

CircWarm by REI Marketing Plan

Executive Summary

REI is preparing to launch a new outdoor apparel product line called CircWarm. Although the market for outdoor apparel is vast, the electrically heated apparel category is only just now expanding. CircWarm will be positioned with the slogan “Stay in the heat of the moment”—indicating that the line offers wearers more warmth than ever, allowing for full focus on their outdoor/winter sport. REI is taking advantage of its existing experience and brand equity among its loyal current customer base of outdoor enthusiasts in the mid-twenties to mid-thirties age range. CircWarm will target a similar age range, but an audience more specific to those involved in cold-weather sports and adventures.

The main marketing objective is to achieve first-year U.S. sales of \$22 million, roughly 0.05 percent of the outdoor apparel market. Based on this market share goal, the company expects to sell roughly 220,000 products from the CircWarm line in the first year and break even in the final period of the year.

Current Marketing Situation

The Recreational Equipment Inc. company was founded in 1938 by Lloyd and Mary Anderson, who were looking to get rid of the middleman and source affordable, quality gear for their outdoor adventures. The Mountaineers, a company dedicated to safely and responsibly exploring the outdoors, decided to get involved. With twenty-one climbing friends, the Andersons launched the REI Co-op, offering a lifetime membership for a one-time payment of \$1. Today, an REI lifetime membership costs a \$30 one-time payment. In 2023, the company reported a revenue of \$99.94 million. As part of its future growth strategy, REI is currently preparing to enter a new outdoor apparel category with a line of electrically heated products.

For years, U.S. consumers have spent nearly \$3 billion on winter gear annually. But in recent years, consumers have been looking for a warmer solution. In 2022, the heated jacket market size was valued at nearly \$250 million and is projected to reach a value of over \$600 million by 2031. In 2022, the apparel market was valued at nearly \$560 billion, meaning the winter gear market contributed to over half of the market value.

In recent years, electrically heated apparel has grown in popularity, technology has improved, competition has become more intense, and demand is on the rise. The U.S. market is dominated by three companies: Ororo, Milwaukee Tool, and DeWalt. However, their shares are not publicly reported.

To break into this market, dominated by large corporations and littered with many small players, REI must carefully target specific segments with features and benefits valued by those segments.

Market Description

The electrically heated apparel market consists of many different types of products. Varieties of outerwear include pants, jackets, and vests. Varieties of accessories include hats, earmuffs, gloves, gaiters, and insoles.

Although some consumers may not perceive much of a difference between brands, others are drawn to specific product features and benefits provided by different brands. For example, some consumers might value thick gloves that provide heat directly to their fingers, while other consumers might value thin, lightweight qualities. Others seek additional benefits offered by brands that claim longer battery life and higher voltage. The industry as a whole has positioned electrically heated gear of all kinds as a solution for staying warm in cold climates.

Brands that offer electrically heated apparel also distinguish themselves by the kind of products they offer. REI's market for CircWarm products includes consumers who only need warm hands, to consumers who want a fully heated winter gear wardrobe. This market includes traditional winter sports athletes as well as outdoor enthusiasts who want the option to enjoy nature in every season. Specific segments that REI will target during the first year include skiers, snowboarders, hikers, and those who value the benefits of the REI co-op. REI has established a strong base of loyal customers, primarily among 25-40 year olds. This generational segment is becoming a prime target as it matures and seeks better solutions for weathering the cold.

Product Review

REI's new line of electrically heated outdoor apparel—called CircWarm—offers the following products and features:

- Accessories: hats, earmuffs, gloves, mittens, gaiters, insoles
- Outerwear: pants, jackets, vests
- Gore-Tex for a waterproof finish
- Mylar lining for insulation

Targeted Segment	Customer Need	Corresponding Features/Benefits
Winter sport athletes	<ul style="list-style-type: none"> • Keep muscles warm • Avoid injury • Maintain full focus to compete at a high level 	<ul style="list-style-type: none"> • Electrically heated to: <ul style="list-style-type: none"> -> Boost flexibility -> Help muscle elasticity -> Enhance performance -> Decrease soreness
Outdoor activity enthusiasts	<ul style="list-style-type: none"> • Maintain comfort • Stay present and enjoy the moment 	<ul style="list-style-type: none"> -> Stay dynamic -> Prevent injury -> Maintain comfort
Health conscious	<ul style="list-style-type: none"> • Avoid illness • Maintain circulation 	<ul style="list-style-type: none"> • Gore-Tex to: <ul style="list-style-type: none"> -> Keep moisture out -> Prevent hypothermia -> Prevent frostbite • Mylar lined for: <ul style="list-style-type: none"> -> Proper blood flow -> Proper oxygen flow

- Longer-lasting heat
- Waterproof outer lining
- Insulated Mylar inner lining
- \$5 of REI membership goes to protecting the outdoors

Competitive Review

As sales of electrically heated winter gear and apparel entered a strong growth phase in 2018, the category began to expand. In addition to heated jackets, a category for accessories, including gloves and insoles, has emerged. Heated gear has begun to bridge the gap between those who want to spend more time outdoors and those who actually do. Initially, the development of brands for this product variation occurred primarily in large companies like Milwaukee Tool and DeWalt. Around 2018, smaller independent brands started to take advantage of the solid market position established by the bigger companies. Since that point, the electrically heated apparel market has continued to grow at an exponential rate.

In recent years, heated apparel has been bought and tested by many, but consumers have found that many products out there do not meet their needs. For example, no gloves on the market provide heat directly to the fingers, many jackets are too bulky, and more affordable products do not provide long-lasting heat. Nonetheless, heated apparel sales contribute to nearly three percent of the \$3 billion winter gear market value. And, the heated apparel market is only projected to keep growing, expected to reach a market value of over \$600 million by 2031.

The fragmentation of this category, combined with domination by the market leaders, has created a competitive environment. Although there is indirect competition posed by all types of winter gear brands, this competitive analysis focuses on direct competition from heated apparel companies. For this analysis, heated apparel is any kind of cold-weather clothing that is electrically heated to provide warmth to the wearer. This definition distinguishes heated apparel from insulated apparel and waterproof apparel that also aim to keep wearers warm.

Heated apparel brands typically provide heat in one of two ways: battery pack or USB charging. These two heating technologies used create a point of differentiation. To ensure that the CircWarm line provides accessible heat, each product will be able to be charged by USB or powered by batteries, as well as use the highest voltage on the market.

Pricing for this kind of electrically heated apparel is consistent across brands and varies by type of product, depending on how much surface area of the body it covers and provides heat to. Heated gloves cost anywhere between \$19.99 and \$249.95, and heated jackets generally cost between \$119.99 and \$299.99. Key competitors to REI's CircWarm product line include the following:

- **Ororo:** Founded in 2015 in the Midwest, Wyoming. The Ororo mission is "To empower everyone to challenge the climate with functional yet fashionable apparel." The direct-to-customer heated apparel brand has gained over 500,000 customers in just eight years. Heated apparel powered by UL-Certified rechargeable batteries. Batteries, ports, and cables are sold separately for anywhere between \$79.99 and \$19.99. Batteries are offered at various power levels, from 2000 mAh to 4800 MAh. Chargers are offered at various voltages, from 5V2A to 5V3A. Ororo offers a thirty-day money-back guarantee and a three-year warranty covering the heating elements of their product. Products have a three to five-minute pre-heating time, plus an additional fifteen to twenty minutes to provide maximum heat. The brand's revenue is estimated at \$18.5 million.
- **Milwaukee Tool:** Founded in 1924 in Milwaukee, Wisconsin. The company was founded when Henry Ford asked A.H. Petersen to create a drill to be used on Ford assembly lines. For a century, the company has dedicated itself to developing innovative construction industry solutions. Since 2009, Milwaukee Tool has sold heated layers, including hoodies, vests, jackets, and hand warmers. The company has had multiple re-releases of its heated apparel line, as there have been issues with the heating technology that needed to be updated. Their heated gear uses twelve-volt batteries that claim to provide heat three times faster. The company positions its heated gear line as a "Layering System",

encouraging customers to buy multiple products for the best results. For example, it is suggested that consumers buy both a heated jacket and a rain shell, instead of offering a product that provides both heat and water protection.

- **DeWalt:** Founded in 1924 in Leola, Pennsylvania. For one hundred years, the company has helped boost job site productivity with its innovative tools while emphasizing safety. DeWalt currently only offers heated jackets and no other variations of heated apparel products. The jackets are available in multiple colors and shells, as well as either a twenty-volt battery pack or a twelve-volt battery pack. The jackets also feature a USB charging port and can charge two electronic devices at the same time. However, Milwaukee Tool does not sell their products on their website but rather offers links to middlemen that carry the product.
- **Niche brands:** The market for electrically heated outdoor gear includes dozens of small companies that market their products on a small scale through independent retailers: Weston Store, ActionHeat, Gobi Heat, Zionta, and Outdoor Research are among the most popular but are all comparable.

Despite the strong competition, CircWarm by REI believes it can create a relevant brand image and gain recognition among the targeted segments. The brand offers strong points of differentiation with fast-acting heat and longer-lasting battery life. With other strategic assets, REI is confident that it can establish a competitive advantage that will allow the CircWarm product line to grow in the market.

SWOT Analysis

With key competitors working as direct-to-customer distributors of their own products, an area in which REI as a company has already succeeded, REI must expand and distribute CircWarm products using independent distributors that target the same audience that CircWarm aims to reach. Not only will this avoid head-on competition when consumers search for heated gear online, but it will also give consumers the chance to try the products, as well as reach new customers who are not already REI lifetime members. Along with being distributed by REI in stores and online, CircWarm by REI will focus on placing point-of-purchase displays in independent/boutique ski/snowboard shops as well as hiking stores. Some examples include:

- **Bristol Ski & Sport:** Independent/boutique ski shops located near mountains and resorts to target athletes.
- **FLX Outdoor Sports:** Independent/boutique outdoor gear/hiking shops located in downtown areas to target nature lovers.

As the CircWarm line gains acceptance, channels will expand into more prestigious resorts and events.

CircWarm by REI has several powerful strengths on which to build, but its major weakness is a lack of experience working with independent distributors. Major opportunities include staying on top of technology advancements and claiming its own specific audience. Threats include a limited timeline and a lack of trust from consumers.

Strengths:

1. ***Expertise in outdoor apparel retail:*** REI has established itself as one of the top retailers for outdoor apparel and gear. Since 1938, the co-op has been a leading distributor of products of its own as well as those of other brands.
2. ***Established brand values:*** The REI Co-op was founded on the values of quality and affordability, and that everyone should be able to enjoy the outdoors. When consumers learn about CircWarm by REI, they will assume the line shares the same values as the rest of the brand.
3. ***Accessibility and community:*** REI has 23 million lifetime members who are a part of their outdoor adventuring community and get to enjoy the perks and benefits of their membership. Because REI has already established a network of loyal customers, it will be easy to communicate the new CircWarm line to a vast audience, which will be a helpful start.

Weaknesses:

1. ***Working with independent/boutique retailers:*** The REI Co-op acts as a distributor of its own products as well as those of other brands. Being a distributor itself, REI has yet to work with other distributors. Given the target audience of the CircWarm line, it is important that REI also sells its products using independent shops and boutiques as distributors, for example, resort ski shops. For REI, being the distributee is unfamiliar territory.

Opportunities:

1. ***Offer an all-in-one solution:*** REI is entering a market in which competition already exists. Although none of the technologies that REI is using are new, no single brand has offered products that do it all. If one brand only has fast-acting heat and another brand only has long-lasting battery life, CircWarm products will have both.
2. ***Target a different audience:*** key competitors in the heated gear market operate in the workwear and construction solutions realm. CircWarm has the chance to claim winter sports athletes and cold-climate hikers as its own audience.
3. ***Keep up with technology trends:*** Since REI's CircWarm line is new, the company will get to use the most recent, advanced, and effective technologies available.

Today, we live in a world that values the latest and greatest, with high expectations of technology. This gives CircWarm by REI a chance to offer the most tech-savvy heated apparel on the market.

Threats:

1. **Limited timeline:** The CircWarm by REI heated apparel product line is only a solution for weathering the cold. This means that CircWarm must reach the majority of its sales goals within the winter season, giving REI only a few months to make CircWarm a success.
2. **Consumer perception of competition:** With the release of its CircWarm line, REI is entering a new market sector of the outdoor apparel and gear market. The CircWarm line aims to make improvements in areas where other brands have failed. However, consumers who have already tried a heated apparel product from a competing brand and were disappointed by it may not be trusting of the CircWarm line and all that it promises.

Objectives and Issues

REI has set aggressive but achievable objectives for the CircWarm line for the first and second years of market entry.

First-Year Objectives

During the initial year on the market, REI aims for CircWarm to achieve a 0.05 percent share of the winter apparel market, or approximately \$22 million in sales, with break-even achieved in the final period of the year. With an average retail price of \$120, that equates to a sales goal of 220,000 products.

Second-Year Objectives

During the second year, REI will release additional CircWarm products. The second-year objective is to double sales from \$22 million in the first year to \$44 million in the second year.

Issues

As previously mentioned in the threats section, CircWarm is working within a limited timeline. It is REI's goal for the CircWarm line to break even by the final period of the first year, but the majority of sales need to happen within the few winter months. In addition, much of REI's focus will be on working with independent retailers to distribute the CircWarm line, which will be critical for point-of-purchase communication. However, REI will use its expertise in acting as a distributor to help it understand the distributor it is aiming to work with.

Marketing Strategy

CircWarm's marketing strategy will involve developing an "ultimate fix" positioning based on the product line offering the most important warming features in one product. The line will also establish channel differentiation, as products will be available in small independent shops where major competing brands are not. The primary target segment is 25-40-year-olds. Subsets of this age group are nature lovers and winter sports athletes.

Positioning

CircWarm by REI will be positioned with the slogan "Stay in the heat of the moment." This will allow for differentiating the line based on product features (electrically heated), desirable benefits (supports health and comfort), and values (the ability to enjoy the outdoors all year round). Marketing will focus on conveying that CircWarm by REI is not your typical attempt at merely keeping the cold out: It will bring the heat in.

Product Strategy

CircWarm by REI products will be sold with all the features described in the Product Review section. As awareness takes hold and retail availability increases, more products will be made available. For outdoor enthusiasts who like to take their furry companions on adventures, outerwear and booties for dogs will be added to the CircWarm product line. REI's considerable experience in brand building will be applied as an integral part of the strategy for the CircWarm product line. All aspects of the marketing mix will be consistent with the brand.

Pricing

There is a price variation in the electrically heated winter gear category, particularly among leading brands. Within the market, the higher the quality of the heating technology, the pricier the product. Because the REI Co-op was founded for the purpose of sourcing affordable, quality outdoor apparel and gear, CircWarm by REI must position itself as a fairly priced product line. Manufacturers do not quote list prices on this type of electrically heated technology, and prices vary considerably based on the type of product (for example, a pair of gloves versus a jacket). Regular prices for electrically heated gloves are as low as \$19.99 from discount retailers and marketplaces and as high as \$249.95 from specialty retailers. Because CircWarm by REI will be targeting those who shop at the intersection of quality and affordability, this will allow REI to set prices at the average range for similar products in the same outlets. This would mean selling products from the CircWarm line at an average price of \$135 (give or take, depending on the product).

Distribution Strategy

CircWarm by REI will employ a selective distribution strategy with REI retail centers and outlets, and well-known ski and hiking shops. This distribution strategy will be executed through REI, as the co-op is already a major network and distributor of outdoor apparel and gear. REI gained success for its other products using this method. It also placed pop-up garage sale shops to familiarize new customers with the co-op. REI has been able to expand by selling products from other outdoor apparel and gear companies, bringing in customers of those brands to sell their own products to. REI will continue to take advantage of bringing in customers familiar with other companies whose products they sell to sell their CircWarm line.

Marketing Communication Strategy

Online and mobile marketing: REI's online sales have increased dramatically in recent years. In just 2015, online sales increased by twenty-three percent. As a co-op, REI has been successful in connecting a community of REI members who share a love for outdoor adventure. A core component for building off of this strategy will be building its social media presence on platforms including Instagram, TikTok, Facebook, and Twitter. The CircWarm by REI line will also incorporate location-based services by Foursquare and Facebook to help drive traffic to retail locations. A mobile phone ad campaign will provide additional support to online efforts.

Trade promotions: Like the core REI brand, CircWarm's success will rely on relationships with specialized retailers (such as ski shops) to create product availability. Primary incentives to retailers will include point-of-purchase displays, volume incentives, and contests. This push marketing strategy will combine with the other pull strategies.

Event marketing: CircWarm by REI will deploy teams in brand-labeled trailers to host pop-up shops at events such as skiing and snowboarding competitions. REI will also have a limited number of products for potential customers to try out and even rent for the duration of the event.

Marketing Research

To remain consistent with the online promotional approach, as well as using research methods that will effectively reach target customers, REI will monitor online discussions via services such as Radian6. In this manner, the company will gauge customer perceptions of the brand, the new product line, and general satisfaction. For future development of the product line and new distribution outlets, crowdsourcing methods will be utilized.

Action Programs

CircWarm by REI will be introduced in October. The following are summaries of action programs that will be used during the first six months of the year to achieve the stated objectives.

September: REI representatives will work with both independent distributors and retailers to educate them on the trade promotional campaign, incentives, and advantages of selling CircWarm products. Representatives will also ensure that distributors and retailers are educated on product features and benefits, as well as instructions for displaying point-of-purchase materials. The brand website and other sites, such as Facebook and Instagram, will present teaser posts about the product line regarding pre-ordering, availability dates, and locations. Buzz will be enhanced by providing product samples to selected product reviewers, opinion leaders, influential bloggers, and celebrities.

October: On the date of availability, point-of-purchase displays will be placed in retail locations. The full brand website and social network campaign will launch with full efforts on Instagram, TikTok, Facebook, and Twitter. This campaign will drive the “Stay in the heat of the moment” slogan as well as illustrate the ways that CircWarm delivers more than expected on product features, desirable benefits, and values by donating to the Salvation Army and the social cause of providing warm clothes to the homeless.

November: To enhance the online and social marketing campaign, location-based services Foursquare and Facebook Places will be employed to drive traffic to retailers. Point-of-purchase displays and signage will be updated to support these efforts and to continue supporting retailers. The message of this campaign will focus on all aspects of “Stay in the heat of the moment.”

December: A mobile phone ad campaign will provide additional support, driving web traffic to the brand website and social network sites, as well as driving traffic to retailers.

January: A trade sales contest will offer additional incentives and prizes to the specialty stores that sell the most CircWarm products over a four-week period.

February: An event marketing campaign will mobilize a team of CircWarm representatives in CircWarm by REI trailers to various winter sporting events. This will provide additional visibility for the brand as well as allow customers and potential customers to test out products.

Budgets

CircWarm by REI has set a first-year retail sales goal of \$22 million with a projected average retail price of \$135 per product for a total of 220,000 units sold. With an average wholesale price of \$135 per unit, this provides revenues of \$77 million. REI expects to break even during the final period of the first year. A break-even analysis assumes per-unit wholesale revenue of \$135 per unit, a variable cost per unit of \$35, and estimated first-year fixed costs of \$770,000. Based on these assumptions, the break-even calculation is:

$$\frac{\$77,000,000}{\$135/\text{unit} - \$35/\text{unit}} = 770,000$$

Controls

REI is planning tight control measures to closely monitor product quality, brand awareness, brand image, and customer satisfaction. This will enable the company to react quickly to correct any problems that may occur. Other early warning signals will be monitored for signs of deviation from the plan, including monthly sales (by segment and channel) and monthly expenses. Given the market's volatility, contingency plans are also in place to address fast-moving environmental changes such as shifting consumer preferences, new products, and new competition.