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Aurora Athletics: A sustainable active wear brand.

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***Aurora Athletics: A sustainable active
wear brand.***

Molly Gram: Textiles, Merchandising and Design

Honors Project: Spring 2017

**Sponsor: Yvette Harps-Logan, Textiles, Merchandising
and Design**

Aurora: A natural electrical phenomenon characterized by the appearance of streamers of reddish or greenish light in the sky, especially near the northern or southern magnetic pole.¹

¹ <https://en.oxforddictionaries.com/definition/aurora>

Triple Bottom Line Strategy

The components of the triple bottom line strategy are people, profit and planet.

The goal with this project is to create innovative methods for retailers and brands to make their company more socially and environmentally responsible. In the retail world today, active wear is one of the categories in highest demand from consumers. In such a saturated market, it is important for companies to differentiate their product from competitors. Aurora Athletics offers stylish active and sports wear without compromising traditional apparel production natural resources or the living standards of workers around the world. The following components of Aurora Athletics' triple bottom line strategy help the brand market towards consumers who shop with a conscience.

Strategy 1: Merchandise will be purchased from only fair trade certified factories for all merchandise. 3 possible factories are Nature USA, Pratibha Syntex and MAS Active.² Having a fair trade certification is a way for brands to have positive recognition from the public. Consumers are beginning to recognize sustainability and ethical businesses every day. According to Cone Communications, 82% of people have a more positive image when a company supports a social or environmental issue. Also, 91% would likely switch brands to one associated with a good cause.³ These premiums on merchandise ensure the safety and standards of living for all workers involved.

Strategy 2: Future store employees will be paid 50% of their hourly wage for up to 3 hours of volunteer work every week in the local community. This will provide

² Fair Trade USA Factories List,

http://fairtradeusa.org/sites/default/files/FTUSA_Factory_List%20April2017.pdf

³ "Consumers Prioritize Sustainability, Fair Trade USA Apparel and Home Goods Program." *Fairtradeusa.org*

http://fairtradeusa.org/sites/default/files/FairTrade_Factory_Introduction.pdf

incentives for those applying to work for Aurora Athletics who value giving back to the community. Aurora Athletics cares deeply for the planet and for people. The brand aims to help people across the world and in local neighborhoods.

Strategy 3: Color Caring – Every year, Aurora Athletics will select one color in the line to donate a percentage, such as 1 or 2%, to a given charity or non-profit organization. An example is any merchandise purchased in green will donate 2% of all profits will be donated to Green Peace, which aims to raise awareness and prevent further environmental damage of our land, water and agriculture resources.

Strategy 4: Every garment will be made with at least one eco friendly fiber or fabric, such as bamboo-based rayon, recycled polyester or organic cotton. Marketing and labels for each product will be catered to highlight the fabric or fiber that is eco friendly or distinguishes it from similar merchandise on the market.

Strategy 5: “It’s Cool to Care program”: Social media posts that highlight workers in the Aurora Athletics supply chain that contribute to getting the merchandise to the final consumers. A picture of the person will be accompanied with a biography with information like where they are from, their favorite food, how many siblings they have and what their role is in creating and delivering Aurora Athletics merchandise. This strategy will connect the workers to the consumer and aim to make consumers think more about where their clothes come from.

Business Concept

Mission Statement: The core of Aurora Athletics is sustainability through people and the planet. We seek to offer quality, fashionable product for the active customer who values the planet just as much as we do. Customers who buy from us can be assured that

their items were made in an ethically and environmentally sustainable supply chain. We don't believe our morals and values need to be sacrificed for style. Why not have the best of both worlds?

Vision Statement: The long-term goal for Aurora Athletics is to thrive in its online market. Although we will be centered in New England for physical locations to promote community outreach, we will focus most of our marketing and advertising efforts through our online channel and social media platforms. Within the first ten years of opening, we will aim to have expanded our market into Canada and possibly other nations with physically active citizens. If expansion is feasible into different categories, we will develop children's wear before men's sports wear. In terms of consumer awareness, Aurora Athletics will aim to use its competitive advantage of sustainability and style to attract positive press and recognition. We care deeply for people and the planet and we will not sacrifice either of these to gain more profit.

The starting retail format will be at a 1,300 SF space in Portland, Maine with an active online retail website.⁴ The address is 102 Portland Street and is a short walk from downtown Portland. Looking into the future, although the majority of our efforts will be focused on online sales, we will aim to also open a retail store in Boston within the first 15 years of business.

Staffing to start off Aurora Athletics will include the Founder and CEO, Social Media Marketing Manager, Sales Associate, Site Developer Engineer and Stock Manager. The Founder and CEO will be responsible for the merchandise designs,

⁴ 102 Portland Street, Portland, Maine \$1,200/ SF 1,300 SF total
<http://www.loopnet.com/Listing/20134786/102-Portland-Street-Portland-ME/>

manufacturing and pricing issues. The Social Media Marketing Manager will be responsible for all social media account posts, answering customer emails, and the athlete affiliate program. The Sales Associate will be responsible for keeping the retail store organized, help serve customers and cash out customers at the check out. The Site Developer Engineer will be in charge of our retail web site, including merchandise photos and descriptions, site layout, online check out systems to ensure customer privacy and maintaining the overall site flow and appearance. The Stock Manager will be responsible for replenishing the sales floor merchandise, organizing the stock room and packing and sending out online orders.

Starting inventory will include merchandise such as the “Mountaineer” quarter zip, the “Tread Lightly” soft shell jacket, the “Goddess” legging, the “Eureka” tank top and the “Snow Bunny” hat.

<i>Product Name</i>	<i>Approximate Price</i>
“Mountaineer” quarter zip	\$95
“Tread Lightly” soft shell jacket	\$145
“Goddess” legging	\$105
“Eureka” tank top	\$35
“Snow Bunny” hat	\$25

Industry Segment and Market Analysis

In the growing active wear and sports wear industry, there are many players, big and small, that are trying to stay current with new developments and technologies. The apparel industry has had a compounded annual growth rate of 2.5% over the past ten years, much of that due to the tremendous consumer demand for active and athleisure

apparel.⁵ Demand for more casual apparel has resulted from various cultural shifts, like more casual dress codes in the workplace. There is a lot of competition between businesses in this industry. The largest players include brands like Nike, Under Armour, PUMA, Adidas and Lululemon. Nike and Under Armour are the largest companies, especially for the U.S. market. In 2015, Nike had \$4.4 billion in apparel sales in North America and Under Armour had \$2.8 billion in global apparel sales.⁶ Hanesbrands, or HBI is behind Nike and Under Armour with \$1.6 billion active wear sales in 2015. All together, these 3 companies account for 4.7% of portfolio holdings of the Consumer Discretionary Select Sector SPDR Fund.⁷

Another aspect of competition is from companies that are also Fair Trade Certified. Both Patagonia and Athleta are Fair Trade certified, with Patagonia specializing in outer and sports wear and Athleta specializing in active and sports wear. Aurora Athletics will take on the challenge of offering more on trend active wear compared to Athleta and Patagonia, while also capturing current Nike, Under Armour and Adidas shoppers interested in making more ethical purchase decisions.

Competitive Analysis

A crucial part of developing a brand is evaluating the current market and environment. Conducting a SWOT analysis of major competitors offers many benefits for

⁵ Soni, Phalguni. "How has the athleisure boom impacted the apparel industry?" May 12, 2016. *Market Realist*. <http://marketrealist.com/2016/05/athleisurewear-boom-impacted-us-apparel-industry/>

⁶ Soni, Phalguni. "Athleisure wear Giants: Which companies dominate activewear?" May 12, 2016. <http://marketrealist.com/2016/05/athleisurewear-boom-impacted-us-apparel-industry/>

⁷ Soni, Phalguni. "Athleisure wear Giants: Which companies dominate activewear?" May 12, 2016. <http://marketrealist.com/2016/05/athleisurewear-boom-impacted-us-apparel-industry/>

companies, including the possibility of finding missing gaps in the market. Evaluating the following brands helped direct opportunities for Aurora Athletics to create a competitive advantage in the active wear market.

Athleta: Strengths-Fair Trade certified clothing, increasing use of recycled fabrics, Gap Inc. pays men and women equally, Gap Inc. prohibits animal testing, compliancy with California Transparency in Supply Chains Act⁸

Weaknesses- Second to market in most cases behind competitor Lululemon, lacks brand awareness for many consumers, Consumers may not know about sustainability practices

Opportunities-Make socially responsible practices more present on social media, Use blog to elevate understanding on customer lifestyles and link back into lifestyle of brand

Threats- Reputation of being second behind Lululemon, lack of press and news attention

Nike- Strengths-most well-known and highest revenue earning sportswear company in the world, known for innovation and branding power, new products have aimed to cut down on fiber/ fabric waste and usage, new products contain more recycled fibers like polyester⁹, have reduced carbon emissions by 18% from 2011 to 2015¹⁰

⁸ "Our futures are woven together." *Gap Inc.*

<http://www.gapinc.com/content/gapinc/html/sustainability.html>

⁹ "Hannah Jones on how Nike rethinks materials and methods of Nike." November 1, 2016 <http://news.nike.com/news/hannah-jones-innovation-sustainability>

¹⁰ "Nike Inc. FY 14/15 Sustainable Business Report." May 11, 2016

http://www.sustainablebrands.com/digital_learning/csr_report/next_economy/nike_inc_fy1415_sustainable_business_report

Weaknesses- Reputation for poor labor conditions, possibility for cannibalization from oversaturated market

Opportunities- Receive more press for sustainability reports and proactive changes within company, “Out-innovate” the market

Threats-Emergence of competitors out-innovating, Reputation of sweat shop scandals, Possible challenges with future trade deals and demand for more U.S. made product

PUMA-Strengths- Fair Labor Association member¹¹, strong efforts to reduce non-renewable resource usage, Signed Detox Commitment: eliminate all hazardous chemicals from all production by 2020¹², Strong celebrity sponsorships with Usain Bolt, Rihanna, Kylie Jenner, etc.

Weaknesses- Small market share compared to competitors, attention from press besides celebrity partnerships is minimal

Opportunities- room to grow with recent celebrity collaborations, expand and modify athleisure merchandise to better meet and exceed competitors offerings, focus on development of existing market shares in certain segments like clothing and shoes for soccer or golf, access to resources from conglomerate owner Kering

Threats- Loss of business to competitors with new innovations, small share in saturated active and sports wear market

Aurora Athletics: The answer to consumers demanding aesthetic and fashionable product that is made in an environmentally and ethically responsible manner. The biggest competitor, Athleta, lacks innovation compared to other brands on the market. Our

¹¹ <https://rankabrand.org/sportswear-sports-shoes/Puma>

¹² <https://rankabrand.org/sportswear-sports-shoes/Puma>

product development team will possess the capacity to deliver what people want before customers, Athleta or Lululemon know it. The key with innovation, especially in sports and active wear is to always think of the needs of the consumer. By analyzing current video and blog reviews of merchandise currently on the market, we will be able to address product issues to offer innovative, aesthetic merchandise, all with the added comfort of Aurora Athletics' sustainability company culture.

Target Customer

Using the PRIZM clusters, the demographic clusters known as the Young Literati and Young Influentials best represent the target market for Aurora Athletics. Young Literati represents the age range of our customer base, which are 25-45 year olds. The individuals in this segment aren't tied down by children and live active lifestyles centered on travel, art and fitness.¹³ Young Influentials are the same age range as Young Literati and tend to not have children, which allows for more discretionary income.¹⁴ This demographic segment values education and staying up to date on the latest technology and lifestyle innovations. In terms of psychographics using the VALS framework, the target market customers are experiencers or innovators. Experiencers have high resources and self-expression motivation. They stay up to date on the latest fashions, love physical activity, are spontaneous, believe in the importance of friendship and have a heightened sense of visual stimulation.¹⁵ Innovators are unique, because they have all three primary motivations in varying degrees. Innovators have international exposure, are future

¹³ "PRIZM Cluster Narratives." *Claritas, Inc.* 2000.

http://www.tetrad.com/pub/prices/PRIZM_Clusters.pdf

¹⁴ "PRIZM Cluster Narratives." *Claritas, Inc.* 2000.

http://www.tetrad.com/pub/prices/PRIZM_Clusters.pdf

¹⁵ "Experiencers." *Strategic Business Insights.*

<http://www.strategicbusinessinsights.com/vals/ustypes/experiencers.shtml>

oriented and most receptive to new ideas and technologies, enjoy problem solving and have the widest set of interests and activities.¹⁶ These psychographic attitudes both value innovation and embracing new challenges.

The target market is female 25-45 year olds who are upper-middle and affluent class in terms of income. These customers value quality over quantity and are loyal to brands if they find a brand that represents their lifestyles, values and beliefs. Our ideal customer shares our love for community and the planet, without sacrificing style. The individuals who fall into the Young Literati and Young Influentials PRIZM clusters and experiencers and innovators VALS framework are most likely to respond to our marketing strategies since we combine the efforts of connecting supply chain workers to the consumer and high quality, stylish active wear that is made sustainably. Since these individuals have higher discretionary income and prefer to support innovative, yet ethical businesses, Aurora Athletics will be able to gain brand loyalty by sharing the same values of our customers.

Sourcing Structure

We have selected three possible factories to work with that are all Fair Trade certified. Nature USA in California produces knits and has a 2% premium. Pratibha Syntex in Pithampur, India has a 5% premium and specializes in sportswear, active wear and jackets. MAS Active: Leisureline Division in Colombo, Sri Lanka has a 1% Fair Trade premium and specializes in active wear.¹⁷ We plan on developing honest, strong relationships with our suppliers to ensure our product standards are met. Since all of these

¹⁶ "Innovators." *Strategic Business Insights*.

<http://www.strategicbusinessinsights.com/vals/ustypes/innovators.shtml>

¹⁷ Fair Trade USA Factories List,

http://fairtradeusa.org/sites/default/files/FTUSA_Factory_List%20April2017.pdf

manufacturers are Fair Trade certified, we won't have to question the treatment and welfare of these workers. Also, as mentioned in our Triple Bottom Line Strategy, employees will have the opportunity to be compensated for volunteer work performed within the local Portland community. The goal with this strategy is to increase company moral and involvement in the local area. In terms of in store sales, Aurora Athletics will provide knowledgeable friendly service to any customer that walks through our doors. The goal of our physical store is not only to sell merchandise, but also to make meaningful relationships and to educate customers about the various benefits of shopping with us. Customers who walk through our doors will be able to see our merchandise, try it on and learn about our emphasis on sustainability. We will educate customers about our environmentally fibers and fabrics used to create every garment and our Color Caring program. The key with making in store sales is educating customers about why our product is better for your wardrobe and your conscience. In terms of online sales, Aurora Athletics will spend time and money to ensure customers have an easy, fast and enjoyable experience when shopping on our retail site. Under product descriptions, sustainable aspects of each product will be highlighted along with standard information such as sizing, garment care, dimensions and fiber content.

Marketing Strategy

The majority of our marketing efforts will be through social media platforms such as Instagram, Facebook, Snapchat YouTube and more. Our marketing strategy will be similar to companies like Gymshark and Alphalete Athletics, who sponsor athletes with a strong social media presence. Our goal with our marketing is to highlight our fashionable clothing that is made ethically and environmentally sound compared to other retailers.

Along with trying to sponsor social media based athletes and fitness models, we will donate a lot of time and effort into “It’s Cool to Care.” These posts will highlight workers in the Aurora Athletics supply chain that contribute to getting the merchandise to the final consumers. A picture of the person will be accompanied with a biography with information like where they are from, their favorite food, how many siblings they have and what their role is in creating and delivering Aurora Athletics merchandise. The key with marketing this brand is to connect the workers to the consumer. Due to globalization, there is a large amount of separation between people making products and the people who will eventually buy them. This marketing strategy will aim to make consumers think more about where their clothes come from. Consumers can learn about and connect to the workers that are picking the cotton, sewing and assembling, and transporting the merchandise they will buy. Having real faces and people for our customers to make a connection with will increase brand awareness and loyalty.

As mentioned earlier, when we are able to find athletes and influencers with strong social media platforms, we will use affiliate programs where the athlete receives a unique selling code and link to share with their followers. Whenever customers use the athlete’s unique link to the Aurora Athletics retail site, the athlete will receive a commission of the sale. Looking into the future when we will establish a stronger online business with more affiliates, we will develop a tiered commission system, offering incentives and growth opportunities with Aurora Athletics. In a similar strategy compared to retail stores using commission sales, the athletes will receive more rewards and compensation as they bring more online sales and brand awareness to Aurora Athletics. By using this system, it not only increases brand awareness through the affiliates

following on social media, but it also increases our brand loyalty from the affiliates when they share our company's culture, values and unique product offering. Affiliates will also help promote Aurora Athletics own social media programs such is "It's Cool to Care". By increasing online foot traffic to our retail site and social media accounts, it will help our target market connect with and learn about the brand regardless of their location in respect to our headquarters in Portland.

Budget

Based on the growing trend in active wear and an analysis of two competitor's financial statements, we have projected our first year of sales at \$350,000 with a 40% Gross Margin. This means we have about \$140,000 for our cost of goods sold. Within the first year, we will be operating at a loss, since we will have large prestart expenditures. Within the first 5 years, however, we plan to become profitable based on our marketing and triple bottom line strategies.

Since we are a new company, Auroras Athletics will have to spend more money on marketing and advertising compared to established competitors. To increase brand awareness, it is recommended to spend 10% of net sales on marketing compared to 5% for established brands seeking to maintain their company awareness.¹⁸ Based on this, Aurora Athletics will begin by spending 10% of expected net sales for the first year, which is \$35,000. After the first year, we will continue to spend 10% of net sales on marketing and advertising for the first five years, with the expectation that sales will increase by \$50,000 each year. For example, with the expectation that we will sell

¹⁸ Ng, Hugh D. "What is the marketing spending for an online fashion or apparel company?" *Quora.com* April 18, 2016. <https://www.quora.com/What-is-the-marketing-spend-for-online-fashion-or-apparel-company>

\$400,000 worth of merchandise during the second year, we will spend \$40,000 on marketing.

	2017
Sales	\$350,000
CGS	\$140,000
FOB Tax (3% of CGS)	\$4,200
Gross Profit	\$205,800
Start up Expenses	\$200,000
Operating Expenses	\$140,000
Marketing Expenses	\$35,000
Operating Profit	\$(169,200)
Income Tax (40%)	-
Net Loss	\$(169,200)

Conclusion

Aurora Athletics offers an innovative approach to entering a highly saturated retail market. Active wear is one of the largest growing market segments in the industry, with both large, established as well as up and coming brands trying to gain a percentage of the market share. The goal with the development of this brand was to explore creative methods to reach customers who shop with a conscience and educate consumers about the importance of people and the planet. The importance of sustainability in the supply chain and culture is crucial for apparel companies. Those brands who are able to be innovative with their developments to educate and persuade consumers will be able to gain a lasting competitive advantage.

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