

THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL

Canada Goose Case Study

Dylan McCue and Ashton Ratcliffe

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Introduction/Executive Summary:

This case takes place in July of 2008, and regards two opportunities available to Canada Goose - a luxury jacket company based in Ontario. The company has been offered long-term contracts by two distinct national retailers of high-end clothing. We will weigh the comparative benefits for Canada Goose in partnering with either of these retailers: Asmuns Place or Levine's Menswear [*see Exhibit 3*].

Brand Position:

At the time of the proposed partnerships, Canada Goose had solidified itself as an exclusive, brand-name jacket company offering products with extremely high functionality. We understand that while David Reiss must make sure to protect Canada Goose's current brand position, continued growth is the desired goal. Either partnership will inevitably affect the company's distribution model, but Reiss can minimize a negative impact on overall brand position by keeping Canada Goose's production and marketing models consistent with founding values [*see Exhibit 2*].

Marketing Strategy:

Canada Goose primarily relies on word-of-mouth buzz – a natural result of the quality product offering - for the bulk of its marketing. In order to maintain the exclusivity of the brand, Canada Goose narrowly targets consumers using product placement in movies, paid magazine features in upscale publications, and various sponsorships. Even in the European market, Canada Goose goes to great lengths to ensure that its retail partners and their marketing strategies align with the overall brand. By keeping overall marketing costs comparatively low - at 10% of total costs with marketing salaries included - Canada Goose is able to reinvest profits into product development [*see Exhibit 1*].

Target Market:

As the Canada Goose brand expanded beyond its niche market, its typical customer profile grew from the affluent 34- to 50-year-old range to the affluent 16- to 64-year-old range. Though Canada Goose products are designed to withstand Arctic temperatures, a large part of its target market is made up of customers from more temperate areas (who respond to the products positively because of their authenticity). Canada Goose now targets international markets throughout North America and Europe, relying on its high price points and narrowly-focused marketing strategy to ensure that the brand is not diluted.

Recommendation:

Generally speaking, long-term company growth will help Reiss reach his overall goal of market leadership. Since brand awareness of Canada Goose in the domestic (Canadian) market is growing, it makes sense to partner with national retailers to supply this market – as long as doing so won't undermine the established brand position. By comparing the consequences that signing either (or neither) contract would have for Canada Goose, we will show that the partnership with Levine's Menswear provides the best growth opportunities with the lowest risk of brand dilution [see Exhibit 3].

In terms of general brand image, Levine's Menswear and Asmuns Place are quite similar. Both are well-known, leading fashion specialty stores. A partnership with either Levine's Menswear or Asmuns Place would initially represent 5% of Canada Goose's total sales, and both would charge the typical markup of 100% on products. Though this proportion of total sales is significant, it is not drastic enough to cause major brand dilution - as long as marketing and production strategy remain consistent. We can support this point by looking at Canada Goose's successful expansions into international and online markets: if the Canada Goose brand was kept

strong during these expansions, then a domestic expansion can be accomplished sustainably as well.

In the long run, national partnerships with both Levine's Menswear and Asmunds Place show potential for significant growth. Though Asmunds Place's initial order only included women's jackets, the company's executives expressed interest in one day expanding orders to include at least as many men's items – essentially doubling sales. One the downside, Asmunds Place gave no clear timeframe for adding men's items and would demand exclusive distribution rights among the national chains if they did so. Levine's Menswear will only ever feature men's items, but will not demand exclusive distribution rights to do so. Thus, Canada Goose could go on to distribute its women's products through other national distributors even if it initially partnered with Levine's Menswear. And, since Levine's Menswear is planning an expansion from 20 to 40 retail locations in the near future, its orders can be expected to double on a more immediate timeframe. With this expansion and doubled profit, funding the salary of an additional sales representative would not be a significant hindrance.

The partnership with Levine's Menswear is also more appealing in the short term because the initial order includes 5-10 men's jacket styles, as compared with the 3-5 women's jackets styles demanded by Asmunds Place. By demanding a more varied order, Levine's Menswear partnership offers Canada Goose greater flexibility in developing and test marketing new products than the Asmunds Place partnership. Furthermore, the current distribution model (through independent retailers) is inadequate for product testing because most independent retailers cannot take the risk of buying new products and prototypes with unproven sales. This is especially troubling because the Canada Goose warehouse in Toronto is already equipped to develop new prototypes, but the opportunity to launch them is not being met for lack of suitable

test markets. By partnering with Levine's Menswear, Canada Goose could immediately expand new product development and testing. Ultimately, a more varied product mix would make Canada Goose less vulnerable to market changes and would improve its chances against large competitors whose products span multiple product categories (i.e. North Face) [*see Exhibit 1*].

Both Reiss and the independent retailers expressed concern that a national retailer would be more capable of heavy discounting, which is a major threat to Canada Goose's "more-for-more" value proposition and exclusive brand image. The concern about discounting seems unrealistic, though, because the case emphasizes the affluent customer base enjoyed by both national retailers. If I were an independent retailer of Canada Goose products, I would be more concerned with the threat of discounting by online retailers than discounting by a high-end specialty store like Levine's. At Levine's Menswear, the typical customer is unconcerned with cost factors, which allows the store to charge even higher price points than similar luxury clothing retailers. As a secondary distributor, it seems most likely that Levine's Menswear will maintain or increase the final selling prices charged for Canada Goose products. Thus, the exclusivity of the Canada Goose brand shouldn't be affected by the partnership with Levine's Menswear.

Though the use of excessive discounting by Asmuns Place is also unlikely, some aspects of their marketing strategy do warrant concern for the proposed partnership. Specifically, the Asmuns Place contract includes a request to advertise Canada Goose products in the store's print catalog, which is sent out to any customer who signs up as a loyalty member by providing an email address. The use of this promotion would represent a major divergence from Canada Goose's established marketing strategy. To date, Canada Goose has carefully marketed its products as authentic and exclusive by avoiding the use of overbroad promotions. Reiss should

be wary of partnering with any retailer who advocates promotions that are misaligned with the established brand position.

Again, Reiss is concerned that distributing through a large retailer could negatively impact the independent retailers, like Westbrook's Downtown, who have been loyal to Canada Goose since its inception. The independent retailers cannot individually match the high product turnover of a chain like Levine's Menswear and worry that the larger store might absorb demand for Canada Goose products from independent retailers. Though these independent retailers do have grounds for concern, their projections are somewhat unrealistic.

We do know that national distribution through Levine's Menswear will inevitably draw from the same geographic segments as independent distribution. However, the blossoming awareness of Canada Goose among Canadian consumers indicates that the domestic market can support both independent retailers and a national chain. Although distribution through a national chain may absorb some of the sales currently enjoyed by independent retailers, it should contribute a significantly larger amount of additional sales. In other words, the partnership with Levine's Menswear should have an additive effect on Canada Goose's net domestic sales without causing significant harm to independent retailers.

Overall, the increasing demand for Canada Goose products domestically and internationally indicate that there is a major opportunity for continued growth and expansion. Of the two proposed contracts, Levine's Menswear provides a better framework for achieving this growth. Canada Goose already has the production capabilities to complete the Levine's Menswear order, and can apply its established marketing strategy to keep increased domestic sales from undermining brand value. For these reasons, we recommend that Canada Goose executes the contract with Levine's Menswear.

APPENDIX**Exhibit 1 – Canada Goose’s Simplified Marketing Mix:**

<p style="text-align: center;">PRODUCT</p> <ul style="list-style-type: none"> • High-quality • Stylish 	<p style="text-align: center;">PRICE</p> <ul style="list-style-type: none"> • High • \$450 - \$695 price range for Men’s jacket styles
<p style="text-align: center;">PLACEMENT</p> <ul style="list-style-type: none"> • Strategic placement in: <ol style="list-style-type: none"> 1. Independent, domestic retail stores 2. Online/international retailers 	<p style="text-align: center;">PROMOTION</p> <ul style="list-style-type: none"> • Low-cost • Narrowly-targeted

Exhibit 2 - SWOT Analysis:

<p style="text-align: center;">Strengths</p> <ul style="list-style-type: none"> • Steady growth in sales and profit • Increasing brand awareness in domestic and international markets • Low marketing costs (10% of total costs) • International distribution in 28 countries using online sales • “More-for-more” value proposition • Brand image <ul style="list-style-type: none"> ○ Corporate responsibility <ul style="list-style-type: none"> ▪ Fur Council of Canada member ▪ Avoidance of synthetic inputs ○ Authenticity <ul style="list-style-type: none"> ▪ Supports Native Canadian communities ▪ Domestic production only • Successful partnership with Athletic Legends retail chain • Strong manufacturing capabilities <ul style="list-style-type: none"> ○ Toronto warehouse can produce diverse styles and products, and is adequately equipped to handle increased product offerings from proposed partnerships 	<p style="text-align: center;">Weaknesses</p> <ul style="list-style-type: none"> • Limited recognition outside Canada • Current distribution chain is not suited to testing new products <ul style="list-style-type: none"> ○ Independent retailers cannot afford to take risk on products without proven sales • Limited product offering (compared to North Face – main competitor)
<p style="text-align: center;">Opportunities</p> <ul style="list-style-type: none"> • Overall industry segment is growing <ul style="list-style-type: none"> ○ Ideal time to make gains in market share • Product development <ul style="list-style-type: none"> ○ Attainable through low marketing costs ○ Expanded product lines will improve stability of profits • Build international distribution (only available in 28 countries) • Satisfy surplus demand 	<p style="text-align: center;">Threats</p> <ul style="list-style-type: none"> • Over-discounting by retailers <ul style="list-style-type: none"> ○ Cannot legally set minimum selling price ○ Partnership with larger retailers increases the risk posed by over-discounting • Counterfeiting by unauthorized dealers • Numerous competitors (especially those with more varied product lines) • Brand dilution as a result of expansion

Exhibit 3 - Comparative Analysis of Asmunds Place vs. Levine's Menswear:

	Asmunds Place	Levine's Menswear
Number of retail locations	10	20*
Reputation	--"Canada's leading fashion specialty store for both men and women." --"Studies had shown that the majority of Canadians were familiar with Asmunds Place and thought of it as a destination for high-end brands and products."	--"Its name had become synonymous with professional service and high-quality men's fashion." --"The appeal of Levine's was the familial service provided by its employees and the store's vast offering of premium menswear products."
Customer profile	--Weekday shoppers: mostly affluent women --Weekend/holiday shoppers: affluent men and women (even split)	--Affluent adult males looking for formal clothing for work or extravagant events --Cost was not a factor to people who shopped at Levine's; prices tended to be higher than at similar stores
Products demanded	--Women's clothing only --3-5 jacket styles demanded --Jackets, hats gloves	--Men's clothing only --5-10 jackets demanded initially (with possibility of increased styles in subsequent orders) --Would be able to sell new prototype models that CG developed
Elements of agreement	--CG products would be featured prominently in all 10 stores --CG products would be advertised in mail ads sent to AP "loyalty members"	--Increased number of stores would necessitate the use of a sales representative to work exclusively with LM (his salary would cost \$80,000/year + bonuses, which is more than CG typically pays its sales reps
Future growth	--AP wants to feature men's products eventually (but can't guarantee they will) --If the men's order is added, it will be bigger than the proposed women's order	--*LM expects to grow to 40 stores in near future

	--if mens order is added, AP will need to be the exclusive national retailer	
Price markup	100%	100%
Percent of total Canada Goose sales	5% (which could grow if men's line is introduced)	5% (which would double quickly if expansion occurs)