many types of sunscreen already on the American market, we have noticed that not one of these sunscreens specializes in the deflection of water from the skin. We feel that we have a definite advantage over the competition in that the goal of our product is to reduce the skin damage caused by the reflection of the water.

**Other Factors**

Other factors are of concern to the SLOPES TO SAND sunscreen company. How are we going to break out onto the American market? We are attempting to arrange some promotional tours on the beaches of Hawaii, California, and Florida, and we are also trying to sign endorsements with American athletes.

Another worry we have is how many sales reps we are going to have to send to each of the venues, and how to cover the costs of round trip flights and hotels. The summer months make up the peak travelling season to our chosen locations, and that will add into the costs we put into promotions. However, we feel that after we hold our promotional events, we will be repaid by the capital we earn from selling our product. We have also decided to use mail-in rebates for our consumers to use upon purchasing the product. The rationale for this was, at the point of purchase, the consumer will pay full price, and the capital will be returned to us, and then the consumer can send the coupon into us, and we can reimburse them. This is also a smart tactic to use because often the word 'rebate' attracts the consumer's eye and is an extra attraction for potential buyers.

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### New International Target Market

#### Target Market

The same way that we divided up the market demographics in the Canadian market, we used with the American market. We have decided that we are going to attempt to market our product to the females of the household as they generally are the individuals who would purchase these sorts of products the most. We are also going to attempt to target the sunscreen to those who are worried about skin cancer, by making skin cancer awareness commercials for television. Another innovation we had dealing with our target market, was that we would also advertise our product to children, as children often influence the buying power of the adults of the family.

#### Needs and Wants of Foreign Market

We do not see much of a change in the needs and wants between the Canadian market and the American market, as both of the countries are very much alike. After looking at the statistics about American skin cancer, we are assuming that the American market would like to see a very effective sunscreen lining their shelves. As of now, it is impossible to craft a sunscreen that is 100% effective in combating skin cancer, but it is possible to inform the general American public of the harm that not taking proper precautions before entering into the sun could cause.

We believe that because we are attempting to market our product in such hot climates, we will need to use technology to make our sunscreen very high in protecting against the UV rays that the sun emits.

#### Modifications

At SLOPES TO SAND we have come up with a list of ideas that we believe are crucial in order to sell on the summer sunscreen market. They are as follows:

- \*Come in attractive scents (vanilla, strawberry, watermelon, etc)
- \*Come unscented
- \*Come with bug repellent
- \*Different additives to make it a stronger protection against the sun's rays
- \*Come in child formula, and adult formula
- \*Child formula can come in colours, and with glitter, with attractive scents
- \*Sand does not stick to it once applied to body
- \*Not oily in texture
- \*For adults, makeup can go under, or over the sunscreen
- \*Not tested on animals
- \*Easy to open lid
- \*Water and sweat-proof

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We took much into consideration when we formulated the differences that our sunscreen would have compared with other products that are already on the market. We believe that it is crucial to have an adult formula and a child formula, because if a young girl sees a pink glittery sunscreen bottle, with perhaps Barbie on the front, she is going to want her mother to purchase that one as opposed to the plain bottle.

We thought it would be a good idea to make it so makeup can be applied before or after the application of the sunscreen, because sometimes females may just want to go for walk and want to look decent, but also not have to worry about the sun's harmful rays.

Clearly then number one modification that we have to make is changing the sunscreen from a winter formula, to a summer formula. We feel that we have created a product that will be competitive with the existing market.

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## HIGH LEVEL 3

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**Distribution Plan****Mode of Distribution**

We have found an excellent distributor to distribute our sunscreen to the states that we have targeted. Sunscreen International will be the creator of the sunscreen, and will also distribute it to our clients. This was a very lucky find for us, as Sunscreen International handles many other brands that are distributed to the United States, so it has experience, and also packages the product. We have found a design that we wish to place on our label, and once Sunscreen International has received the design, they will put it on the bottle for us.

The distribution network that we have chosen is:

Producer->Consumer

This is a relatively simple distribution plan, but is the one that works for us since Sunscreen International is taking care of all of the packaging and distributing for us.

**Mode of Delivery**

After searching for the best mode of delivery, we have decided to go with UPS shipping. Our standard rate for 3 day shipping of a 70 pound box of sunscreen from Canada to the United States costs us only \$139.18, Canadian. Once we ship our products to a designated area in the States, we are then sending our Sales reps to each target state to sell our product to chain stores, and resort hotels.

Another reason why we chose to ship via UPS, was because they offer return service too. If the store is unhappy with the product we ship them, UPS will ship it back to our manufacturing plant immediately.

When shipping, we will have a contract with each of the stores that we will be shipping to, agreeing that they must handle our sunscreen for a certain amount of years, and upon the last year, they can decide on whether or not they would like to continue service with our company. By doing this, we have guaranteed sellers in the states that we choose to sell in for a specified amount of years.

**Other Issues**

The only issue that we are really concerned about is when our company gets larger, and more successful, the distributing plan we have will have to change. As we become more successful, we will have to send more and more products over into the United States, costing us much more.

L

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## Teacher's Notes

### Knowledge/Understanding

- The student describes current market conditions in the United States with considerable accuracy. He or she includes information about economic factors that will have a positive impact on product demand (e.g., the existence of the North American Free Trade Association and the “relatively high GDP per capita” in the three target states), and assesses existing competition (e.g., many companies producing sunscreen, but none specializing in reducing “skin damage caused by the reflection of the water”). In considering the implications of U.S. market conditions, the student mostly draws appropriate conclusions (e.g., produce labels in English and Spanish; position the product in the middle price range). However, caution regarding “ethnocentric comments” would apply anywhere in the world and is not unique to the American market, and reference to the cost of flights for sales representatives during peak season seems petty and is out of place in a discussion of market conditions.

### Thinking/Inquiry

- The student interprets the needs and wants of new consumers with a high degree of effectiveness. He or she outlines target market demographics (e.g., “individuals who are health conscious”, “primarily women”, and “summer enthusiasts”) and the need for market segmentation strategies. The student succinctly links the consumer’s need for “proper skin care precautions” with the product’s effectiveness and refers to a variety of promotional activities (e.g., beach tours, mail-in rebates) that would be used to enhance sales.
- The student analyses modifications to the existing product with considerable effectiveness. The student skilfully includes the winter sunscreen name, SLOPES, in the name of the new product, SLOPES TO SAND. In addition, he or she presents a list of creative ideas that “are crucial in order to sell on the summer sunscreen market” (the suggested changes range from altering the product’s aesthetic appeal to enhancing its functionality). However, many of the items listed could equally apply to the existing winter sunscreen.

## Communication

- The student communicates the potential of the proposed expansion for success with considerable clarity. He or she provides a detailed analysis, with supporting statistical data, of the target markets and ways of appealing to consumers in these markets. In outlining the distribution plan, the student shows an appreciation for long-term client commitment and highlights the need for a product quality guarantee in order to build customer loyalty. However, the structure of the report could be improved to make it clear that the company is planning to launch a new product in addition to expanding internationally. Although a fluent writer, the student sometimes uses awkward wording (e.g., “The Canadian market already consists of many forms of sunscreen.”; “Sunscreen is a vital part to Canadian life.”).

## Application

- The student provides a highly effective rationale for the international expansion. He or she links the proposal with a long-range plan to develop the company into a “sunscreen empire”. The student gives cogent reasons for making expansion into the United States the first step in this process (e.g., the wealth of the market, the similarities to the Canadian market, and the potential for growth as evidenced by the large percentage of Americans “not taking any sort of skin care precautions”). The student also uses detailed statistics to justify the choice of the three target states.

**HIGH LEVEL 3****Comments**

This work is representative of a high level-3 performance. The student demonstrates a considerable degree of achievement of the expectations in the Knowledge/Understanding and Communication categories of knowledge and skills, as well as in one of the criteria in the Thinking/Inquiry category. However, in the other criterion in the Thinking/Inquiry category and in the Application category, the student demonstrates a high degree of achievement – i.e., achievement that is more characteristic of level 4.

The result is a well-researched and informative report that builds on a successful existing product and proposes a logical product change targeted at a new and realistic market.

**Next Steps**

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

- ensure that all details provided are necessary and relevant to the purpose of the report;
- be more precise in detailing how the new product differs from the existing product;
- describe the mode of distribution in greater detail;
- revise the structure of the report to clarify the nature of the proposal;
- reference resources throughout the report;
- proofread carefully to eliminate errors in grammar and word choice.