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Level: Final Thesis for Degree of Master of Business Administration in Marketing Management	
Author: Elin Svensson	

Department of Business Administration

Title: Marketing plan for Onepair – e-commerce for selling socks

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15 credits

Thesis

***Study programme in
Master of Business Administration in
Marketing Management***

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ABSTRACT

Title: Marketing plan for Onepair – e-commerce for selling socks

Level: Final assignment for Bachelor Degree in Business Administration

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Date: 2009 - 04

Aim: During the second quarter of 2008, e-commerce increased with 21,1% compared to the same period 2007. The most popular products were books, cd's, clothes and electronics. The reason why the turnover kept increasing for e-commerce while the traditional market was facing an unstable period was the new solutions possible on the web. Because of this structural change regarding e-commerce I found it an interesting case for a thesis. The subject for this study was a small company providing socks through the web, www.Onepair.se. The overall aim was to develop a marketing plan for the company. Research questions that are part of this aim are listed below.

- Investigate the consumer's opinion about the company and the product.
- Study the distribution channel, e-commerce.
- Analyse the product and the competitive situation.

Method: Most of the information is primary data from an interview with the founder of Onepair and from a survey with potential customers. Information from personal interview with the founder is qualitative whereas information from the questionnaire is qualitative and quantitative (numeric). There are also secondary data collected from the web and articles/literature.

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Result & Conclusions: Onepair mentioned quality, price and service as key features for the product. In the survey performed among potential customers, 49% of the participants thought that price was more important than both quality and design when buying socks. 33% thought that quality was most important whereas 18% put the design as the most important. Regarding the price for socks at onepair.se, 69% out of 161 participants thought the price was acceptable and 21% thought it was in the lower region. The competitor analysis showed that the price for socks from Onepair was well within the span comparing with competitors. With this information together, I think that the prices could be slightly higher. Quality is as mentioned above difficult to analyse for this product as the usage is different from person to person. As long as the price could be kept at a reasonable level I think it is worth to put some extra effort on quality. The reputation of having “bad-quality-socks” may be difficult to get rid of.

Even though quality of the service at Onepair was not measured, their intension of delivery within 24 hours showed to be added value for the customer according to an e-barometer performed by Posten and HUI (Handelns utredningsinstitut). Among 1000 respondents in the “e-barometer”, 66% thought that a fast delivery was most important regarding the delivery when using e-commerce.

The distribution channel Onepair has chosen seems to be right if looking at trends from the “e-barometer”. As much as 81% of 1000 consumers thought they would use e-commerce within the coming six months. The same trend was shown in the survey used in this study where 79% of 161 consumers said they would use e-commerce.

If comparing Onepair with competitors, the company is not outstanding concerning any of the features discussed. One way they have differentiated themselves is by selling only socks. Many of the competitors are selling underwear and other clothes as well. Another feature that may attract customers is the combination of a reasonable price with a wide assortment. To be more differentiated I think there is a need for more marketing.

Suggestions for future research: This study was started a couple of months after Onepair was founded why there was a limited amount of information regarding sales,

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marketing activities and further plans etc. The company has during the last year gone through a change where the targets and missions have been moved and changed. This continuous change made the marketing plan a challenge. It would therefore be interesting to look at the company again, after the strategies and goals have been more settled.

Contribution of the thesis: The study can of course be valuable for Onepair but also for other companies that are using or are interested in e-commerce. The thesis can also be a guide for companies or others when comparing different features regarding socks.

Key words: e-commerce, socks, quality, price, service.

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Introduction

1.1 Background

This thesis aims to evaluate a marketing plan for Onepair, a small company, providing socks through the web, www.onepair.se. As I have the opportunity to get an insight into the company's thoughts and strategies, I find the task very interesting. I also find it interesting to analyse both the product and the way of selling it, the distribution channel. Is the product unique itself? As many people in today's society is more or less dependant on web-services this way of selling is a very up-to-date and hot topic.

During the second quarter of 2008, e-commerce increased with 21,1% compared to the same period 2007. For the consumer, a fast delivery is most important. The most popular products are books, cd's, clothes and electronics. The turnover for 2007 was 18 thousand million SEK. Of course a weak economic climate will affect the e-commerce but not as it did the year 2000 when e-commerce more or less disappeared, says Jonas Arnberg, Handels utredningsinstitut (HUI). E-commerce is going through a structural change where it is getting more and more common to use the web for shopping.¹ An estimation of the turnover for 2008 is 21 thousand million SEK, an almost 17% increase from 2007. That would be 4% of the total retail trade. The reason why the turnover keeps increasing for e-commerce while the traditional market is facing an unstable period is the new solutions possible on the web. Sms notification is one of these new solutions. The prospect for the future is that e-commerce will continue taking market shares from the traditional retail, Figure 1.²

¹ Uppsala Nya Tidning, p. A19 (080826)

² e-barometer for Q2-2008 (presented by "Posten" and HUI)

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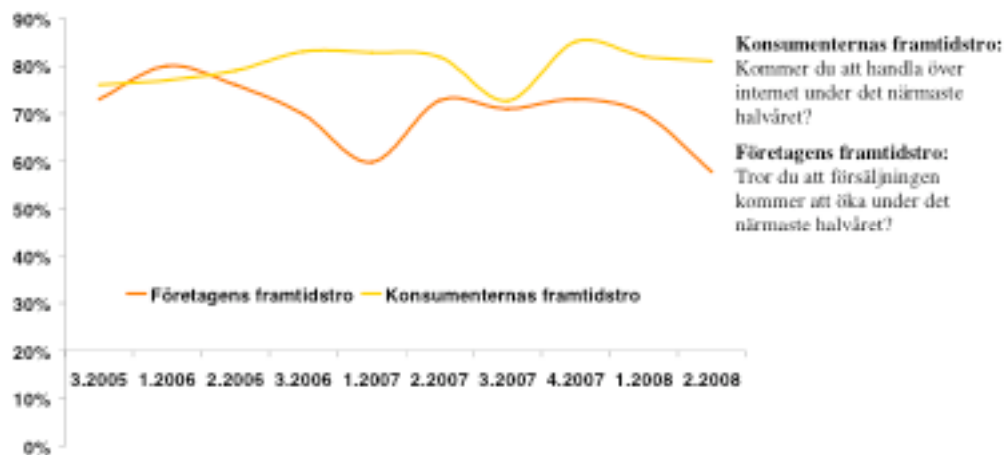


Figure 1 The belief in future e-commerce for the consumer (yellow) and the business (orange). (Figure from e-barometer)

The reasons why Onepair is chosen as the company to be studied are several.

- It is developed as a web based company in contrast to many other companies that have web-services in parallel to traditional retail.
- It is interesting to investigate how differentiated an every-day product can be.
- The founder, Richard Sins, is a closely acquainted to me and information is therefore easily accessible. The company is run as a part-time business and a written marketing plan has not been prioritised.

1.2 Research Problems

Onepair is a web based company providing one product to a rather large customer segment. There is one distribution channel, the web, where the customer can view the assortment, take advantage of different offers, buy the product and pay the product. Prior to do the marketing plan, the external environment is scanned. Competitors are identified and the market situation is analysed. As the company is very small with only two people involved and a very limited amount of documentation, it is a challenge to find the information needed to do the plan.

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1.3 Aims

The overall aim of this study is to evaluate a marketing plan for Onepair. Research questions that are part of this aim are listed below.

- Investigate the consumer's opinion about the company and the product.
- Study the distribution channel, e-commerce.
- Analyse the product and the competitive situation.

1.4 Limitation

As this is a new company on the market there is no documentation from previous year's performance. Also, the company is continuously changing as it is in such an early phase. There is a limited amount of information regarding sales, marketing activities and further plans and much of the information is gathered in a personal interview.

In the competitor analysis, competitors are compared through their web pages. The analysis is then of course limited to what can be found at the web. Features such as quality can for example not be evaluated.

1.5 Disposition

First, the methods used for gathering data is described, section 2. The focus is mainly on the different types of interviews used in the thesis.

The next part, section 3, deals with the theory where models and tools used in the empirical work are described. A major part of the models and tools are applied on the empirical data, Table 1.

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Table 1 Models and tools used in the empirical part

Model/tool	Section
Appraisal chart	Section 4.2.3
SWOT	Section 4.2.4
Opportunity matrix	Section 4.2.4
Threat matrix	Section 4.2.4
MIO-model	Section 4.2.7
4 P's	Section 4.2.8
Marketing positioning chart	Section 4.3
Porters 3 basic strategies	Section 4.5

Section 4, empirical data and analysis, contains data and facts provided from Onepair together with data from other sources. The data is analyzed by using models and tools described in the theory. In this way data gets more available to the common eye.

In section 5 there are conclusions and reflections.

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2 Methods

Most of the information in this study is primary data from an interview with the founder of Onepair and from a survey in form of a questionnaire with potential customers. Information from personal interview with the founder is qualitative whereas information from the questionnaire is both qualitative and quantitative (numeric). There are also secondary data provided from the web and articles/literature.

2.1 Data collection

When choosing a method for data collection the type of desired information must be stated. In Harvard family research project six data collection methods are described.³ As the main focus here is to write a marketing plan for a company without history and with very bare documentation there is a need to collect as much information as possible about Onepair and the surrounding market. Secondly, information from the consumer's opinion about the company is of interest.

Interviews are one way of gathering data for research. There are different techniques to use for interviewing depending on the aim of the interview as well as the extent of the research. A personal face-to-face interview most probably requires more of the interviewer/researcher than a questionnaire. On the other hand, with a face-to-face interview, it is easier to avoid misunderstandings such as the meaning of different phrases etc.

Prior to carrying out an interview it is important to identify the type of answer that is desired and to formulate the question to get the right type of answer. Misinterpretation of the questions is rather common, thereof it is important to be clear and explicit. When coming to

³ Harvard family research project, number 5, 2004

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analysing the responses there are different kind of data to take into account. What kind of data is applicable? Nominal, ordinal, interval or ratio data?⁴

2.1.1 Surveys/questionnaires in general

An advantage with surveys over the Internet is that the geographic coverage can be expanded. It is also (most often) more efficient and economical as no interviewer is needed.⁵ In the process of preparing a survey, Blumberg describes a data collection approach, Figure 2.

However, there are some difficulties with surveys and the results highly depend on the participants and their cooperation. Even though they have a positive attitude towards the survey they may not have the right knowledge. The degree of involvement in the subject may also vary, something that may give twisted answers if the purpose is to have equally involved participants. Further, people may sometimes give an answer though they do not know and thus should have answered “do not know”. An explanation to this may be that people feel obliged to answer and have the opinion that “don’t know” is not a sufficient answer. Misinterpretation of the question is another shortcoming with surveys.⁶

Advantages with surveys/questionnaires⁷

- Less time consuming and expensive to administer
- Can be administered to a large group of individuals

Challenges with surveys/questionnaires⁸

- Data entry can be time consuming
- May be difficult to receive completed surveys from participants

⁴ Blumberg, p. 436

⁵ Blumberg, p. 244

⁶ Blumberg, p. 247

⁷ Harvard family research project, number 5, 2004, p. 2

⁸ Harvard family research project, number 5, 2004, p. 2

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It may be difficult to get enough participation. Below are listed factors that increase respectively decreases the motivation of the participant⁹.

Increasing motivation

- Prestige of research sponsor or agency
- Perceived importance of the topic
- Liking or compassion for interviewer
- Self-image as dutiful citizen
- Loneliness
- Confirmation of self-importance

Decreasing motivation

- Pressure of competing activities
- Embarrassment at ignorance of interview topic
- Dislike of interview content or topic
- Fear of consequences of participation

2.1.1.1 Street interview

In the planning phase for data collection, the questionnaire was meant for customers to Onepair and was thought to be administered on the web. This intention was discarded due to several reasons.

- A common problem with surveys is a low share of participants and a special offer or discount could encourage contributing. It was technically difficult though to link the participation in a survey to a special offer at the web page (www.onepair.se).
- The number of customers, taking into account that not all will participate, was at the time being not regarded sufficient.

⁹ Blumberg, p. 247

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The chosen method, interviewing people in the street, aims to serve the research question “Investigate the consumer’s opinion about the company and the product.” The questionnaire includes seven structured questions with both quantitative and qualitative data as output. Six out of seven questions are forced-choice questions. This method is mainly chosen due to the advantages listed below. To give the consumers a background and a brief introduction to Onepair an information sheet was constructed and showed to all participants. The interview was performed in the middle of the day during 4 hours. A disadvantage is that the place and time for the interview may affect the selection of participants and also the outcome of the questionnaire. As the target market for Onepair is thought to be broad, this was not considered as a major source of error. Below are advantages and disadvantages with this type of survey/questionnaire.

Advantages

- Output achieved immediately
- Possible to get the desired level of participation
- Less time consuming than personal interviews
- Large amount of data in a short time

Disadvantages

- Place and time of the day can affect the selection of participants
- Variation in the group of participants
- Limited to a few rather simple questions
- Rather general questions as the background of participants is unknown

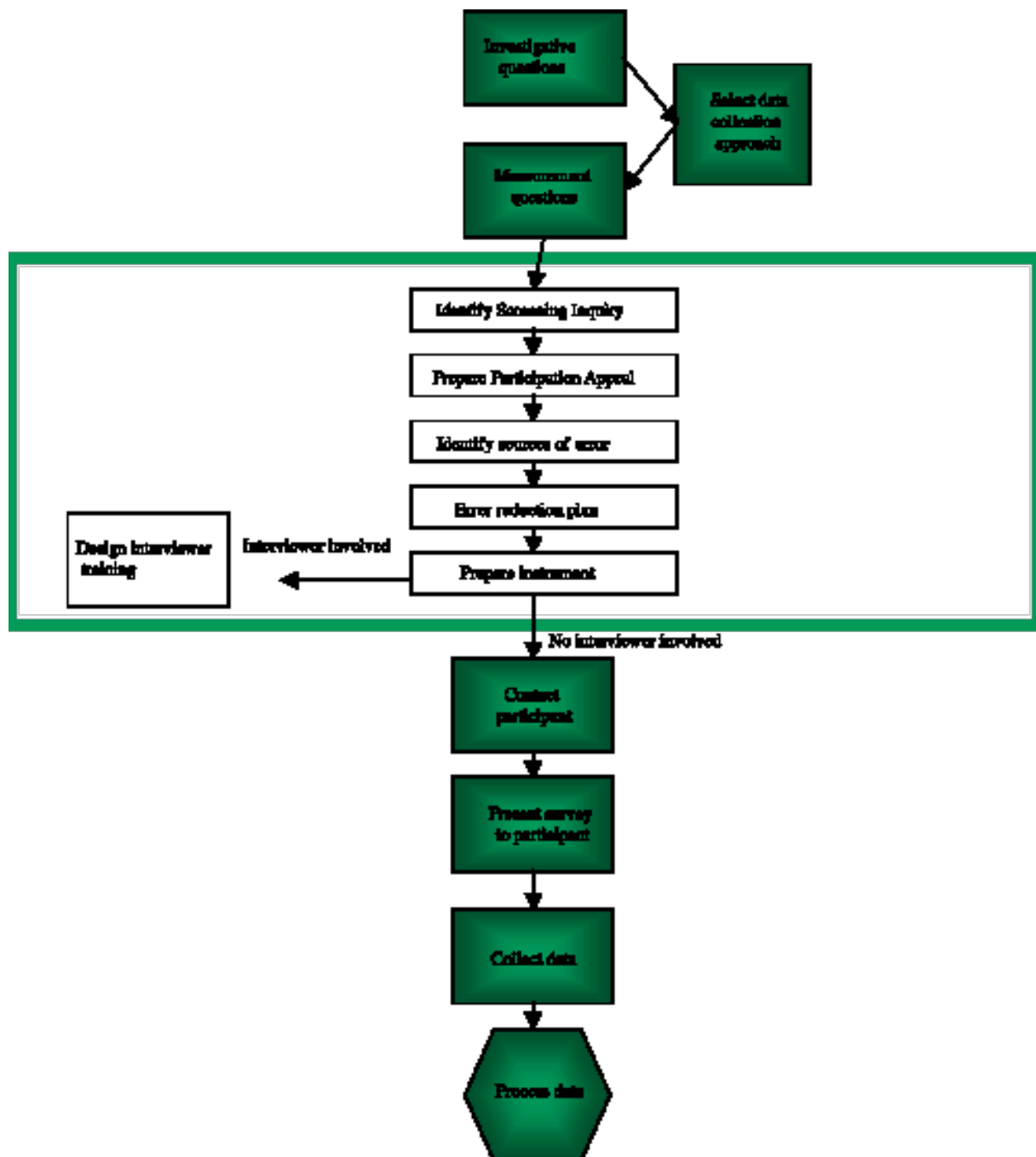


Figure 2 Simplified schem for data collection approach¹⁰

¹⁰ Blumberg, p. 245

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2.1.2 Personal interviewing

With a personal interview there is often more depth in the information compared to a survey, an advantage regarding the information but a disadvantage regarding time. A personal interview is often time consuming.¹¹

In this context a personal interview is performed with the founder of Onepair. The objective with the interview is to get to know the company's mission, key features, future prospects etc. This in turn serves the overall aim to write the marketing plan.

Advantages

- Depth of information.
- Quality of received information can be improved by interviewer.¹²
- Possible to avoid misunderstandings.
- Large amount of data in a short time.

Disadvantages

- Costly regarding time and money
- Choice of participant. It is important that the participant understand his or her role and that he or her possesses the information being targeted. The participant must also be motivated to cooperate.¹³
- The relation to the stakeholder may affect the outcome

¹¹ Blumberg, p. 281

¹² Blumberg, p. 281

¹³ Blumberg, p. 285

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2.2 Validity and reliability

Validity and reliability are concepts concerning the quality of the research. For quantitative research, validity is to measure what was intended to measure. Reliability is the extent to which results are consistent over time. A high reliability means that results can be reproduced with the same method over time.¹⁴

For the questionnaire, a test for reliability could be to use the test-retest method at two different times. If the reliability is high the outcome should be similar.

The reliability for the methods used in this study must for the time when they were used be regarded as high. A weakness when it comes to checking reliability in this context is that both the studied company and the surrounding market are changing rapidly.

The interview questions in this thesis were carefully formulated to get a high validity. Concerning the questionnaire, the questions were put in a way to avoid misinterpretation, an example is forced-choice questions. Many respondents (160) are in this case more representable for the potential customer group. This is further increasing the validity.

¹⁴ Golafshani, *The Qualitative Report*

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3 Theory

The marketing planning process is a rather complex process that can be performed in different ways. There is no fixed approach to get to the final plan and there is no fixed template for how the final plan should be. It all depends on the needs for the specified company and on the desired width of the plan.

The task of any company is to deliver customer value at a profit¹⁵. It is very important for the customer to feel that the product or service offers a value worth to pay for. One way is to start producing a product, then go out on the market to sell it. Marketing then comes in the selling process. The other way is to design the product for a certain target market.

Here marketing comes within the planning phase. The process then starts with *choosing the value* before the product exist. Segmentation, targeting and positioning (STP) are key words when choosing the value; segmenting the market, selecting target market, positioning of the value. The next step is to *provide the value* by deciding product features, prices and way of distribution. Last but not least is to *communicate the value* by using the sales force, sales promotion, advertising etc.¹⁶

A marketing plan is the central tool for directing and coordinating the marketing effort. The strategic marketing plan defines target markets and value proposition based on the marketing opportunities. The tactical marketing plan involves product features, promotion, pricing, sales etc.¹⁷ In large companies many functions at different levels are involved in the marketing plan. As the marketing plan here concerns a small company focus will not be this interaction between divisions and levels.

¹⁵ Kotler and Keller 12e, p. 36

¹⁶ Kotler and Keller 12e, p. 37

¹⁷ Kotler and Keller 12e, p. 43

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In the planning process and in marketing in general one keystone is to define the mission. The mission should focus on one or several goals. Peter Drucker does in Kotler and Keller state a few questions to define the mission:¹⁸

1. What is our business?
2. Who is the customer?
3. What is of value to the customer?
4. What will our business be?
5. What should our business be?

3.1 Marketing planning process divided in steps

A **marketing plan** is a document describing actions necessary to achieve marketing objectives. It can be written for one year, annual marketing plan, or for several years. The marketing plan may be included in the overall business plan.¹⁹ Some companies have a well written and documented marketing plan whereas others do not have it at all or they just have it in their minds. The marketing planning process is often divided into several steps. The names of these steps vary depending on the literature but the content is often the same.^{20,21}

1. Analysing the situation of today and marketing opportunities
2. Positioning of the company
3. Selecting target markets
4. Designing marketing strategies and goals
5. Developing marketing programs
6. Managing marketing effort and follow up

¹⁸ Kotler and Keller 12e, p. 44

¹⁹ http://en.wikipedia.org/wiki/Marketing_plan

²⁰ Kotler and Keller 12e, p. 27

²¹ Andberg och Eliasson, p. 13

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3.1.1 Analysing the situation of today and marketing opportunities

The aim here is to get a view of the company's situation of today. The market has to be defined and analysed. This includes the surrounding market and the competitive situation.²² Information search followed by a summary of gathered information is often necessary to get a good view over the company. Information may be searched in different media, for example articles, web, statistics, brochures and yearly reports. To use Google or other search engines is another way to gather information. With models and tools, information can then be transformed to useful information about the present situation of the company.²³

A useful tool for analysing the situation is a chart describing the importance of different properties vs. how well the company is doing regarding this property. There should be one chart for each target segment to get an understanding whether the company is using the right arguments for the right consumer group. It is important to be critical when choosing properties. An example of a chart of this kind is shown in Figure 3 below. This chart is a way to get a view over what is already good and what can be improved and how to place resources on the right place at the right time.²⁴

²² Andberg och Eliasson, p. 14

²³ Andberg och Eliasson, p. 32

²⁴ Andberg och Eliasson, p. 40

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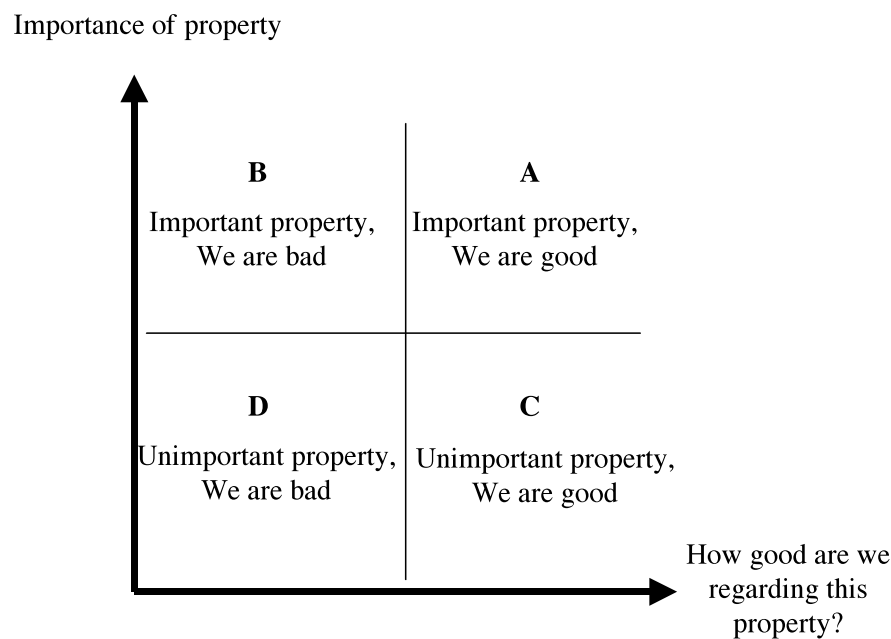


Figure 3 Simplified schem for data collection approach

Another useful tool in marketing is the MIO model with the three main perspectives **M**arket, **I**nteraction and **O**rganization. Interaction has to keep up with the changing Market to provide input for a successful Organization.²⁵ This tool is very comprising and could almost itself result in a marketing plan. A model of the MIO matrix is shown in Table 2 below.

²⁵ Eriksson, Hauer, Hultén, p. 6

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Table 2 MIO matrix shown as a model

	Market external	Interaction relationships	Organization internal
Present situation			
Opportunity Analysis			
Strategy			
Action Campaign			

A SWOT analysis is a helpful tool to evaluate the company's strengths, weaknesses, opportunities and threats. Opportunities and threats have to do with external environment whereas strengths and weaknesses have to do with the company's internal environment. A marketing opportunity is an area where the consumer's needs and interests meets with the company's offerings. Kotler and Keller describe three types of marketing opportunities.²⁶ The first is to supply something that is in short supply. The second is to supply something that is already on the market but in a new and more superior way. The third type often includes a new product. Marketing opportunity analysis (MOA) is a way to determine the attractiveness and probability of success.²⁷

1. Can the benefits be articulated convincingly to a defined target market?
2. Can the appointed target market be reached with cost-effective media and trade channels?
3. Does the company have access to the critical capabilities and resources needed to deliver the customer benefits?
4. Can the company deliver these benefits better than potential competitors?
5. Will the financial rate of return meet or exceed the company's required threshold for

²⁶ Kotler and Keller 12e, p. 52

²⁷ Kotler and Keller 12e, p. 53

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investment?

External threats are identified and analysed and a plan for facing the threats if and when they occur is performed. Figure 5 illustrates the threat matrix as the seriousness of a threat versus its probability of occurrence. In Figure 4 the opportunity matrix is illustrated as attractiveness of an opportunity versus its success probability.

		Success probability	
		High	Low
Attractiveness	High	1	2
	Low	3	4

Figure 4 Opportunity matrix²⁸

		Probability of Occurrence	
		High	Low
Seriousness	High	1	2
	Low	3	4

²⁸ Kotler and Keller 12e, p. 54

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Figure 5 Threat matrix²⁹

When looking at competition and opportunities during the analysis of the present situation, the 4P's could be used for the relationship Product, Price, Promotion and Place.³⁰ Sometimes the 4P's are called the ingredients of the marketing mix. The 4P's are parameters that the marketing manager can control.³¹

3.1.2 Positioning of the company

For this step the work performed in the situation analysis is very important. Positioning is to define the position of the company in relation to its competitors. The outcome after this step may be an identification of gaps in the market and a possibility to find niches. There are several useful models to find the position on the market:

3.1.2.1 The marketing positioning chart

This tool can help to define the company's and the competitor's position for specific factors. A general example is shown in Figure 6. By placing competitors in the quadrants below, possible gaps in the market may be found. Other specific factors for the business can of course be studied in this type of chart. Examples are service, delivery, geographical coverage, quality, level of innovation etc.³²

²⁹ Kotler and Keller 12e, p. 54

³⁰ Eriksson, Hauer, Hultén, p. 28

³¹ <http://www.netmba.com/marketing/mix/>

³² Andberg och Eliasson, p. 47-48

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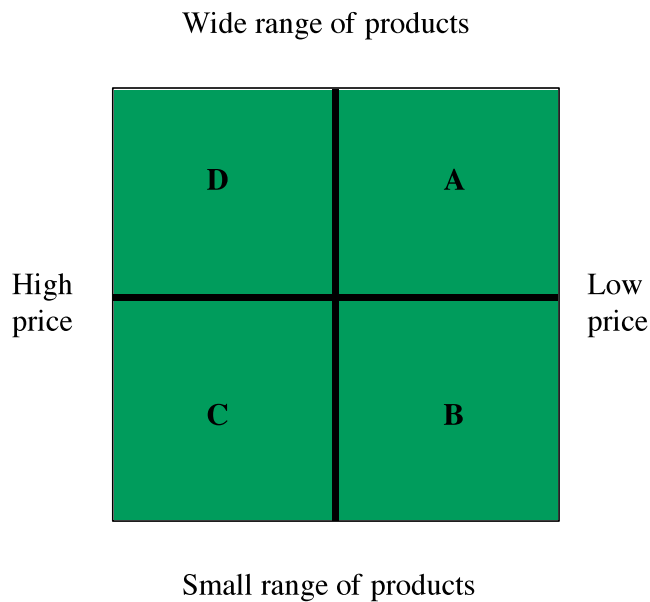


Figure 6 A general marketing positioning chart³³

3.1.2.2 Marketing roles

This model looks at the different roles players on the market may have. There are four different roles; leader, challenger, follower and specialist. Understanding of different roles and especially the own role is essential for positioning of the company. A company present in several businesses most certainly has different roles in the different markets.³⁴

3.1.3 Selecting target markets

As it is almost impossible to satisfy everyone on the market, it is important to identify the target market. To find this, the market can be divided into segments by identifying demographic, psychographic and behavioural differences. In different segments the demands

³³ Andberg och Eliasson, p. 47-48

³⁴ Andberg och Eliasson, p. 50

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are most likely different as well. Some customers prefer quality in front of low prices whereas for others low prices are more important than quality etc. After this procedure the company can identify the target market or markets– most often the segments that give the greatest opportunity. For each target market, the company can define a market offering.³⁵

3.1.4 Designing marketing strategies and goals

A general explanation of strategy as a term is the planning for how an organization will achieve its goals.³⁶ Strategy and goals must not be confounded. Strategy is telling us where the company wants to go whereas the goals are telling us what is going to be achieved within a certain timeframe (often given in numbers).³⁷ In wikipedia, the marketing strategy is described as the foundation of a marketing plan³⁸. There are different areas where strategies should be defined: marketing strategy, customer strategy, pricing strategy, product strategy, distribution strategy, growth strategy etc.³⁹

Analysis of the market opportunities where strengths and weaknesses, opportunities and threats have been identified will serve as a base for the formulation of a strategy. Also the identification of target markets where demographics and psychographics play an important role is the key for formulation of a strategy. If this work is well performed it is easier to design the marketing strategy needed to achieve the goals. The external analysis is important as well. Who are the competitors? Are there any gaps in their message to customers that is possible to use/fill?

Michael Porter has proposed three basic strategies that serves as a good starting point for strategic thinking; overall cost leadership, differentiation and focus.⁴⁰

³⁵ Kotler and Keller 12e, p. 24

³⁶ Robert M Grant, 5th edition, p. 18

³⁷ Andberg och Eliasson, p. 59

³⁸ http://en.wikipedia.org/wiki/Marketing_strategy

³⁹ Eliasson och Andberg, p. 60

⁴⁰ Kotler and Keller, p. 56

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Overall cost leadership

With this strategy the business works on keeping the prices lower than competitors and through this hopefully win a large market share. With this kind of strategy the knowledge in engineering, purchasing, manufacturing and physical distribution is superior compared to the skills in marketing. This strategy may be threatened by other firms that try to cut costs even harder.⁴¹

Differentiation

With this strategy the business tries to create a product unique to the customer. The customer must feel an added value for the product if the strategy should be successful. If so, the customer may care more about the brand than the price, thus there will be reduced price elasticity. If using the strategy, the firm has strong research and development skills, strong product engineering skills and creativity skills, good cooperation with distribution channels, strong marketing skills etc.⁴²

Focus

With this strategy the business focuses on narrow market segments. Within this or these segments the firm use cost leadership or differentiation as strategy.⁴³

Goals for the company should be quantitative rather than qualitative, thus they should be measurable. Dynamic goals are to prefer. This means that goals should be adapted to the external environment and changes on the market rather than connected to the internal history of the company. Each goal should have a responsible.⁴⁴

⁴¹ Kotler and Keller, p. 56

⁴² http://en.wikipedia.org/wiki/Porter_generic_strategies

⁴³ Kotler and Keller, p. 56

⁴⁴ Andberg och Eliasson, p. 70

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3.1.5 Developing marketing programs

The development of marketing programs is the next step after setting the strategy. The programs are supposed to help reaching the company's goals. A challenge is to find purposive marketing programs at a low cost. The combination of these activities is often called marketing mix.⁴⁵ Further, these activities include how the company adapts to the market and the way the company influences the market⁴⁶. This is illustrated in Figure 7 below. Without well implemented programs the strategy may fail no matter how well it is formulated. As an example, if the strategy is to attain technological leadership, there must be programs to strengthen the R&D department. When the programs are set the cost of the programs must be estimated. The value of a certain investment is compared with its cost. The company must also take into account the stakeholders and stockholders and their needs.⁴⁷ After the programs have been set it is important to be aware of changes in the environment. If the external market changes it may be necessary to change direction of the marketing programs as well.

⁴⁵ Andberg och Eliasson, p. 14

⁴⁶ Andberg och Eliasson, p. 74

⁴⁷ Kotler and Keller 12e, p. 58

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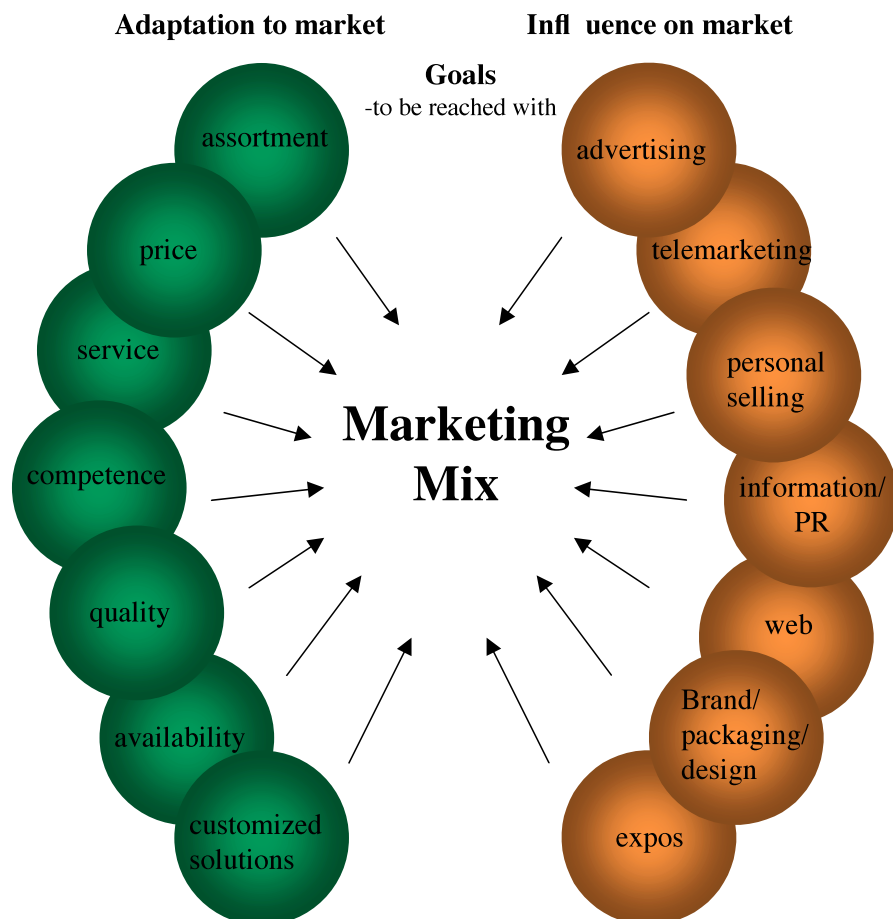


Figure 7 Marketing mix – a combination of activities to reach the company goals⁴⁸

3.1.6 Managing the marketing effort and follow up

The last very important step is to manage the marketing effort. When all the preceding steps in the planning process are performed and the plan how to reach the company's goal(s) is set the plan must be administered and followed up. This is a way to evaluate the success of a strategy or a marketing program. This step is also a way to show that the marketing plan is

⁴⁸ Andberg och Eliasson, p. 74

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important for the company.⁴⁹ The most important with this step is that it is performed and not how it is performed. Parameters to follow up may be inflow of orders compared to outflow of orders, expenditures for selling, cost for marketing activities, delivery service, billing etc.⁵⁰

⁴⁹ Andberg och Eliasson, p. 15

⁵⁰ Andberg och Eliasson, p. 101

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4 Empirical data and analysis

4.1 The situation of e-commerce today

As mentioned in section 1.1, the sales increase for e-commerce was 21,1 % during the second quarter of 2008. The consumer group using the web for purchases is growing and through e-commerce it is possible for companies to reach even larger customer segments. One of the most important features for the consumer is fast deliveries and sms notifications, features that increase the convenience. The product can be collected as soon as the notification has reached the phone. The sms and a valid ID card is then all that is needed. During the second quarter of 2008 the sms notifications handled by “Posten” were redoubled compared to the same period 2007.

Figure 8 below shows the share of deliveries that is notified through sms. The study is based on 1500 companies dealing with e-commerce.

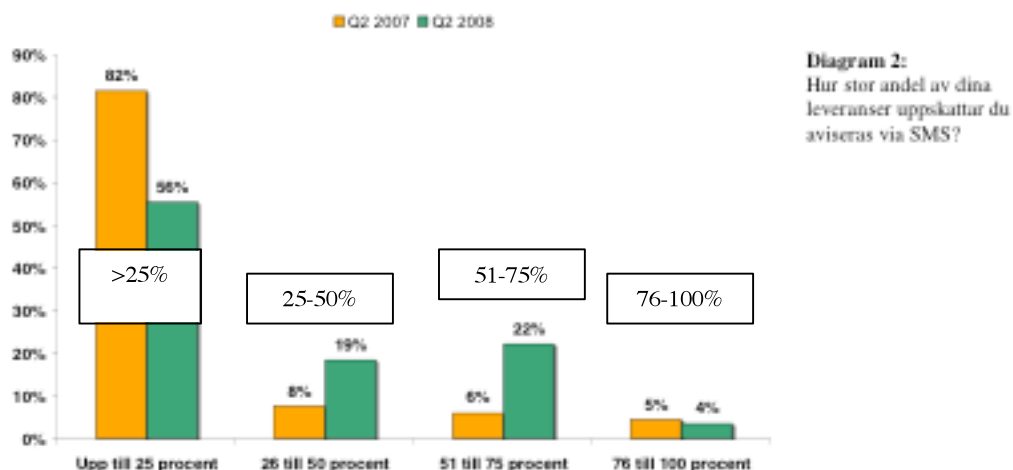


Figure 8 Share of deliveries notified through sms (figure from e-barometer)

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In the investigation by “Posten” and HUI there is also a consumer investigation with 1000 respondents. Figure 9 shows that 81% of the respondents think they will use e-commerce within the coming 6 months, 9% think they will not use e-commerce and 10% say they do not know. Figure 10 illustrates the most important properties regarding delivery.⁵¹

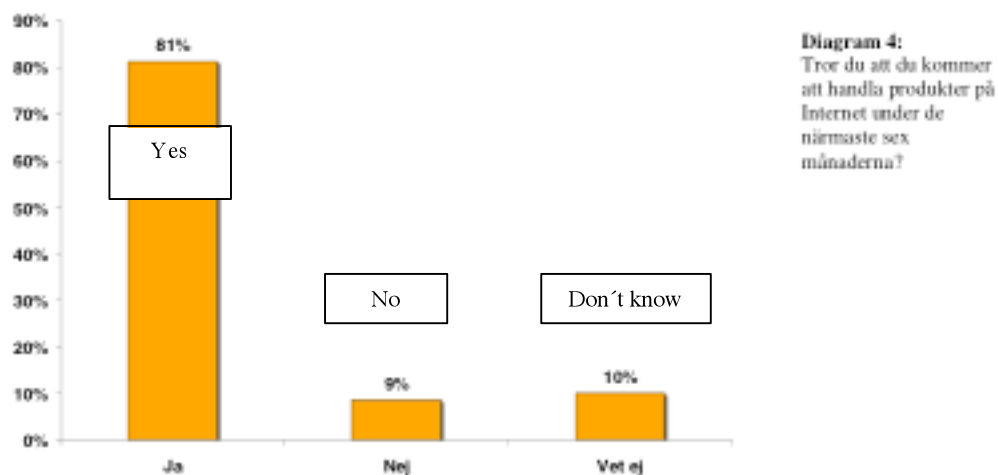


Figure 9 The probability of using e-commerce according to the consumer itself (figure from e-barometer)

⁵¹ e-barometer for Q2 2008

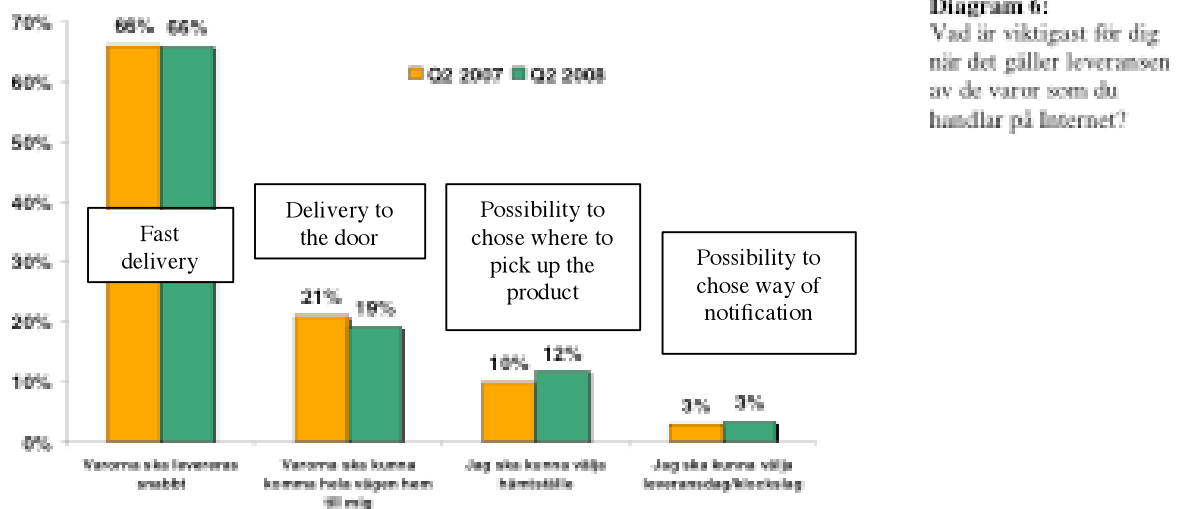


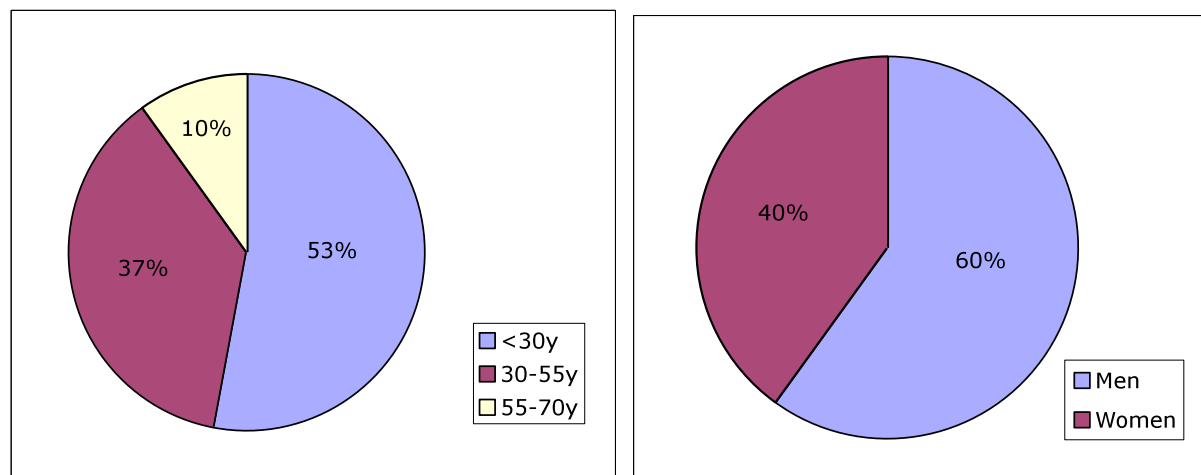
Figure 10 The most important feature regarding delivery (figure from e-barometer)

4.2 Analysing the situation of today and marketing opportunities for Onepair

In this section the aim is to get a picture of the company and the surrounding market including factors such as customers and competitors.

An interview and a questionnaire are part of the empirical section. The interview is made with the founder of Onepair, Richard Sins. The interview questions can be found in Appendix 1 and the answers are integrated in this section (section 4). To get a fair evaluation of the company, short interviews in the form of a questionnaire are made with people in the street, thus there is no limitation to Onepair customers. The questions can be found in Appendix 2. The composition of the participants in the survey (age and gender) can be studied in Figure 11.

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Total number of participants: 161

Figure 11 Composition of participants in the survey (left: age, right: gender)

4.2.1 An introduction to Onepair

Onepair is a start-up company selling socks through the web for women, men and children. The company was founded as a general partnership in 2007 and is run as a part time business by Richard Sins. Except the founder, there is one employee working part-time by packing the socks. The company is offering a wide range of socks, a competitive price and a fast delivery in a luxurious package. The aim is to provide a basic product in an easy and still fashionable way. At this early phase, number of orders is very different from day to day. There may be twenty orders one day and none the day after, thus there is no continuous flow in orders. As it is a web-based company the web is of course a high priority.

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4.2.2 Key features

On the question about key features (question 3d, Appendix 1) Onepair stresses *quality*, *price* and *service* in the mean of a fast delivery. “The customer should have the socks delivered before they make it to reserve the wash-house”, says Richard Sins. The price should be competitive compared to similar socks provided in the stores and the quality should hold for every-day wearing and washing according to instructions. A *user friendly web* is also of great importance. It should be easy to navigate the web and to do the purchase, continues Richard. He also mentions *assortment*: “It is impossible to please everyone but we strive to be as broad as possible within our product group that is socks. Thus, we do not want to be too broad, that is why we limit ourselves to socks. Tights for example are not in our assortment and that is a choice we have done.”

Regarding price, 49% of the participants in the survey stress that price is the most important when buying socks on the web, Figure 12. Concerning quality, 33% think that is the most important and 18% think most on the design of the socks.

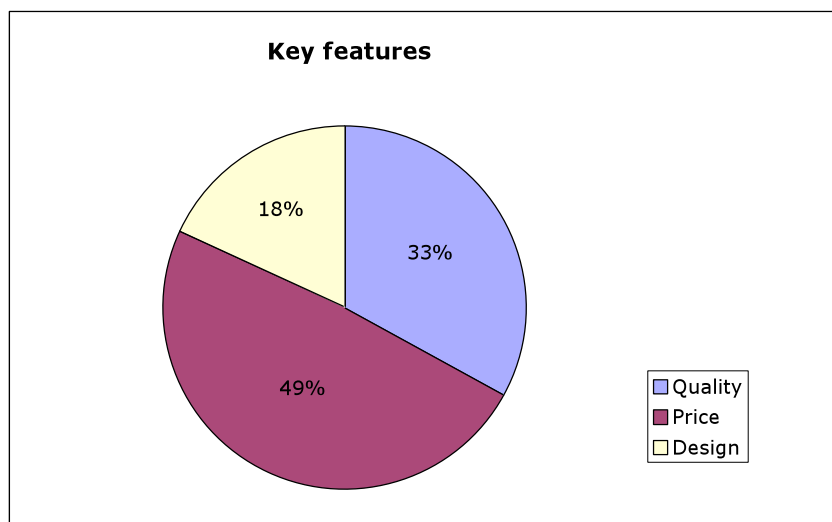


Figure 12 Opinions about the most important property when buying socks

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On the question about the price for socks at Onepair, 69% think that the price is acceptable, 21% that the price is at the lower edge and 10% that it is too expensive. On the question concerning assortment the participants were shown a model of the webpage to be able to give a fair opinion. Among the 161 participants 85% appreciated the assortment to be satisfying, Figure 13.

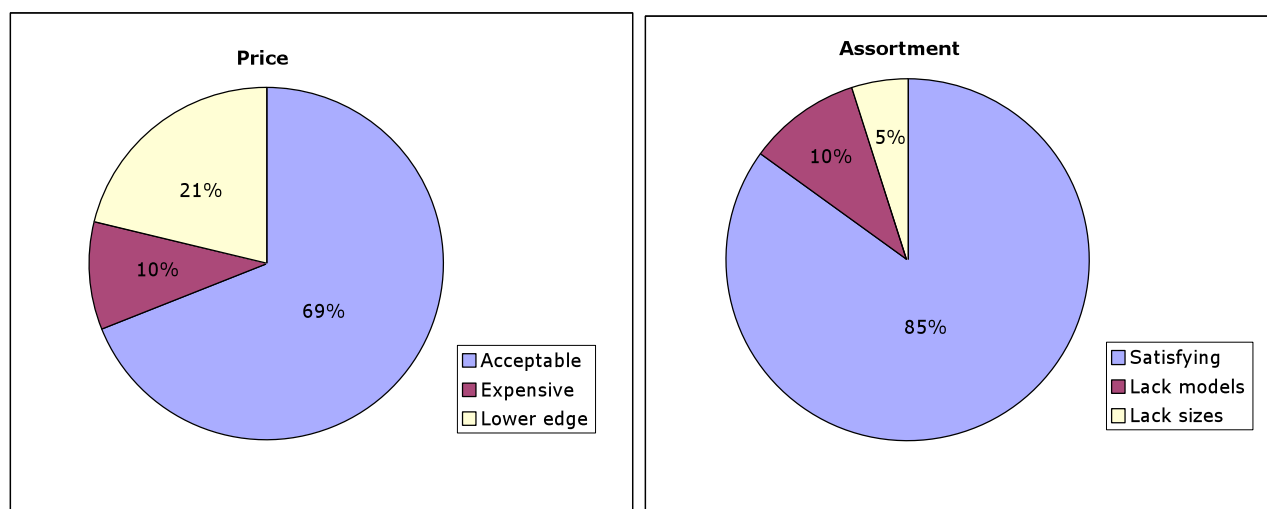


Figure 13 Opinions about price and assortment for Onepair socks

An opinion about delivery could not be drawn from the survey but according to Richard Sins, the promised delivery within one day is true at this date for a normal sized package. Availability is for Onepair as a web based company 24 hours a day, something that the participants in the survey thought was an advantage.

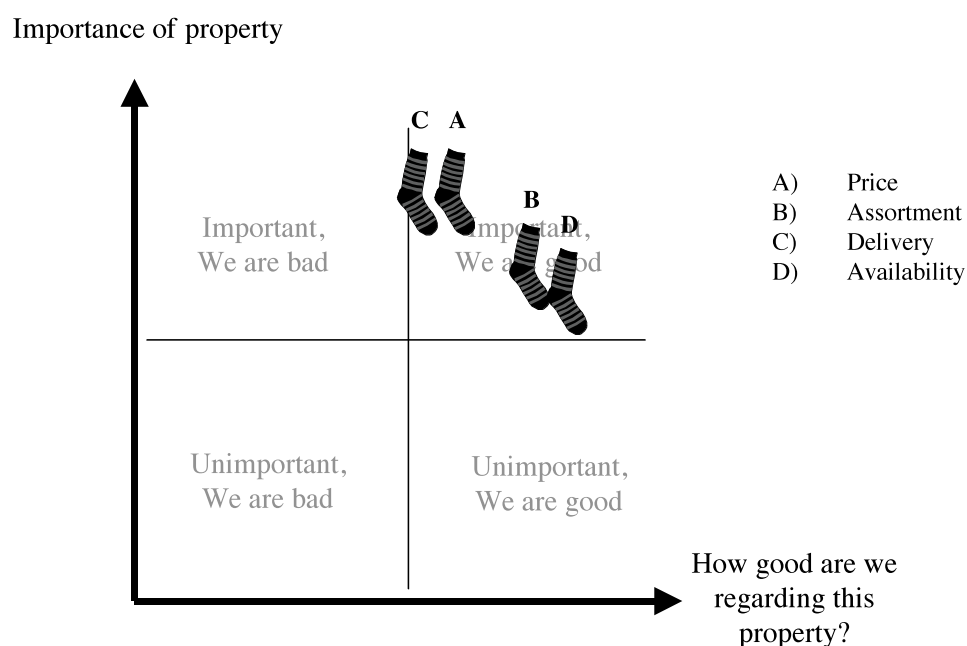
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4.2.3 Analysis of key features – appraisal chart

In Figure 14, there is a chart of importance of different properties versus how good Onepair is doing regarding that property. Evaluation has been done with data collected from personal interview and survey. Importance of property is appreciated with help of personal interview and how good Onepair is doing is appreciated from survey answers.

Even though availability is not mentioned as a key feature, somehow the web indicates that Onepair wants to be near and available to the customer. They are available via e-mail and phone and they have a page with frequently asked questions.

As the major part of the features is classified as key features, they are naturally within the quadrant “important”. Even though price and delivery that are regarded as the most important properties are more to the left than the less important features assortment and availability they are all within the same quadrant. Whether the difference is significant or not is impossible to say.



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Figure 14 Appraisal chart for price, assortment, delivery and availability.

4.2.4 SWOT Analysis

This section deals with an analysis of strengths, weaknesses, opportunities and threats. In the analysis below information comes from the personal interview as well as from researching the web. When asking Richard Sins for strengths he points at fast deliveries, broad assortment and that the customer easily can buy many socks on one occasion to an advantageous price. Concerning weaknesses he thinks that the most difficult is to make people feel convenient when shopping on the web. For many customers it is not enough knowing the quality, they want to feel it. About opportunities Richard is positive: “There are many different ways in which we can grow. We have for example discussed with different companies to use our socks as rewards for employees. Another possibility to grow is selling to organisations and through other channels.” In Figure 15, opportunities are described in matrices where each opportunity is analysed for its attractiveness and its success probability. It is difficult to make a fair analysis but as can be noticed in the figure, it is probability of success and not success that is analysed. Among the opportunities listed, “web based company” and “many possibilities to grow” are features that most probably will give success according Richard Sins. Features that go hand in hand with e-commerce; no stress, always open and large pack is pointed out as advantages in the survey, something that strengthens this probability to success. To be a pioneer on the market may be very attractive if the customers find the company attractive. Thus, it depends on the customer’s opinion of the company. In discussion with Richard Sins, he thinks that opportunity is slightly less attractive than the others. Regarding “many possibilities to grow”, that is an attractive opportunity with a high success probability. In the survey, a subscription that is one possibility to grow is mentioned as an advantage.

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There are also threats to be aware of and prepared to. If other actors on the market are selling socks with a bad quality, potential customers may believe that all socks on the web have a bad quality. Threats that most probably will cause seriousness are competitors/followers and manufacturing problems. Both are very difficult to predict whether they will happen. Change in use of the web is another threat that could cause serious trouble. Though, the probability that there will be a change in the use of the web that effect Onepair negatively is not considered high. A change in economy is very probable but it is most probably not serious for Onepair. The SWOT analysis is shown in Table 3.

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Table 3 SWOT analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> • Fast delivery • Broad assortment • Possibility to buy many socks at one occasion to an advantageous price • Competitive prices • Self service • Availability 24 hours a day • No freight 	<ul style="list-style-type: none"> • Limited to internet-users, customers do not feel convenient shopping on the web • Not possible to feel the quality • No contact with customers • Stock holding – difficult to estimate the selling and thus how much to keep in stock
Opportunities	Threats
<ul style="list-style-type: none"> • Many possibilities to grow • Web based company – right in today's society • Possibility to be a pioneer on the market 	<ul style="list-style-type: none"> • Competitors/followers <ul style="list-style-type: none"> - competition - Bad quality among competitor's socks may lead to bad reputation in general • Change in the economy that will change people's behaviour • Changes in the use of internet • Manufacturing problems

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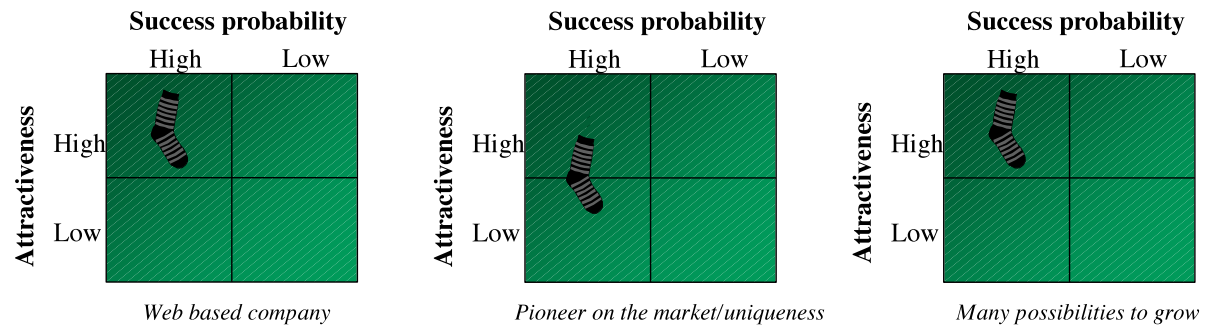


Figure 15 Opportunity matrix with success probability versus attractiveness

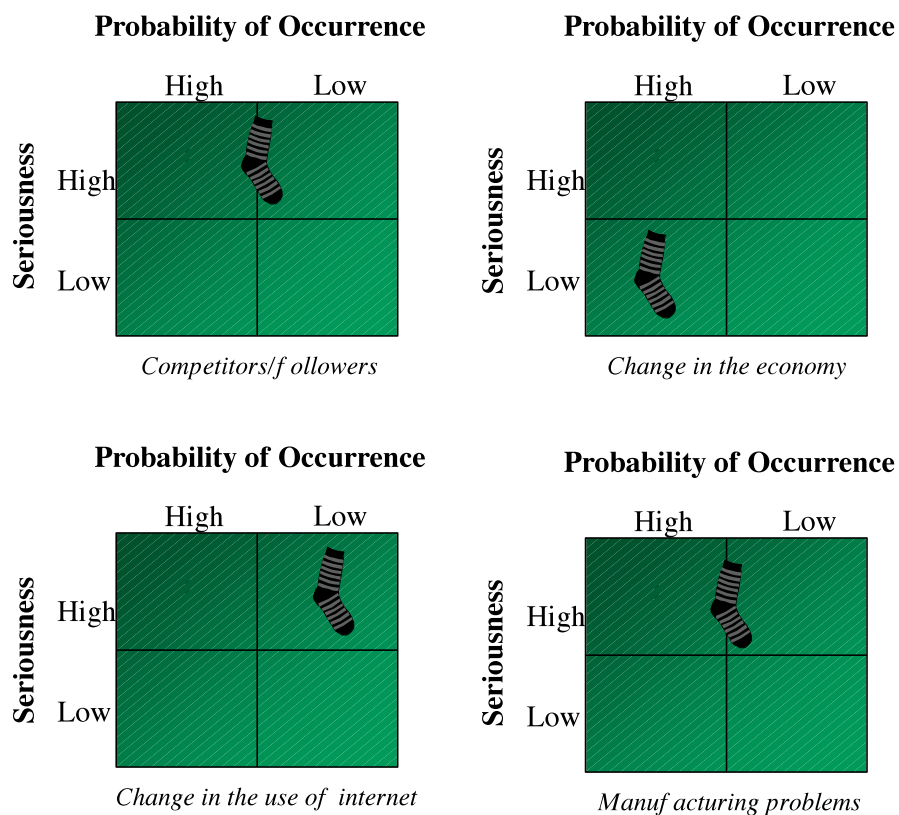


Figure 16 Threat matrix with probability of occurrence versus seriousness

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4.2.5 Competitors

If looking at competitors, there are other companies on the market offering the same product through the same distribution channel as Onepair. When searching for “strumpor” at Google, there are many hits representing companies similar to Onepair. In **Table 4** is a summary over the first hits when searching for “strumpor”. Noticeably, onepair.se is not one of those hits. In the table there are columns for assortment, price, delivery and freights, features that can be objectively described. The last three companies in the table (sfq, evas underkläder and ulla popken) are no further studied as they differed from the others in several ways. They did only provide products for women and mostly underwear and other clothes specific for women. Another interesting feature to compare would be quality but that is difficult in several ways. Socks should then be ordered from all competitors and even though that is a possibility, it would be difficult to make a fair comparable test between different socks.

Common for the companies in **Table 4** is of course that they are providing socks but the major part is also providing other products as well, for example underwear. There are only two companies (strumpgrossisten.se and sockers.se) that similar to Onepair only have socks to offer. There may also be other competitors on the market even though they are not found when searching the web.

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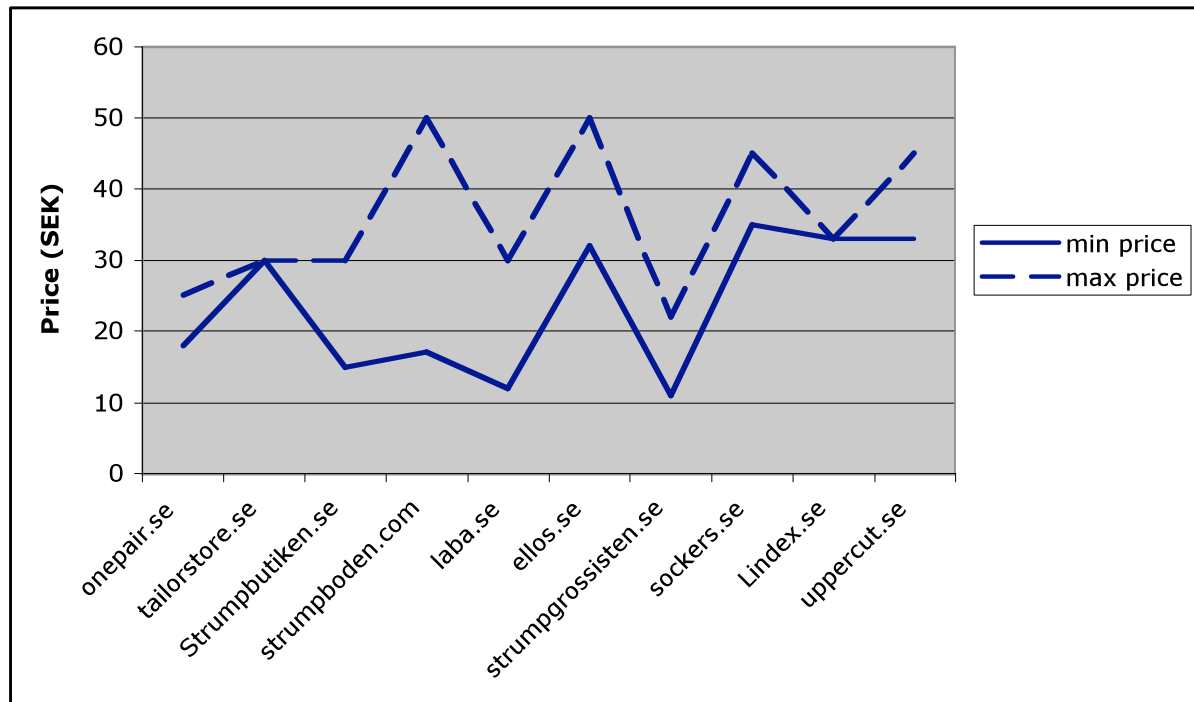
Table 4 Summary over competitors providing socks through the web.

Competitor	Assortment	Price	Delivery	Freights	Male/Female (M/F)	Comments
onepair.se	socks	Male/female: 4-pack 99:-, 7-pack 159:-, 10-pack 209:-, 14-pack 279:-, 20-pack 359:- Children: 4-pack 59:-, 7-pack 99:-, 10-pack 119:-, 14-pack 149:-, 20-pack 199:-	within 1 day	no	M, F	wide assortment
tailorstore.se	socks, underwear etc.	3-pack: from 89:-	1 week	10-49:-	M, F	basic socks
Strumpbutiken.se	socks and underwear	Male: 10-30:-/st, Female: 10-35:-/st, Children/baby: 16-18:-/st (2-pack: 25:-)	within 3 days	29:-	M, F	many socks with figures
strumpboden.com	socks, clothes, soap etc.	from 17:-	2-3 days	yes (depending on weight)	M, F	wide assortment
laba.se	socks, underwear, clothes etc.	from 10:-	packing within 24h from order	15-55:-	M, F	basic, many socks with figures
ellos.se	socks, clothes, etc.	Male: 2-pack from 99:- Female: 5-pack from 99:-	within 1 week	41:-	M, F	only a few models, minimum order 200:-
provea.com	socks, underwear etc.	?	?	?	?	must be a customer to view assortment
strumpgrossisten.se	socks for men	from 5,90:-	1-3 days	no	M	only checked socks
sockers.se	socks	Male: 2-pack 89:-, 10-pack 349:- Female: 2-pack 89:-	within 1 day	no	M, F	very few models
Lindex.se	socks, underwear, clothes	3-pack: 99:-	within 7 days	59:-	F	wide assortment
uppercut.se	socks, underwear etc.	45:-/st (3-pack: 99:-)	1-3 days	no	M, F	wide assortment
sfq.se	underwear mostly					only for women
evasunderklader.se	underwear mostly					only for women
ullapopken.se	clothes					only for women

Source: the web 25 June 2008

4.2.6 Analysis of competitors

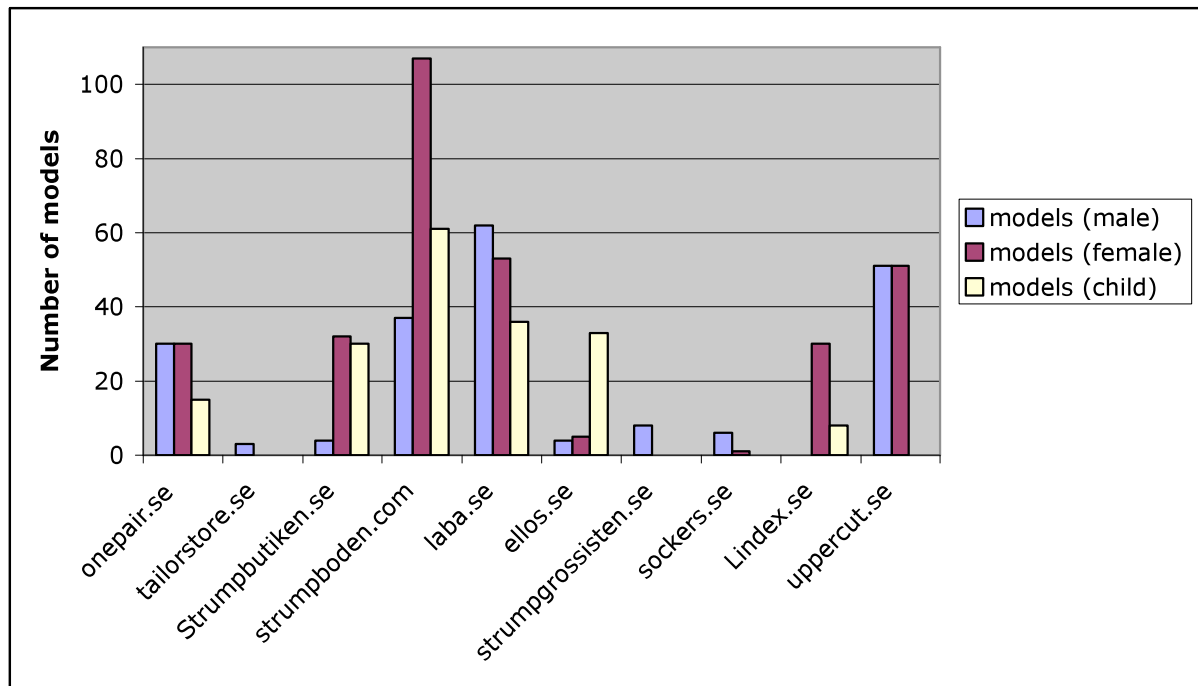
Regarding the price, Onepair is well within the span, Figure 17. The graph shows highest and lowest price for male socks. Concerning delivery, there are two companies that promise delivery within 1 day (onepair.se and sockers.se). From all other companies you could expect the delivery within 1 week. Among the companies in **Table 4** (4.2.5) four out of eleven companies have free freights whereas for the other companies, it varies from 10 SEK to 59 SEK. Most of the companies offer both male- and female socks but two of the companies only have male respectively female socks in their assortment (strumpgrossisten.se: male, lindex.se: female).



Source: the web 25 June 2008

Figure 17 Graph showing highest and lowest price for competitors. The comparison is made for men's socks

An estimation of the assortment has been made by counting number of models for male-, female-, and childrensocks respectively, Figure 18. As the assortment may vary over time this number should not be taken for an exact value. Thus, when relating to number of models further on, it will not be given in exact values. Number of models is of different value for different customers as well as the opinion about what is neat and what is ugly goes apart. Thus, interesting for the single customer is number of models that fall within the taste of that certain customer.



source: the web 19 August 2008

Figure 18 Number of models for male-, female-, and children socks

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4.2.7 MIO-model

Below in Table 5 is a summary of the first stage in the MIO model, description of the present situation. Source of information is personal interview and own investigation of the company.

Table 5 Present situation summarized in the MIO model

	Market external	Interaction relationships	Organization internal
Description of Present situation	<i>Customers</i> : as broad as possible. <i>Competitors</i> : 1) traditional retail 2) followers	<i>Product Mix</i> : one product in many models. <i>Price span</i> : In the lower or middle region compared to competitors. <i>Place</i> : web. <i>Promotion</i> : campaigns, advertisements, samples	<i>Core competences</i> : advertising, marketing. <i>Capacity</i> : medium/high. <i>Mission</i> : providing a basic product in an easy and fashionable way.

4.2.8 Analysis of the 4P's

By further analysing the 4P's there is a better understanding of interactions with customers and competitors.

Product

This is a product that everybody uses every day, thereof a large customer base. From the survey is given that price is more important than quality and design. One way to increase sales could be to add value to the socks. A changing behaviour of the usage of this product from a basic need to a need with added value could change the customer's attitude towards the product. A wide assortment, a neat web, a luxurious package could be ways to achieve this. Services like a fast delivery etc are other ways to increase sales.

Price

If comparing with competitors, the price is set in the mid range of the interval. If the price is too low it may be difficult to make the needed profit through increased sales volumes. If the price is too high, the customers may buy from competitors and competitors/entrants on the

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market may see their chance to take market share. As from the survey the majority thought that price is the key feature, it is important to have a price that is well within the span. If not, neither quality nor design would matter.

Place

As the product is available through Internet there is a 24 hours possibility to make purchases. This availability has become more standard than exception and many customers expect all companies to have their own site on Internet. This service together with a fast delivery is for some customers regarded as self-evident whereas for others it is added value. In the survey availability in the meaning of a 24hours service is given as an advantage. Another advantage from the survey is “no stressful stores” when shopping on the web.

Promotion

Most of the promotion for Onepair is made through campaigns and advertisements and has been rather modest at this first stage. As there is a limited amount of socks in stock and the delivery time is a couple of weeks, Onepair has chosen to keep a low profile in the beginning to be able to deliver the promised service. A campaign with more advertisement is in planning phase though.

4.3 Analysis of the positioning of the company relative to competitors

To find the position of Onepair relative to its competitors a situation analysis is used. As one of the companies from the competitor analysis above, provea.com, is only available for customers, they are excluded from this study. A marketing positioning chart with a selection of factors is evaluated. The factors are chosen with the perspective to differentiate competitors from each other, aiming to find possible gaps in the market. The factors studied in

Figure 19 are rather general and they are possible to use for other businesses as well. Price in the figure is an average of highest and lowest price for male socks (see Figure 17). Number of models is an estimation of the assortment regarding male socks. For consistency one category

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was chosen in the analysis, here male socks. The same analysis can be done for woman- and children socks as well.

A gap in the market is found in the middle of the big quadrant, a limited assortment to a reasonable price. In quadrant A there is only one company. A gap here is not surprising as it is most often difficult to hold many models in stock to a low price.

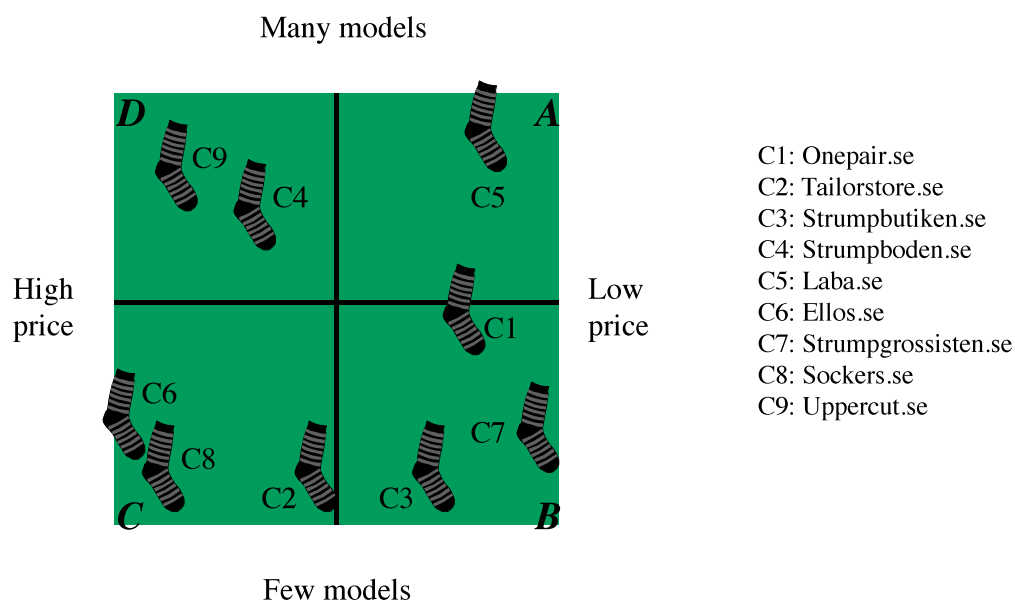


Figure 19 Marketing positioning chart with assortment related to price. Both assortment and price are related to male socks.

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4.4 Selecting target markets

4.4.1 Target markets

The target market is rather wide as this is a product used by the more part of the population every day. In the personal interview Richard Sins says that they strive to have as broad customer segment as possible. “We want our socks to please youngsters as well as the big family”, says Richard.

4.4.2 Market geographics and demographics

4.4.2.1 Geographics

There is no set geographic target area as this product is offered through the web. The company is at this stage registered in Sweden, but according to Richard the geographic area may be expanded.

4.4.2.2 Demographics

Age of the customer most probably has limitations because of the nature of the distribution channel. People that are used to paying over internet will find this way of shopping very convenient whereas others, most probably older people will still by socks the traditional way, by visiting the store. In the interview, Richard Sins says that Onepair does not want to target a typical customer. The nature of the product allows the customer segment to be broad.

Because of the median price (Figure 17), *social class*, is not important for this product.

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4.4.3 Market needs

This company was created to offer a convenient way to buy a basic product in still a fashionable way. The design of the product as well as the wide assortment is other important features offered. A short time for delivery is a great competitive advantage.

4.4.4 Market trends

A trend in today's society is to make everything more convenient for the customer. Time is for some people more limiting than money. Thereof, services in the every day life that saves time are getting more and more popular. Take for example the newly implemented law that makes daily help such as cleaning tax-deductible. Another trend is an increased use of internet and web –based services, something that Onepair has taken notice of. By the service offered through this company, the customer can do the shopping within a minimum amount of time and at any time of the day.

4.5 Designing marketing strategies and goals

The main goal for Onepair from start was to build up this company and investigate the possibilities to make lucrative businesses. There were no goals given in numbers. One container with 36.000 socks was ordered from start. As mentioned above, the stock must be large enough to meet the customer's expectation and be able to deliver the desired socks in time. On the other hand it is expensive to hold an excess of socks in stock.

The next goal, after building up the company, is to have 50 orders per day.

Another unspoken goal is to be the natural choice for the customer buying socks. This is a secondary goal coming after and if the first two goals can be achieved.

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4.5.1 Marketing strategies

It is important to choose the right marketing channels. As Onepair is a small company, marketing activities must be at the right level. Too much marketing may give a demand that is impossible to satisfy. Thus, it is an equation that must be balanced. As marketing is probably the most expensive in this business, marketing activities must be clever and right for the purpose. Marketing activities performed are listed below.

- Advertisements in papers (mostly local papers)
- Posters
- Samples delivered in the mailbox

4.5.2 Pricing strategies

One internal strategy is to keep down the costs. Ways to get there are a limited stock, do the majority of the work in-house and clever marketing (i.e. the right marketing activities). This is the key to competitive prices.

4.5.3 Customer strategies

As mentioned above, the goal is to have as broad customer segment as possible. There should not only be private customers, one part in the strategy is to include companies and unions (local unions as a first stage).

4.5.4 Distribution strategies

Fast deliveries are like already mentioned very important. A goal is to be able to deliver the day after ordering. In small scale, i.e. a limited number of orders a day, it is easier to meet with this expectation and a goal is to keep this short delivery even at an increased turnover.

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4.5.5 Product strategies and growth strategies

Even though the product now is solely socks, it is not excluded that the product assortment in the future can be expanded to yield other products as well. This will not happen though until the socks business is established.

There are many strategies for growing whereof not all are implemented:

- Cooperation with companies – rewards for employees, company name on socks
- Cooperation with unions (sports unions etc.)
- Finding resellers - traditional retail

4.5.6 Analyses of the strategic thinking

An attempt to classify Onepair's strategies into any of Michael Porter's three basic strategies (section 3.1.4) is made. I think their strategies is a mixture of overall cost leadership and differentiation. Onepair wants to be different compared to competitors even though their product is not unique. Instead they use marketing to differentiate themselves and the product. Regarding Porter's "overall cost leadership", one could say that Onepair works to keep the prices low, though it is not their main perspective.

4.6 Developing marketing programs

There are no defined marketing programs for Onepair. They do have many activities in pipeline though. Most of these activities are possible ways to grow (see also section 4.5.5.)

- One program includes cooperation with unions. It is up to the union to supply potential customers with a password connected to the union. As reward the union gets some percentage every time the password is used.

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- When cooperating with companies, the socks could be labelled with the company-name or other and used as rewards/gifts for employees.
- Another action plan is to find resellers. The resellers should then buy the socks under a different name, as Onepair otherwise may compete with the socks at Onepair.se.

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5 Conclusion and reflection

The key features mentioned by Onepair were quality, price and service. In the survey, 49% of the participants thought that price was more important than both quality and design when buying socks. 33% thought that quality was most important whereas 18% put the design as the most important. Regarding the price for socks at Onepair.se, 69% out of 161 participants thought the price was acceptable and 21% thought it was in the lower region. With this information together with the competitor analysis that showed Onepair's socks well within the span, I think that the prices could be slightly higher.

Quality is as mentioned above difficult to analyse for socks as the usage is different from person to person. As long as the price could be kept at a reasonable level I think it is worth to put some extra effort on quality. The reputation of having "bad-quality-socks" may be difficult to get rid of.

Even though quality of the service at Onepair was not measured, their intension of delivery within 24 hours showed to be added value for the customer according to the e-barometer. Among the 1000 respondents in the "e-barometer", 66% thought that a fast delivery was most important regarding the delivery when using e-commerce. Next was delivery to the door, which was favoured of 19%. The majority of Onepair's deliveries are to the door. Regarding large-pack (14-pair) the package may sometimes be to large for the mail-box and thus the customer has to pick it up.

The assortment seems to be satisfying according to the survey in this study as well as when comparing with competitors. A weakness with many models is that it is difficult to predict which models that will be favoured among customers. Thus, some models may be left in stock. On the other hand, with a reduced assortment, the customer may not be satisfied.

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The distribution channel Onepair has chosen seems to be right if looking at trends from the “e-barometer”. As much as 81% of 1000 consumers thought they would use e-commerce within the coming six months. The same trend was shown in the survey used in this study where 79% of 161 consumers said they would use e-commerce. With this said, I do not think it is the product that is unique in this case.

If comparing Onepair with competitors, the company is not outstanding concerning any of the features discussed. One way they have differentiated themselves is by selling only socks. Many of the competitors are selling underwear and other clothes as well. Another feature that may attract customers is the combination of a reasonable price with a wide assortment. To be more differentiated I think there is a need for more marketing.

6 Postscript

Despite weakness in the economic climate during the third quarter of 2008, e-commerce increased with 14,7 % compared to the same period 2007. The prospect for the future is still optimistic among consumers whereas the companies are less optimistic than during Q2.

E-commerce companies think the web-page is very important to increase the selling and the consumers prioritize companies that feel serious.⁵² This time, it seems as e-commerce will survive the economic climate better than traditional retail, but time will show.

⁵² e-barometer Q3, presented by posten and HUI

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8 Appendix 1

Interview questions – personal interview

1. Introduction

- a. Name
- b. Role in the company

2. The company

- a. How was the company founded?
- b. When?
- c. Number of employees?
- d. Number of purchases a week?
- e. Plans for expansion?
- f. Satisfaction among customers?
- g. Marketing activities?
- h. Goals for the company?
- i. Strategies to get there?

3. Main questions

- a. Mission?
- b. Strengths/weaknesses?
- c. Opportunities/threats?
- d. Describe key features for the company?
- e. Describe areas where you need an improvement?

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9 Appendix 2

Questionnaire/survey

1. Ålder

<30 år 30-55år 55-70 år

2. Kön

Man Kvinna

3. Vad är viktigast för dig när du köper strumpor?

Kvalitet Pris Design

4. Pris

I underkant Helt acceptabelt För dyrt

5. Sortiment/utbud

Nöjd med utbudet Saknar modeller saknar storlekar

6. Skulle du kunna köpa strumpor på nätet?

Ja Nej

7. Fördelar med strumpor på nätet?