

Phase 1: Desk Research on the Product

Allbirds competes in the business of comfort and casual style, a sector of the shoe industry that no company has been able to truly take over. Allbirds came onto the scene as a privately held direct-to-consumer sustainable shoe company that claimed to have the most comfortable shoe on the market; the company's pursuit of comfort and eco-friendliness has led them to become a startup unicorn in less than two years. Allbirds is a certified B corp, and they use this branding of sustainability to their advantage quite often when marketing their products, as seen in their environmentally focused advertisements and company image. The Allbirds wool runner is their crown jewel that rocketed the Allbirds brand into stardom, its fame originating from the young millennials in the tech industry that connected with the Allbirds sustainable mission as well as the casual style and comfort that comes with the shoe. But, Allbirds has "quickly evolved from that Silicon Valley darling to a sustainable-footwear phenomenon with a following that spans generations." Because Allbirds is a startup company, their challenges lie more in getting the word out about their shoes than having to keep their brand fresh in their consumers' minds. They have managed to do this quite well through multiple strategies.

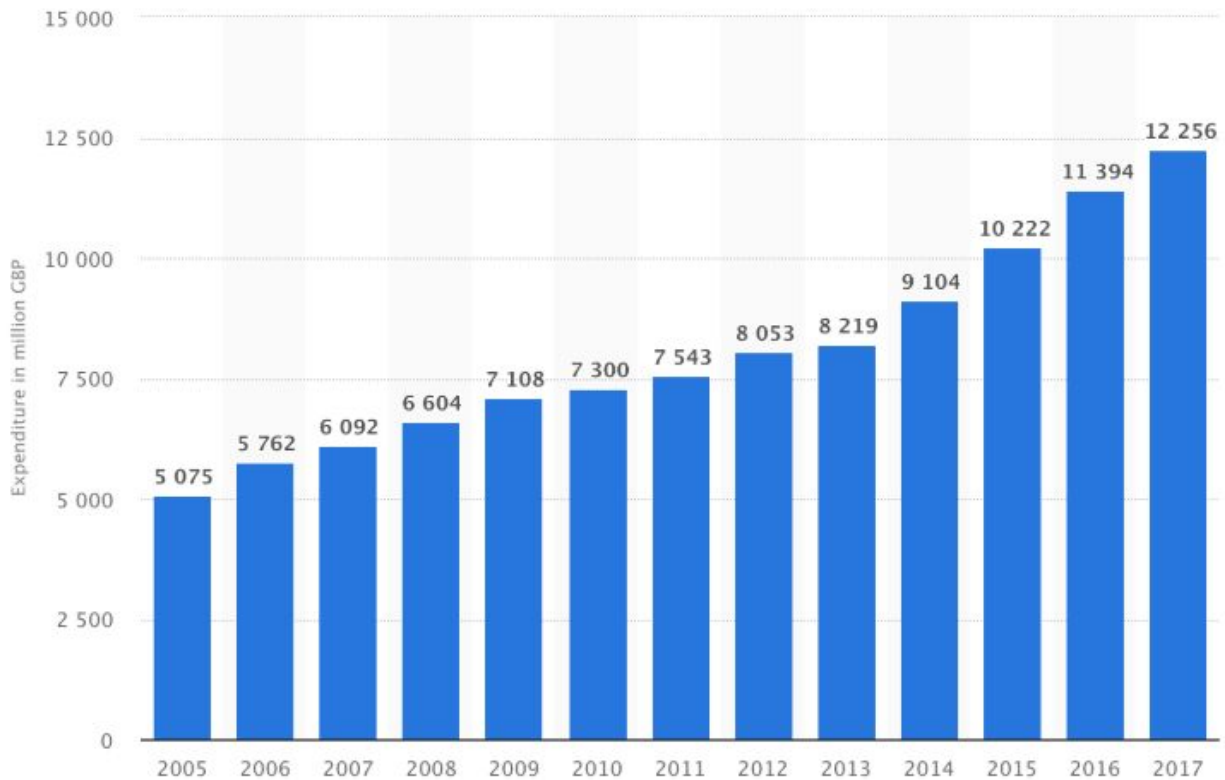
"When we make shoes out of wool, tree and sugar, it gives people something to talk about, and so we've benefited a lot from word of mouth," said Julie Channing, Allbirds' CMO. "So when introducing ourselves to new markets, we focus our efforts on marketing that will spark conversation."(Milnes, H., 2018) Their word of mouth strategy has worked for them so far with their sustainability branding combined with their purposeful, authentic characteristics.

Allbirds has also released a number of limited edition shoes to create buzz around their company such as the limited styles that you could only buy on Instagram that they released on the company's birthday or the limited edition Shake Shack tree runners that they only sold for one day at the original Shake Shack in Madison Square Garden. But, Allbirds mainly uses "its sustainability bent to appeal to international customers, who won't resonate with the Silicon Valley culture that's marked its beginning years in the U.S."(Milnes, H., 2018)

All of this buzz that Allbirds has created for themselves this early on has enabled them to sell over 1 million pairs of Allbirds in their first two years. They source and manufacture their shoes all over the world; for the wool runner they get their famed merino wool from New Zealand and develop the fabric for the shoe in an Italian mill. They source the eucalyptus for the tree runner from South Africa. The sugarcane for their Sweet Foam soles come from southern Brazil. All of those natural ingredients come together in South Korea where they manufacture both of their shoes. They have other sustainably sourced materials going into their shoes as well such as the plastic for their laces comes from recycled plastic bottles, the insoles are made from castor bean oil, and the packaging for their shoe boxes are made from 90% recycled cardboard. Through these materials they only have four types of shoes: the wool runners, tree runners, loungers, and their flip flops called Sugar Zeffers.



“Footwear is typically so reliant on wholesale and bricks and mortar retail, but we thought there was a real opportunity to have a relationship with our customers and sell product direct to them online,” says Brown, describing how they changed the specifications of their first shoe style over 27 times based on online customer feedback. (Street, C., 2018) That is why their distribution channels have been kept relatively exclusive until recently. They started as a direct to consumer brand slowly opening up more websites in international countries until they spanned the whole globe. Their first foray into selling their products in a physical location was the Allbirds brick and mortar store in San Francisco then opening one in New York and most recently in Canada and London. For a limited time they were sold in Nordstrom their first experience in retail however the co-founder stressed they would not be moving into the wholesale market, “If we went and did omnichannel, we would sell more shoes, but we would get into discounting. We don’t want to do that. It would commoditize a product we think is really special,” Zwillinger said. (Abel, K, 2018) And, it is this importance that they place on their products and the care that they put into their branding that has brought them the success that they have now and allowed them to build Allbirds into what it is today, as “the two men have 50 employees in their San Francisco headquarters, 350 contractors in a factory in South Korea and 40 at a warehouse in Nashville.” (Bowles, N, 2017)



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Additional Information: United Kingdom; Office for National Statistics (UK); 2005 to 2017

Source: Office for National Statistics (UK)

Annual expenditure on footwear in the United Kingdom (UK) from 2005 to 2017, based on volume (in million GBP)

The footwear industry in the United Kingdom has been on the rise and is projected to continue on this trend. The annual expenditure on footwear in the UK doubled between 2007 and 2017 from £6 billion to £12 billion (Office for National Statistics (UK), n.d.). The UK footwear industry is projected to grow 13.7 percent by 2022, continuing the growth trend (PR Newswire, 2017). Although women's footwear remains the biggest subsector in the industry, it is predicted that men's footwear subsector will experience most growth, compelled by men's increasing interest in fashion and more investment from retailers to meet the needs of men (PR Newswire, 2017). Online orders accounted for more than a fifth of total footwear spends in 2017 and will experience 54.5 percent growth by 2022 (PR Newswire, 2017). The report also concluded that more than 90 percent of footwear shoppers value quality the most when shopping for footwears (PR Newswire, 2017). With Allbirds' emphasis on the quality of the products and direct-to-consumer distribution through online sales, Allbirds will not find it too difficult to penetrate the market. The recent trend in the UK footwear market and consumer behavior will help Allbirds find success in the UK.

While the industry trend is quite favorable for Allbirds, the growing competition in the UK could be an obstacle for them. Giesswein, an Austrian company offering sneakers made from merino wool, has already entered the UK, beating Allbirds to the market. Similar to Allbirds, they emphasize style and comfort as well as their sustainable production methods. Baabuk targets the same youth population as Allbirds. However, they also feature categories of shoes such as boots and sneakers for outdoor sports. Although they do not directly target runners as Nike and Adidas do, they aim to compete with other brands by offering shoes for all types of activities. Nike and

Adidas have solidified their positions as the two main sportswear providers with their shoe segment appealing to athletes and the growing trend of athleisure, following a differentiated strategy. Vans and Converse appeal to similar demographics with a range of casual everyday shoes to more novelty shoes directed at the younger population. Each one implements a differentiated strategy in an attempt to appeal to adults looking for a casual everyday shoe to kids trying to find the coolest shoe for the playground. Toms appeals to a consumer that enjoys the satisfaction of giving back when making a purchase. They have extensive types of shoes from heels to sneakers that cater to old and young consumers, exhibiting a differentiated strategy all with the promise of 'buy a shoe, give a shoe' to someone in need. Despite the growing competition in the footwear industry, Allbirds' emphasis on sustainability and quality will appeal to many consumers in the UK.

Phase 2 - Segmentation Targeting

The running shoe/trainer industry offers a wide range of variety for consumers to choose. This variety makes it extremely important to fully comprehend the industry and the preferences of consumers. Brands that successfully achieve this include Nike and Adidas both of whom hold the largest market share of the industry. Currently, they are positioning their products to meet the demands of the athleisure trend, while also offering a large variety of price ranges to capture as many potential customers as possible. With the major companies in the industry focusing on the style and quality of their chosen trainer along with offering a large range of prices, it seems that these are the three biggest product characteristics that consumers look at when considering purchasing new trainers. Understanding these key industry trends, the interviews focused on ensuring that local UK consumers' fell in line with these predictions and introducing the idea of Allbirds as a new brand to consider when purchasing trainers. The interviews conducted mainly reflected this understanding of the running shoe/trainer industry as the two highest rated benefits were price and style. Respondents were typically looking for trainers that exhibit a stylish and trendy appearance while also being mindful of the cost to achieve this look.

Upon analysis of the data, it is important to understand that most of the respondents were college students in London. As London is considered a relatively expensive city, the people surveyed tended to be from at least middle-class background. This fell in our preferred target market; however, also presented a sampling bias as most respondents view on price is probably different and not entirely representative of the entire market.

With these two benefits fell the largest segment, named the Fashionista, for the groups desire to keep up with the latest fashion trends. Reflecting back on trainer prices, even as many respondents felt that price played a major factor in their decision of trainer, the interviews addressed that people were still willing to pay more for shoes that they felt appeared to be of higher quality or comfortable. When asked about the role price plays in the purchase decision, one respondent said, "I wouldn't buy low priced shoes because quality is usually not that good." So, while price was commonly cited as an important factor, it also appears that those same respondents would consider purchasing trainers at the higher prices as long as other benefits justified the price.

The second biggest segment revolved around respondents who still care about following the latest trends, but are more affected by price, the Practical Consumer. These consumers were more likely to consider durability and material quality; however, as long as this segment could justify the higher price, they would consider purchasing the trainer: "I would justify splurging on a pair of trainers if it fits your needs over an extended period of time." The Practical Consumer considers more factors than merely style and price, but even within this segment, Allbirds could easily target this segment by justifying their slightly more expensive price with its promise of stylish, comfortable and durable trainers.

The third main segment the study identified was the Conscientious Consumer, who valued the company's mission as a prevalent factor in purchasing shoes. While none of the respondents in the survey placed company's mission over price, a handful of them allocated 15 points to the company's mission. In interviews, a member of this segment stated, "I dislike the brand Nike as I feel they do not take ethical concerns like the treatment and conditions of their factory workers into consideration, only profit" and "unethical means of production would definitely deter me from a brand." While this segment definitely was not the largest, it does address the current rise in demand for shoes that align with social impact awareness, which is an area where Allbirds already maintains a comparative advantage.

Despite the differences between these segments, Allbirds can market to each segment. The style of their shoes follows modern trends and perfectly match the athleisure look, which will attract the Fashionista. With the price of shoes ranging from 95 to 115 pounds, the Practical Consumer will still consider the shoe, especially if they have exposure to the shoe and can visibly see the style and comfort of the shoe. By being able to justify the price, they can still maintain a high level of style without wasting a large amount of money, especially since this price is roughly around that of similar styled Adidas or Nike shoes. While style and price is less important to the Conscientious Consumer, Allbirds commitment to using sustainable methods throughout their entire distribution process will sway this group to consider the brand.

Recently, Allbirds VP of Marketing acknowledged in an interview that she understands the role that consumer insight plays in developing a great product. Furthermore, she mentioned how her team is keen to using social medias such as “instagram to receive first-hand feedback” from customers or potential customers (Digiday). The 18-35 age group comprises 61% of Instagram’s global distribution of their users (Statista). Allbirds target market, therefore, should be the age groups that understands the nuances of social media and, therefore can respond negatively or positively to Allbirds’ product. Allbirds has developed this “social strategy” in order to encourage their target market to see their social media presence as a platform for exchanging feedback with the company (Digiday). The brand was even praised for this in Mary Meeker’s Internet Trends 2017 report as being “one of the most responsive brands” (Digiday). Below is a graph included in the report detailing each element of the shoe has been altered based on input obtained by their consumers. The report also details that Allbirds is increasing their accountability by encouraging feedback through social media. This target market would also be beneficial as these consumers are young enough to be able to shift their brand preferences based on the interactions they have with shoe companies. In the 2017 report, a chart displays the rise in consumers who “stopped doing business with a company after a bad experience”(82% in 2017 vs. 76% in 2014). Allbirds being a smaller company is an advantage as it allows for more intimate interactions with consumers.

Another element of their target market are consumers who care about the role of sustainability in their products. Changing details that “consumers [...] becoming smarter about where and how things are made” has been a large factor in their success (Forbes). Their television advertisements have been very successful, one even appearing in New York Times Top 5 Ads of the Week. It depicts a guy in his 20s who, in the middle of their day-to-day life, sets out on a journey to explore where his Allbirds shoes come from and eventually finds a merino sheep. Many of their instagram pictures display the shoe operating in everyday life complete with nature and animals. Julie Channing, Allbirds’ VP of Marketing, echoes this by saying “the brand’s profile @allbirds features a mix of photos, GIFs and even drone footage of the shoes and people wearing them in everyday situations to show the shoes can be worn in any situation.” (Digiday). The humorous ads are part of a bigger campaign that invites consumers into their “shoe company [who] can say, with pride, where your shoes come from.” Likewise, Allbirds’ website hones in on the consumers who wish for transparency within a company. Allbirds is committed to “make the whole [shoe] system better;” however, Brown, one of the company’s founders understands the shoe “stigma that comes with being mindful of those [eco-friendly] issues, an assumption those processes result in inferior products” (Esquire). He explains that this is a large reason why Allbirds has opted not to be known as the “sustainable sneaker brand .” Their ads invoke messages such as “breezy runners made from trees” as well as drawing on the humorous element with “Behind every shoe is a sheep and behind every sheep is another sheep probably” (The Drum). This simplicity of advertising encompasses AllBird founder Tim Brown’s vision for the brand as a whole. It seeks to draw consumers in with the sense that “when you’re finished with [the shoe], you bury it in your garden and it disappears, you know?” Therefore, the target market should be mainly young consumers who are well connected on social media who can be drawn in the simplicity in nature element the brand exudes.



Improvements AllBirds has made in response to consumer input

Phase 3: Positioning

Product

Allbirds has identified those in their mid 20s and 30s living in urban areas -- places where people have to do a lot of walking yet maintain fashion -- as their chief demographic, so any new products need to be comfortable, stylish, durable, and reasonably priced so as to keep up with an experience driven, travel-thirsty lifestyle. Still, this audience is old enough that flashy design would come at a detriment. Thus, the core benefit proposition of the product is the largest part of the Allbirds identity: comfort, durability, and style. Sustainability, while touted as a key feature of Allbirds, must come into play after these core footwear needs are met, and so far, this has been a success across Allbirds's product line, especially with Allbirds being branded "The World's Most Comfortable Shoe" upon release. This branding helped Allbirds experience an explosive introduction phase that carried into ceiling-breaking growth.

As Allbirds took off, the company sought to expand to sustain growth. Starting with the Wool Runner, Allbirds grew their product line while maintaining their focus on wool, releasing new colors and a new style: The Lounger. Continuing that message, and in line with the sustainable mission, Allbirds released the Tree Runner which was designed to be just as comfortable and durable, with the added core benefit of breathing and ventilation. This new product, released in March 2018, catered to customers' needs ahead of summer. Using customer input, Allbirds is now attempting to sustain Tree momentum with a high-top version dubbed "The Tree Topper," propelling Allbirds deeper into the growth stage. Now, Allbirds should continue its focus on feedback-driven product design to add to the product line, sustaining growth.

Promotion

Allbirds has largely depended on direct online marketing, as it allows them to focus on the previously identified urban mid 20s and 30s demographic. Their online presence extensively leverages Facebook Lookalike Audience, a tool which takes a target audience as input and automatically promotes the campaign to people with similar demographics and interests. This promotion style extends to Instagram ads which are designed to seamlessly

fit in with a users' friends' content. Allbirds should continue this strategy as it is paramount to their growth within the target demographic.

Allbirds is now in the midst of a massive expansion, not only from cities to suburbia, but across America and around the world. With that in mind, they have adopted a more general promotion strategy. Besides opening new stores, like the one in Covent Garden, Allbirds has released a new video advertising campaign depicting a man and woman venturing to "meet their shoes," traveling all the way to New Zealand to meet a sheep and a tree, respectively. While certainly enough to provoke a chuckle, these ads are not as effective as they could be. As Allbirds enters new markets, brand recognition is key, and for many consumers, these video ads are the first exposure to the Allbirds brand. To provoke the same sort of growth seen in America, Allbirds will need to focus on and milk the "World's Most Comfortable Shoes" title, and ensure that advertising focuses on the shoes' comfort, durability, and style. Sustainability should accompany that message, not dominate it.

Continuing to develop brand recognition abroad should be Allbirds priority. Bringing brick-and-mortar retail locations to smaller cities is inadvisable, as it would decrease the brand's prestige and likely fail to generate substantial sales. Instead, to promote brand recognition in smaller cities where Allbirds can strike a balance between fashionistas and practical consumers, Allbirds should host pop-up shops that allow consumers to experience the shoes' comfort while highlighting the manufacturing process and its sustainability. These pop-up shops would have little overhead and investment, so they could also serve as a measure of demand in new countries, facilitating a measured world-wide expansion that keeps brand image and recognition as its main priorities.

Price

Allbirds introduction into the UK includes an increase in price (£95) relative to the United States (\$95, not accounting for tax) in response to pent up demand and to the costs associated with an international expansion. As Allbirds' sales have exploded in America, people around the world have lusted for a pair. Anticipating pent-up demand, Allbirds can charge a higher price initially in countries that have not had access to its product line. This price increase should translate directly to profit since Allbirds sells primarily on a vertical, direct-to-consumer, e-commerce model and, therefore, their pricing does not typically have to account for the costs associated with retailers and wholesalers. Still, in the UK, currently, EU VAT applies, which raises listed prices to £95. This price is higher than any American price, even in states with the highest tax rates. This difference, in part, can be attributed to the high VAT rate and the increased costs (due to corporate taxes) of doing business in the UK.

Allbirds should charge a higher price during its initial expansion to markets like the UK where it can determine pent-up demand. Once this demand tapers off, however, Allbirds should lower prices to be consistent across markets. This shouldn't be a problem for the company since their costs vary very little across markets, largely thanks to e-commerce.

At the same time, Allbirds should focus on keeping their prices as low as possible without sacrificing quality. Our phase 2 research indicated a strong response to price changes in the footwear industry. A slight difference in price can massively affect sales, thus, keeping prices low with respect to quality gives Allbirds a competitive advantage. By keeping this low price point in the growth cycle, Allbirds should continue its growth, and as it enters the maturity state of the product life cycle down the line, it should be able to maximize profit by setting a price to match competitors.

Place

Geographically, Allbirds introduction into the UK should initially focus in London before expanding within this market. London being a very trendy and progressive city would attract a lot of the ideal clientele the Allbirds brand is targeting. When entering this new foreign market, an exclusive distribution strategy will help maintain the image of high quality and highly sustainable shoes while also growing brand recognition. Allbirds little name recognition in the UK would make it difficult to succeed with a selective distribution strategy when its competition is already so well established in the market, specifically big names like Veja, Adidas, or Nike. By limiting the amount of product to initially be introduced to the market, consumers can slowly get their first interaction with the product. Coupled with an exclusive distribution strategy, the company should use a vertical marketing strategy in order to ensure that the brand maintains the high quality they promote through a close relationship with

manufacturers. To see an increase in brand recognition, besides opening stores and pop-up shops that both serve to promote and distribute product, Allbirds should continue to focus on its direct-to-consumer approach that the company successfully implements in the US. The heightened use of direct-to-consumer model throughout the running shoe/trainer industry exhibits the power of the internet in connecting producers to consumers. According to Market Realist, Nike, the undisputed leader in the sports apparel business, is focusing on its direct-to-consumer channel and plans to grow this part of its business by 250 percent in the next five years. In the company's forecast, its DTC sales will reach \$16 billion by 2020—a massive increase from the \$6.6 billion this channel generated in 2015. Following this example, there is huge opportunity to increase profits by following a direct-to-consumer approach, which is even better for Allbirds as it does not require any re-positioning. Coupled with a focus on online sales, Allbirds can venture into the UK market without major changes in their marketing strategy as they already focus on their online sales with few retail shops to demonstrate the product.

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