

ENVIRONMENTAL SCAN - G7



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Course Code: MKT2315

Section: 310

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INTRODUCTION

The purpose of an environmental scan is to examine a variety of environmental factors. It is a search for external forces that may affect the product I am looking to put out onto the market. These forces/factors include competition, regulatory, economic, social, and technological factors. With the results obtained from the environmental scan, this will help me identify opportunities and challenges that may result from changes to its environment. The environmental scan can also help my company react to changes in the market or to new findings and assist me in creating strategies in helping me compete in the market more successfully. Finally, the environmental scan also helps me make decisions regarding service, promotions, pricing strategies and staying competitive with my competitors.

The product I have chosen to market are a model of elite soccer cleats from my sportswear company. The models of these cleats are called G7's. G is the first letter of my last name and I chose the number seven for a few reasons. When I play soccer, my preferred jersey number is seven. Although the number ten is said to be the most prestigious number in soccer, the number seven has also been worn by many of soccer's best players such as Cristiano Ronaldo, Luis Figo and David Beckham. In many sports, jersey numbers also tend to represent a player's position on the playing field. In soccer, the number seven usually represents offensive players, most likely wingers and strikers and these cleats will be designed to meet a winger and striker's main needs when on the field.

These cleats will be designed and marketed for being lightweight, durable, a stud configuration for the best stability and traction resulting in the best results when sprinting. Also, they will be designed with more "flair", such as an aesthetically pleasing logo, and bright colors so when the person is wearing them, they are more noticeable on the pitch, make a fashion statement and also expresses a player's personality. Since these cleats are meant to be a "Top of the line" product, the prices will be very similar to my closest competitors which are the Nike Mercurial Vapor V's, and the Adidas F50's. These prices range between \$250 - \$300. These cleats will be available online, major sports equipment retailers, and the brands own shop. The product will be promoted in several ways. The best ways to promote these cleats are through professional athletes, but we will also have ads during live soccer games on television, soccer magazines and on billboards.

COMPETITIVE FORCES

The market leaders in soccer footwear are Adidas and Nike. Most of the market's other competitors are Puma, Umbro, Lotto, Kappa, Reebok and Diadora. Even though there is little a marketing manager can do to control the competitive environment around the company; understanding your competitor's strengths, weaknesses, behaviours; and at the same time identifying opportunities and threats are ways that you can get an edge in the market. Also, knowing about competitive forces can help better position my product in the market, such as by product attributes, class and users. This section will review my major competitors and how these forces affect my product.

- In 2005, Nike and Adidas were the top two leading sportswear firms worldwide, Adidas with 9.1% and Nike with 8.5% of the total market share ^[14].
- Prior to the World Cup in 2006, Adidas had a market share of 38% and Nike had 31% of the soccer footwear market ^[6].
- In 2006 Adidas generated \$1.7 billion in soccer products ^[5]. Nike generated \$1.5 billion in 2007 ^[7].
- These pieces of data are important because it shows how dominant these two companies are in the market and how much consumers rely on them for soccer footwear. This affects my product negatively, it is going to be difficult to get sales and establish a positive reputation when the majority of the soccer community buys either Nike or Adidas soccer products.
- One way to increase competition for my new business is to associate my brand with better known brands in the market. As a result, my brand can be better known in the soccer world and make the entry of my new product into this market easier.

All in all, Nike and Adidas dominate the soccer market and have sponsorship rights to the best soccer players and teams in the world, which is the best marketing tool. In order to successfully compete under these conditions, we need to have excellent marketing and advertising campaigns to show that G7's are not just as good, but better than any Adidas or Nike soccer shoes. Regarding sponsorship deals, we need to wait until major players and club's contracts expire to negotiate sponsorship deals with them. We can also start offering deals to younger players, who will be future soccer stars who aren't sponsored yet. These strategies will take time but with the current state of the market, you cannot expect results immediately. Therefore, at this time, I believe the competition is a threat to my product.

REGULATORY FORCES

In the marketing mix, every marketing firm must abide by laws, restrictions and regulations put in place by their government. Failure to comply with these laws could have severe legal consequences and could be the end of your business. The laws could come from federal legislation, provincial laws and also self regulation. These laws and regulations can affect the design, manufacturing, and the distribution process of the product to Canada and the rest of the world.

- First law that affects my products design is FIFA Law 13 [8]. This law prohibits my product from being made with any materials that could cause harm to an opposing player during a game such as metal studs.
- The “Trade-marks Act” regulates and protects my brand name and trade-mark. The “Consumer Packaging and Labelling Act” makes it mandatory that all my information regarding packaging is provided to the consumers in both English and French [15].
- The “Competition Act” just insures that all firms do business legitimately [15].
- “Personal Information Protection and Electronic Documents Act” and the “Privacy Act” [15]. These laws are one of the most important because we will have access to customer’s credit card numbers, addresses, phone numbers and other private information. I must know these laws well because I need to know how to handle sensitive information when it is submitted through the online store or in person and how that information could be used appropriately.
- Lastly, another important series of laws, are international trade laws and agreements between Canada and the rest of the world. Trade agreements are important because they protect trade-marks and property rights such as patents. Another reason is that they can eliminate or reduce tariffs on imported products I need to manufacture my product [9]. Canada has many different agreements and laws with many countries and these can greatly affect the exportation of my product to the rest of the world so it is important to be familiar with these obligations.

In summary, this factor can be dealt with easily with a good understanding of domestic and foreign trade laws, and also with the help of a good legal team. I do not see it as a threat to my product. It is important for my product to be able to reach markets outside of North America because soccer is much more popular in Europe and South America and a large portion of my sales would be coming from those regions. It is an opportunity we must take advantage of.

ECONOMIC FORCES

The state of the economic environment affects all people and businesses and the business must know how to react to any changes in the economy such as recession and inflation. In the soccer shoe business in Canada, the economic cycle is straight forward. In the months of summer, that is when the business is prospering most because that is when the most soccer is being played. From fall to winter, the business will contract and eventually go into a recession because of the weather conditions. Lastly, spring is when the business will start to recover and sales slowly go up again because of the upcoming outdoor soccer season players need to prepare for. This section will go over the economic factors affecting my product.

- In comparison to Canada's economic cycle for soccer shoes, many regions of the world such as: England, Spain, Italy, Brazil; there are no such restrictions and outdoor soccer can be played all year round, therefore, sales in those markets should stay constant.
- The major economic factors that affect the sales of my product are Inflation and Recession. The decrease in the value of the Canadian dollar, resulting from inflation means that I will be paying more for materials to manufacture and distribute my product.
- Customers always place a subjective value on items if there are suitable substitutes for them and if I increase the cost too much, customers will simply stop buying my product and go to another one [16].
- Economic recession is also a worry for my business. As a result of a recession, demands for products that are not essential to live go down and that means I will not be selling as many soccer shoes.
- All of these factors affect purchasing power because if the consumer's wages begin decreasing as a result of these economic forces, they will want to save as much money as possible and they won't have as much purchasing power to use on my product.

Overall, marketing managers do not have much control over these economic factors but there are strategies to help cope with them. All firms have to deal with economic forces that are out of their control and it is a necessary risk in running a business. I see still see this factor as an opportunity because my business has great potential to prosper during a strong economy, and recessions only occur every 5-10 years.

SOCIAL FORCES

Social and Demographic changes are both factors that marketing managers must keep track of because they are the most important to marketing. Social factors can be the consumer's current attitudes, values and lifestyles. The main lifestyle trends that matter to my product are people who live physically active/sporty lifestyles (Soccer players). Demographic factors consist of the study of people's vital statistics such as, age, race, ethnicity and location.

- The most populated regions in Canada are the urban destinations of Montreal, Toronto, Calgary and Vancouver [17]. These would be the best options as far as selling my products at retailers. For the rest of Canada and the world, they will be able to order through our online store.
- The main age group my business is targeting is "Tweens" and mostly "Generation Y". In 2003, the purchasing power of young soccer players in Canada is estimated at over \$1 billion and their influence on family purchases over \$12 billion [3].
- Soccer is the most popular sport outside of North America [10]. A significant portion of my sales in North America would most likely come from part of the ethnic groups and immigrants. Ethnic groups are increasing in numbers every year. Canada has the highest per capita immigration rate in the world [13].
- Soccer is the top ranked played sport with kids aged 9 – 14 years old (Refer to Appendices – 1 below) [1]. Although they most likely do not have the purchasing power to buy my product, their parents do.
- Soccer is the highest participatory sport in Canada. In 2008, there were 873,032 registered soccer players in over 1,500 clubs across 144 districts in 12 regions from coast to coast [11].
- Canada has the tenth highest number of registered participants in the world and has seen registration increase 26 years in a row. 20% of young Canadians play soccer, the highest participation percentage of any sport in Canada [11]. This is all relevant to the Social factors because it shows the increase in popularity of the soccer in Canada.

To sum up, after reviewing the statistics above, I see this factor as a massive opportunity to make profits. The popularity of the sport has increased dramatically in Canada and it is showing no signs of decreasing. With more people playing soccer, means more demand for my product.

TECHNOLOGICAL FORCES

In the external marketing environment, technological factors are very important to all companies. It is important to be aware of advancements in technology either to help the efficiency of my business, or discover any threats to my business. The use of technology is also important because it impacts how people use their time and vital in getting customer feedback for performing research for the business. This section will outline which technological forces can help my business.

- We will create an online website for customers to obtain information about the company and about our products. Also, an online store for customers to place orders for my products will make their shopping experience more convenient, faster and easier.
- Statistics Canada reports that more than 8.4 million Canadians aged 16 and over made an online purchase in 2007, up from nearly 6.9 million in 2005. In 2007, Canadians placed 69.9 million online orders totalling almost \$12.8 billion, a 61% increase from 2005 (Refer to Appendices – 2 below) [12].
- This data is very important because it shows that more and more people are using the convenience of online shopping, and justifies creating an online store and website.
- Technological advancements in machines used in manufacturing soccer shoes, such as industrial sewing machines, heat presses, embroidering machines and more.
- Technological advancements in synthetic fibres and plastics.
- Use of online forums and blogs on the internet to perform research on a product and review customer's honest opinions about your product is also very important.
- This data is significant because it increases the efficiency of my company, improves the performance and quality of my product and it also gives us another way of getting customer feedback on our products.

To conclude, I do not see technological forces as a threat. In producing soccer shoes there are no disadvantages to advancements in technology. Firstly, they benefit the business by making our manufacturing and distribution processes more efficient. In addition, technological advancements also benefit the customer. It enables them to use our website for information and the online store for purchases, making shopping with us more convenient and faster. The statistics do not lie, more and more Canadians are shopping online every year. Technological advancement is of great benefit to my business.

CONCLUSION

In conclusion, after reviewing all the major aspects of the environmental scan, the majority of the research was positive and we discovered more opportunities than threats.

On the whole, competitive forces are the most threatening. Nike and Adidas have been major players in this market for over 20 years; they own most of the market share and have an outstanding reputation. It will be difficult to compete with these companies as a new player on the market, which is why we must think outside the box. For example: associating ourselves with other brands to establish a good reputation. Regulatory and Economic factors are all part of running a company that are unavoidable. All businesses must abide by the same laws and regulations and also deal with the same economic changes. When it comes to social factors, consumer's put great emphasis on service quality and value. My firm must be producing the highest quality product, and guarantee 100% customer satisfaction in service quality and value. Today's customer attitudes value a high quality product, and excellent customer service. By giving them that we will be recognized as a trusted and quality brand. In demographics, marketing research confirmed that the Ontario soccer community had a total purchasing power of \$14 billion ^[4]. The soccer demographic exceeded the national average for education, disposable income, home ownership, senior executive positions and the sizes of households ^[4]. Lastly, improvements in technology greatly benefit my business. These benefits lead to a more efficient manufacturing and distribution process. By starting up our own website and online store, we can reach more customers in more places in the world and make shopping through us faster and more convenient. Also by the use of the internet, we can review more personal and honest opinions from our customers on blogs and online forums.

Therefore, I am confident that my product can now be taken to the next level of preparing a detailed business plan and budgets for the idea. In the end, the benefits outweigh the costs.

APPENDICES - 1

This table from Statistics Canada shows the percentage of kids (5 - 14 years old) who regularly participate in organized sports. In 2005, soccer was the top ranked sport played.

	1992	2005
	PERCENTAGE (%) OF 5 – 14 YEAR OLDS REGULARLY PARTICIPATING IN ORGANIZED SPORTS	
All sports	57	51*
Soccer	12	20*
Swimming	17	12*
Hockey	12	11
Basketball	6	8
Baseball	13	5*
Volleyball	5	3*
Gymnastics	4	2
Karate	2 ^E	2
Skiing, downhill	6	2*
Track and Field – Athletics	2 ^E	2 ^E
E Use with caution		
* Statistically significant difference from 1992 (p<0.05).		
Source: Statistics Canada, General Social Survey, 1992 and 2005.		

<http://www.statcan.gc.ca/pub/11-008-x/2008001/t/10573/5214759-eng.htm>

APPENDICES - 2

This table from Statistics Canada shows the number and dollar value of online orders placed by Canadians in the year 2005 and 2007.

NUMBER AND VALUE OF ONLINE ORDERS PLACED BY CANADIANS		
	2005 ¹	2007 ²
Canadians		
Internet users (thousands)	16,775	19,233
Online consumers (thousands)	6,888	8,404
Number of orders		
Total number (thousands)	49,425	69,886
Average number	7.2	8.3
Value of orders		
Total value (\$ thousands)	7,924,407	12,772,147
Average value (\$)	1,150	1,520
Average value per order (\$)	160	183
1.	Canadians aged 18 and over.	
2.	Canadians aged 16 and over.	
Note:	Readers are cautioned when comparing results to the 2005 survey, which was restricted to people aged 18 and older. In 2007, respondents aged 16 and 17 accounted for about 2% of the total online orders and 1% of their dollar value.	

<http://www.statcan.gc.ca/daily-quotidien/081117/dq081117a-eng.htm>

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