



REI: Recreational Equipment Incorporated

A Brand Audit

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Executive Summary

REI is a well-established sporting goods apparel and gear retail business. It is built on the business model of a consumer cooperative, rather than a publicly-traded company. It establishes a growing customer base with the brand and provides opportunities to focus on the long-term interests of the co-op and its members. There are currently 6 million active members. Through regular contact with members, the company is able to design products and outdoor experiences that meet the needs of this target audience. In 2016 Backpacker Magazine awarded a number of new products the Editor's Choice Awards. Fortune Magazine has listed REI as one of the "100 Best Companies to Work For" every year since 1998. Currently, REI is in the top ten for company revenue in the sporting goods, footwear and apparel retail market.

REI demonstrates a number of positive attributes in this competitive market. There is an emphasis on quality products as a key characteristic of the brand. All of those products include a lifetime warranty. The emphasis on experiencing the outdoors through the online videos and in-store information has stimulated sales. The REI offerings with the travel programs, education and philanthropy all work together to bring in new customers as well as repeat customers and co-op members. Whether it is the educational programs, travel programs or philanthropy participation offered to the customers, there is a natural transition to apparel and equipment needed for best performance. All products include a lifetime warranty. The staff are experienced and trained in all aspects of the retail experience.

Competition in the sporting goods market has intensified. In the eighties and nineties, the boomer generation dominated the market. As they age out, the market has responded by reaching out to the Under-40 market segment. This is reflected in the online sales images. REI is working with to stimulate millennial hikers as well as the aging boomers through personalizing relationships with the brand. Video stories of customer experiences are being disseminated on their website and in related sporting magazine websites. They recently launched "Every Trail Connects" about different audience segments and their emotional story experiences with three American hiking trails. To expand their customer outreach they are reaching out to Latino hikers, American Indian, and male and female outdoor experiences and their equipment needs. These videos and images from customers create opportunities for target audiences to view how people are motivated by the outdoors and where they can go receive instruction, more information and support for hiking, camping, biking or backpacking. The company's goal is to play a vital national role in growing outdoor participation and protecting the environment for future generations.

Introduction

For 78 years Recreational Equipment Incorporated (REI) has been building its specialty outdoor retail business. It was founded in 1938 as a cooperative business to provide rock climbing tools for a group of friends who needed to purchase equipment. Headquartered near Seattle, it is now the nation's largest consumer co-op



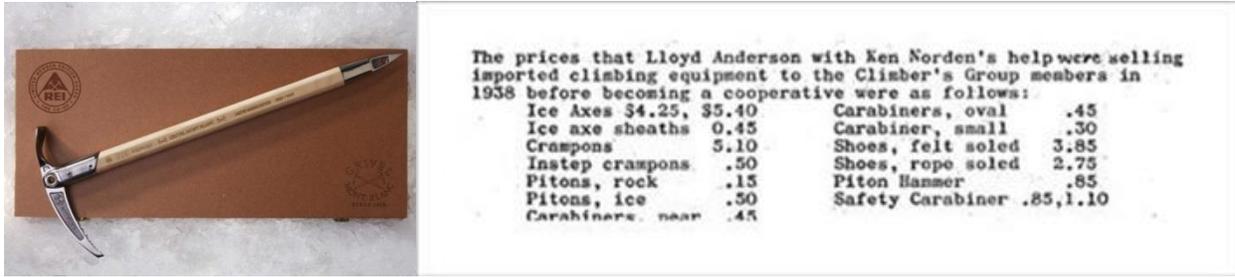
with a current community of 6.0 million active members. REI has established 142 retail outlets in 34 states. In March of 2016, it was reported that one million new members joined REI in the last fiscal year. The current CEO is Jerry Stritzke. He links the health of the company with the health of the outdoors.

The company has reported double digit growth for the last two years. REI contributes that growth to a dual perspective of stewardship of natural resources and providing the recreational equipment needed to enjoy those resources. For example, The Annual Stewardship report combines the company's progress towards a sustainable business model through the co-op approach of membership and reports on efforts to connect people to outdoor experiences. REI reported record annual revenues of \$2.4 billion in 2015, a 9.31 percent increase from \$2.2 billion 2014. Comparable store sales, which include direct to consumer sales, were up seven percent and digital sales grew by nearly 23 percent (REI Financial Statements, 2015) REI is ranked among the top 10 companies for sporting goods revenues (Statista, 2016). As of 2015, REI currently has more than 12,000 employees (REI.com newsroom, 2016). As a co-op, more than 72 percent of REI's profits from 2015 revenues went back co-op members, employees and nonprofit partners. That represented a record \$185.3 million.

History

It began with an ice axe. In 1936, Americans Lloyd and Mary Anderson were not able to locate quality ice axes in the United States for mountain climbing. So they had to buy them from Austria for between \$4.25 and \$5.40.

A Brand Audit: REI Recreational Equipment Incorporated



As a result, in 1938 he got together with climbing buddies to develop a recreational equipment cooperative so they could share outdoor gear. By working cooperatively, they were able to pool resources and obtain more equipment. It was this spirit of working together that established the business model that is still used today. With better equipment they could create better adventures. With a \$30 dollar loan they began the business. The goal was to secure sufficient members to facilitate group buying. By building up membership stock they could build a buying reserve and participation to everyone. The company is identified as a consumer co-op, rather than a publicly-traded company. The focus is on integrating the interests of its members into the equipment and outdoor adventures while protecting the environment. Members pay \$20.00 for a lifetime membership and receive a proportional profit to the company's profits based on purchases made. They also have access to other special benefits.



The first retail store began in 1940 in a gas station near Seattle. Most of the equipment was stored in the Anderson's home. Then in 1963 they opened their main retail store which remained there in Seattle for 30 years.

The store began to expand in 1975 to California. As the retail operation grew, so did their co-op opportunities. They became active in environmental opportunities. In 1987 they developed REI Adventures offering travel experiences in the outdoors, while providing all the equipment the travelers would need. The business model has expanded steadily over the 78 years with the concepts of co-op, retail, adventure and environment to become sustainable and successful.

REI Today

Today there are 145 retail stores in 36 states. The retail operation has developed its own line of gear and apparel in addition to other national brands for outdoor activities such as camping, climbing, cycling, fitness, hiking, paddling, snow sports and travel. REI works with 1,300 vendors. Those vendors are located by regions to develop a more efficient ecosystem for product delivery. A variety of communication channels are provided to customers to research and buy outdoor products. Those options include retail stores, telephone, mail-order, and two online stores: www.rei.com and www.rei.com/rei-garage. Social media includes Facebook, twitter, Pinterest, YouTube and Instagram. Mobil apps are also included. Incentives are offered like 15% off for signing up for email. They also offer an REI Master Card.

Beyond the retail store they have expanded to offer outdoor experiences, environmental stewardship and support of environmental causes. REI Releases 2015 Stewardship and Earnings Report, Gives Back Three-Quarters of Profit to Outdoor Community and Opens Voting for Board Members (REI.com Newsroom). The report measures progress towards the company goal of operating a sustainable business. It also tracks the broader efforts to ensure that the next generation has a connection to the natural environments. They are striving to be transparent in their actions and hold themselves accountable to the members, customers, communities and employees

Beyond the retail store:

- **Travel with REI.** A full-service adventure travel program offers unique trips since 1987 to help co-op members get outside on all seven continents. They specializes in “human-powered” outdoor activities, such as hiking and trekking, backpacking, kayaking, cycling, climbing, snow sports and more.
- **REI Outdoor School:** Outdoor school teaches outdoor activities. Beginning to advanced-level classes and outings in a wide variety of outdoor activities are offered. Professional instructors share their knowledge while providing a safe, enjoyable experience.

In-store classes: Local stores provide information about adventures through in-store educational classes and the expert advice of REI staff.

Learn online: REI staff and other outdoor adventure pros offer helpful tips, tricks and ideas to help you enjoy your adventure. How-to articles and videos help to identify needed gear.

Share experiences: Stories, photos and videos are shared through REI social media.

Working at REI: The Company has won awards for from Fortune Magazine's 100 best companies for work for every year since 1998. Employees rate the experience as more of a lifestyle. The environment encourages respect, diversity, shared values and a passion for the outdoors. They focus on a team spirit for sharing their enthusiasm for the outdoors.

Environmental Stewardship and Community Service: REI identifies as a purpose-driven cooperative in which the business and purpose work together. In addition to marketing quality outdoor equipment they are dedicated to promoting environment and access to outdoor recreation. To support this endeavor they recycle, reduce waste in packaging and use green building practices. The Company coordinates hands-on volunteer service projects like improving trails, cleaning beaches and restoring local habitats.

REI Gives: A portion of operating profits to help protect and restore the environment, increase access to outdoor activities and encourage involvement in responsible outdoor recreation.

REI Foundation: The nonprofit foundation was founded in 1993. The focus is on providing for outdoor enthusiasts and conservation stewards reflect the diversity of America. The foundation encourages young people and their families to experience the outdoors. It also supports recovery efforts after natural disasters.

Industry Recognitions

Backpacker Magazine

- Backpacker awarded the "2016 Editors' Editor's Choice Award" to the REI
 - Exped SynMat Hyperlite Duo Sleeping Pad
 - Men's and Women's Columbia OutDry™ Ex Diamond Rain Shell
 - Men's Mountain Hardwear AP Pants
 - MSR Guardian Purifier
 - Backpacker's Pantry Chana Masala
 - Stanley Stainless-Steel Shot Glass Set
 - Men's and Women's Vasque Skywalk Gore-Tex® Hiking Boots
- Backpacker awarded the "2010 Editors' Choice Gold" to the REI Half Dome 2 Tent

Outside Magazine

- Outside Magazine awarded the "2010 Gear of the Year" to the REI Half Dome 2 Plus Tent

Fortune

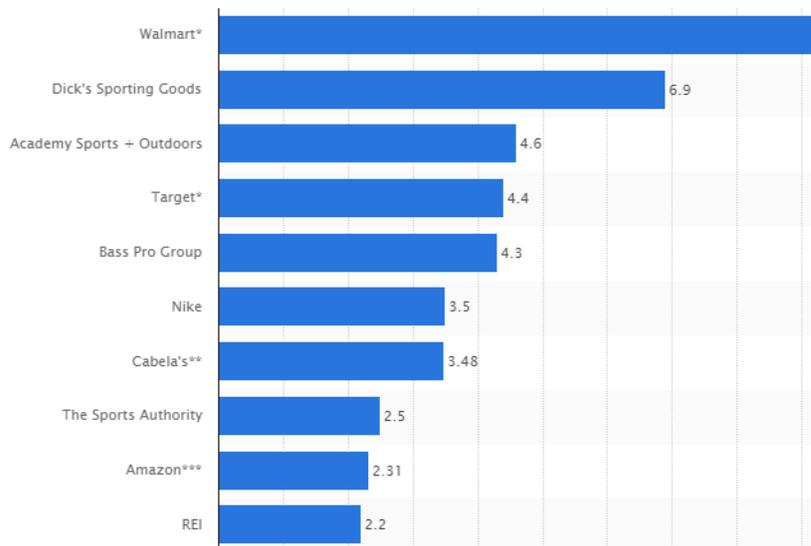
- Listed on FORTUNE magazine's "100 Best Companies to Work For" every year since the magazine began compiling the list in 1998.

Cannes Lions International Festival of Creativity Grand Prix and Titanium Category

- REI's #OptOutside campaign

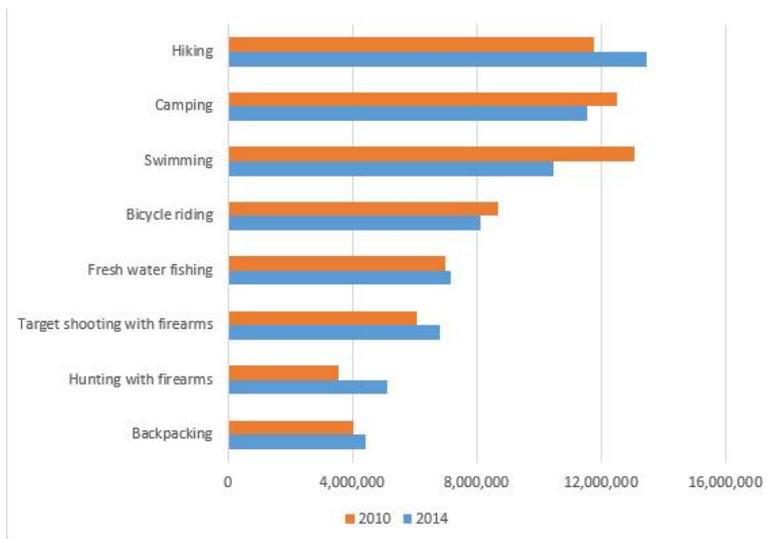
Current Market Position

According to Statista, REI is in the top ten in terms of revenue of the largest sporting good, footwear and apparel retailers in the U.S.(Statista.com, 2016). It reported 2.2 billion in revenue for 2015. Walmart had the highest at 9.8, with REI at 10th place. Since this report, The Sports Authority closed the business. Schlossberg (2016) reported that it was crippled with debt. According to the June 18th, 2016 report by Business Insider, REI appears to be thriving when other sporting goods retailers are struggling. The point to how the products offered contribute to the different outdoor experiences. It does not sell brands you can get anywhere – they are unique. They have created a community through the co-operative cultivating a sense of connection between customers. As of January 2016, there are 6.0 million voting co-op members (rei.com).



Customer Story

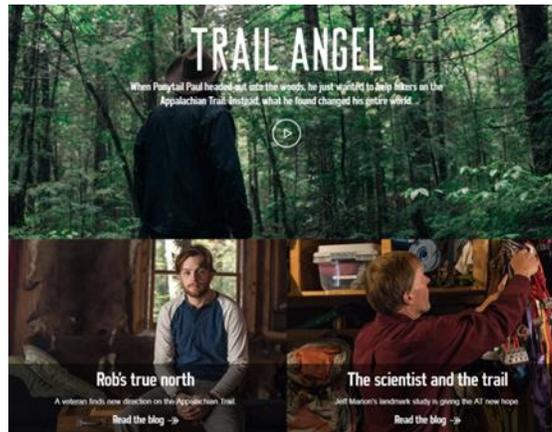
The demographics for national trends in outdoor sports highlight the target audiences that the sporting goods companies are competing for. The Sports Business Research Network reported the Pew Research study on population distribution related to outdoor sports. The millennial generation is projected to surpass the Baby Boom generation as the largest living generation. The Millennials are defined as between the ages of 18 to 34, are projected to reach 75.3 million, surpassing the projected 74.9 million Boomers (ages 51 to 69) while the Gen X segment (ages 35 to 50 in 2015) is projected to outnumber the Boomers by 2028 (Sports Business Research Network, 2015). The Sports Business Research Network surveyed Millennials and their participation in outdoor recreation activities between 2010 and 2014. It was observed that hiking, fresh water fishing, target shooting, hunting with firearms and backpacking increased between 2010 and 2014, while participation in camping, swimming and bicycle riding declined during the same period.



In the eighties and nineties, the boomer generation dominated the market. As they age out, the market has responded by reaching out to the Under-40 market segment. This is reflected in the online sales images. REI is working with to stimulate millennial hikers as well as the aging boomers through personalizing relationships with the brand. For example, they have produced three six-to-eight minute videos that tell emotional stories of customers who love hiking and exploring the outdoors. They launched “Every Trail Connects” from three American hiking trails (Birkner, 2016). One of the stories does include a 65 year old boomer who is a distance runner. REI is more aware of entire market as customer health and longevity improve. They include Latino hikers and examples of trail maintenance

A Brand Audit: REI Recreational Equipment Incorporated

through REI partnerships. They include male and female millennial stories and American Indian storytelling. These videos and images from customers create opportunities for target audiences to view how people are motivated by the outdoors and where they can go receive instruction, more information and support for hiking, camping, biking or backpacking to name a few.



The social media links are very active with co-op members, customers and volunteers sharing information from around the world about their travels and how certain hiking shoes or tent products helped them along the way. Facebook, Twitter and Instagram are integrated in messaging across platforms. The photos submitted are beautiful. They are stimulating and motivating to go out and enjoy nature. Pinterest has 59 boards with 104.9 thousand followers. You Tube has instructional videos and adventures in kayak camping: the basics of camping, hiking, fishing, buying and maintaining a bike. There are tips for recording your own story to share. Mobile apps provide access to all the information on the go. The blending of experience between the outdoor activities, the environment and the business builds a strong customer connection that is relevant to the brand.



Brand Inventory

Brand Promise

A brand promise is an expression of the benefits and value a company commits to consistently deliver to its customers. Recreational Equipment, Inc. (REI) helps people to get outside and enjoy nature knowing the importance of quality outdoor gear. By blending a sustainable business with stewardship for the natural environment, the company promotes the promise of partnership through a cooperative model. The company stands behind all products with 100% satisfaction guarantee.

REI's values are reflected in everything they do—from the focus on customers to the commitment to environmental stewardship. These values serve as a foundation for how they conduct business, how they serve their members and employees.

- Passion: REI believes and outdoor life is a life well lived.
- Our goal: To be the best in the world at creating authentic outdoor experiences through gear and expertise.
- Worldview: Success demands changing how limited natural resources are used and expanding access to inspirational places.
- DNA: As a co-op we act in the best interest of our members.
- Our Job: We are passionate about the outdoors and love to share it. We are inspired guides.



Brand Personality

- **Excitement:** REI generates excitement through a spirited and imaginative approach to building a customer's personal connection with its brand. Both online and in the physical locations, the imagery and product are integrated to illustrate its use in the natural environment. Below is an image of the rock climbing experience to help determine the best equipment (observational inclined.wordpress.com).
- **Sincerity: (Point of Differentiation)** Interactions with the Brand are designed to be down-to-earth and honest. Like the natural outdoors, REI strives for individuals and families to develop a love for nature. They offer education and travel as well as volunteer opportunities to maintain national trails and parks. This sincere approach is associated with the REI Brand as an honest and down-to-earth shopping experience. They represent authenticity. The company stresses

A Brand Audit: REI Recreational Equipment Incorporated

“rock-solid” ethics, honesty and decency. This uniqueness helps to differentiate their brand from their competitors.

- **Ruggedness:** The entire business concept of learning to enjoy nature and offering the equipment and education to succeed is a reflection of their dedication to the outdoors. The products are tough and reliable to help create a positive experience in the rugged outdoors.
- **Competence:** REI relies on feedback from its co-op members and customers on the products offered. They seek out intelligent information about product reliability and dependability when in use. Customers can be confident in their gear and equipment. A reflection of the brand competence is in the awards and recognitions it has received for outstanding products and service. They provide trustworthy products and services.
- **Sophistication:** A visit to the REI store is not just a shopping trip; it is an experience and a destination. REI is an outdoors brand that, while catering to hard core outdoors-people, makes outdoor adventures accessible to every skill level. They encourage enjoyment of all aspects of life.

Brand Elements

In 1956 the first logo was developed. The Company name was placed along mountains. To the left was the axe, symbolic of the reason for developing the business. The company concept reflected in the logo.



The current logo has made a change from a symbolic mountain and tree with REI at the base to the addition of REI Co-Op. The logo for the Co-Op line was inspired by a former CEO and outdoorsman, Jim Whittaker. In 1963 he became the first American to make it to the summit of Mount Everest. A button on the climbing oversuit was the direct inspiration for the Co-Op logo. The change took place in 2015. According to Arbini(2015) the “new” logo was inspired by the heritage logo. They wanted to brand it according to its strengths as a consumer cooperative business (Arbini, 2015).



The logo is black which was designed for the company. REI's visual brand identity has grown as solid as is its reputation. The look is grounded in two strong fonts: the bolder weights of Rockwell, which has long been part of the company's identity, and more recently, Interstate, a straightforward sans that sits well atop REI's straight foundation. Clarendon is also part of the brand's legacy, found on store exteriors and other branding (Brand Everywhere, 2016). The Interstate font was introduced to improve readability.

- Interstate is the modern adaptation of the highway font which was developed around the time REI was founded.
- It was associated with readability, history and authority.
- REI's core branding elements include a refined and limited color palette combined with nature photography. This represents a key component in REI communications.

REI.com is undergoing a transformation to adopt all the elements of the branding guidelines. Until recently, implementing the corporate typefaces on the website was a complicated matter as they were based on images. Now Web-type is helping to bring REI's online presence in line with the rest of their identity by using Interstate for homepage features and other headlines. Now that the text is truly text — not images — they are much easier for the REI production team to edit and scale.

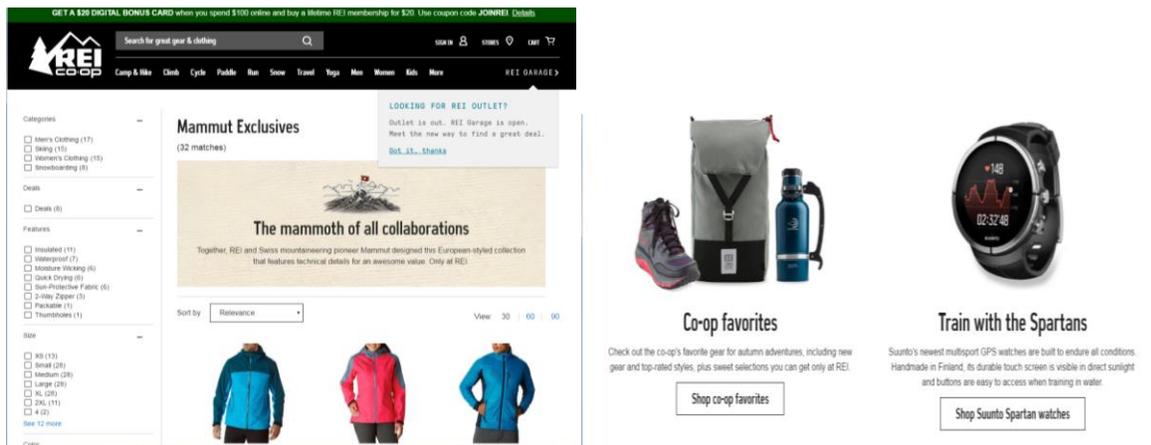
Brand Portfolio

REI's main landing page online segments the business products, services and solutions by categorizing the items visually. For example, the first category is clothing.

A Brand Audit: REI Recreational Equipment Incorporated



Upon entering the page the clothing items for all outdoor sports are presented. To the left are all the possible filters to narrow the customers search for seasons, sports, fabrics, size and color. Linked to this page is a new division, “REI Garage” for special sale prices.



There are categories of Co-op Favorites or best sellers and then promotion of watches as specialized equipment. They are designed for different sports with tracking and GPS features. A special feature on footwear is presented seasonally. They include filters for customers to select exactly what they are looking for.

A Brand Audit: REI Recreational Equipment Incorporated

Co-op favorites

Check out the co-op's favorite gear for autumn adventures, including new gear and top-rated styles, plus sweet selections you can get only at REI.

[Shop co-op favorites](#)

Train with the Spartans

Suunto's newest multisport GPS watches are built to endure all conditions. Handmade in Finland, its durable touch screen is visible in direct sunlight and buttons are easy to access when training in water.

[Shop Suunto Spartan watches](#)



Kodiak boots: Kicking weather's butt for 100 years

Keep your feet warm and dry with fiercely rugged and finely crafted Kodiak boots from Canada for the whole family. Now available for men, women and kids in the US.

[Shop Kodiak boots](#)

Finally there is a link to the REI MasterCard and benefits to the REI outdoor adventure trips. It is a clever way to link customer access to adventures through in-store financing. Full service adventure travel provides co-op customers with outdoor experiences and travel to all seven continents. They emphasize the “human powered” outdoor activities like hiking, trekking, backpacking, kayaking, cycling, and climbing to name a few. All equipment supplies are offered by REI. The final category is stewardship for customers to get involved in how to help maintain the outdoor trails. The company displays the on-going projects they support and how customers can become part of that experience. This category represents a purpose-driven cooperative in which the business and purpose work together.



If you win, where will you go?

Choose your adventure: an incredible REI adventure is as much about the journey as it is the destination. Will you choose the trail less traveled or the call of the mountains? Take the quiz and you could find your way to one of ten unforgettable trips, courtesy of REI Adventures and the REI MasterCard®.

NO PURCH. NEC. Must be legal U.S. resident, 18+. Ends 10/31/16. Int'l transactions ineligible. [Click for rules](#)

[Enter](#)



At REI, we believe trails make the world a better place

We're committed to protecting and expanding our trails. Help us give back to them by volunteering for a National Public Lands Day stewardship project in your area.

[Learn more](#)

The imagery is clear and bright. The links are appealing and inviting, helping the customer to feel part of the experience. The imagery offers opportunities for the target audience to visualize themselves out in nature and illustrates the equipment and gear to participate successfully.

Current Brand Communication Strategies

Mobile First Strategy

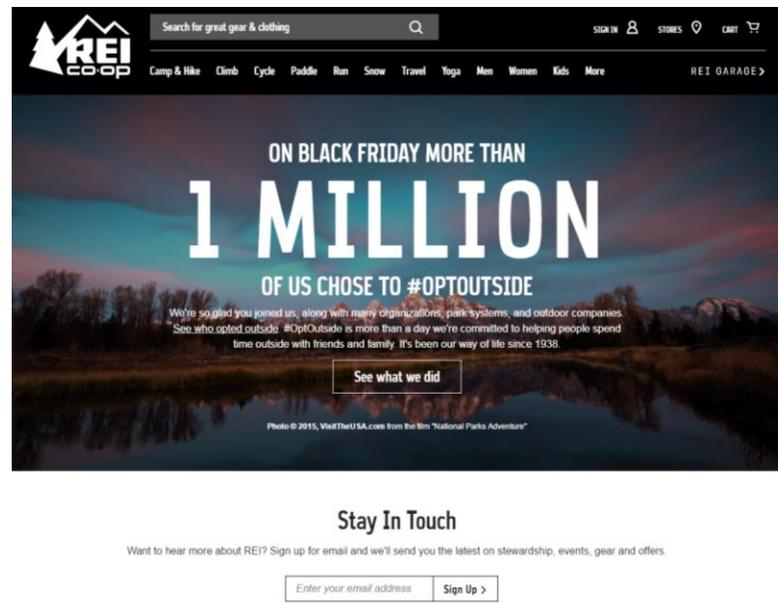
- In 2015, developed a more “agile” approach to the customer journey. They are working to improve interactions with the customer from the website experience to the time it takes to find and associate to the design of the stores.
- The website offers a new digital experience for customers to see what is possible in the outdoors. The company is using this technology to differentiate themselves from their competitors. Brad Brown of REI explains how they use journey maps to understand the customer experience (Overstreet, 2015).

Every Trail Connects

- As REI builds its online presence, it is producing inspirational stories of dedicated hikers in their mobile strategy. The message is to showcase perseverance on the trail and the richness of the experience.
- A series of three six to eight minute videos tell of the emotional stories across three of America’s hiking trails. The hikers represent the different audience segments by age and gender. The stories are compelling.
- To expand their market exposure, the videos are also running on the Outside Magazine and Backpacker Magazine website. Feedback demonstrates positive feedback. People can identify with the individuals who are presented in the videos. There was tremendous engagement in terms of online conversation. People are sharing their trail experiences (Birkner, 2016). An example is Trail Angel (<https://vimeo.com/151715092>).

REI #OptOutside

- To differentiate their brand and demonstrate support for the outdoors, REI developed a campaign to close their store on Black Friday.
- The promotion highlights that they are taking a stand along with other organizations, park systems and outdoor companies. They have included a list at #OptOutside. Like their brand, it highlights the value of time spent in the outdoors with friends and family. They remind us that it is an important value in the company’s brand identity.



Competitor Analysis

A comparison of REI's primary competitors can be generated from an analysis of the revenue of the largest sporting goods, footwear and apparel retailers in 2015. Walmart had the largest sales with a revenue of 9.3 billion, a third more than the closest competitor, Dick's Sporting Goods at 6.9 billion dollars. The next group within the 4 billion range include Academy Sports (4.5), Target (4.4), Bass Pro Group (4.3). The Nike (3.5) and Cabela's (3.48). Sports Authority was next at 2.5 million. They recently went out of business. Then Amazon was added with its online sales of 2.31 billion. Then in 10th place is REI at 2.2 billion.



Dicks Sporting Goods: A specialty sporting goods retail chain, it has the second largest revenue at 6.9 billion dollars. There are 610 stores across the U.S. except Alaska, Hawaii and Montana. They are located primarily in the eastern half of the United States. They own Gold Galaxy with 82 stores in 30 states. Their current strategy is to increase retail presence in temperate weather states such as Florida, Georgia and Texas to boost declining sales during the winter. The brand promise of the benefits and value are stated as creating value for the shareholders through improvement of everything the company does, building leading brands that serve and inspire athletes and outdoor enthusiasts to achieve their

personal best and to be recognized by our customers as the number one sports and fitness specialty retailer.

Products:

- The majority of Dick's Products are brand name products like Nike, Adidas and Under Armour.
- They have developed their own private label product lines. Their goal is to produce a 15% share with their label brand (Wikivest, 2016).
- The company is susceptible to economy downturns which limit customer spending on the non-essential sporting good.

Current Strategy:

- Dick's Sporting Goods generates revenue through sales of sporting equipment and apparel through both the retail and website.
- As Dick's moves private-label products into Golf Galaxy stores and increases the presence of these brands in Dick's stores it should help the company continue to increase their gross profits.
- It is more exposed to market downturns than Target or Walmart stores because those stores carry a wider range of non-sporting goods products.
- The sporting goods industry is very fragmented, with the top six sporting goods retailers holding only 19% of the estimated \$52 billion market.
- The company is expanding their sports related business applications. In August 2016, Dick's purchased San Diego-based Affinity Sports, a sports management technology company. This will expand the scope of a Team Sports platform by offering management technology for large-scale sports organizations and national governing bodies.



Cabela's Sporting Goods: A specialty retailer of hunting, fishing, boat, camping, shooting and related outdoor recreation. Since 2013, the company has reported a strong revenue in the competitive sporting goods market at 3.48 billion dollars (Statista.com 2016). That places them 7th just above REI. Most of the Cabela's stores are located outside major cities. They are predominantly located in the

A Brand Audit: REI Recreational Equipment Incorporated

Midwest. Cabela's brand promise is to passionately serve people who enjoy the outdoor lifestyle by delivering innovation, quality and value in our products and services.

Products:

- Its products include merchandise and equipment for: hunting, fishing, marine use and camping, along with casual and outdoor apparel and footwear, optics, vehicle accessories, and gifts and home furnishings with an outdoor theme.
- It also has "Trophy Properties LLC" (a real estate market), "Outdoor Adventures" (hunting and fishing trips), the "Gun Library" (for buying and selling new, used, and collectible firearms), and World's Foremost Bank (the issuer of Cabela's Club Visa credit cards).
- The physical retail stores provide an outdoor destination experience. The largest Cabela's is known for the biggest indoor habitat. They are known for their taxidermy, but what the Cabela's is best known for in Ohio are the live squirrels on their two-story mountain habitat.

Current Strategies:

- The company sees opportunities for expansion, particularly in the West and Southeast regions
- With a period of declining sales, the company has developed a new marketing strategy to improve sales: Cabela's plans to open about 14 new stores a year. The goal is to expand the retail store base from 64 today to about 225 in the U.S. and Canada (Soderlin, 2015).
- Keep developing on-line presence.
- Continue Catalogs - Its direct marketing operation is one of the largest in the United States. Cabela's mail-order catalogs are shipped to 50 states and 120 countries.
- Cabela's is using social media and coupon sites to reach millennials and women and is revamping product lines involving activities such as camping that appeal to more people.
- In-store classes are offered for different sports and an Outdoor Adventures tour business is designed to increase product sales to those customers.



- **Bass Pro Group:** Sales in 2015 were 4.5 billion dollars. Bass Pro is ranked by Forbes (2016) as #94 in revenue by a private company in the United States. It is ranked #402 as America's best employers in 2015. There are 94 retail stores in the U.S. and Canada. The original store in Springfield Missouri is a tourist attraction with 4 million visitors a year. The stores have stocked fishing tanks to try out different fishing rods and equipment. The Bass Pro Group supplies outdoor gear for fishing, hunting, camping and golfing. The brand promise centers on their goal of becoming the leading merchant of outdoor recreational products, inspiring people to love, enjoy, and conserve the great outdoors



Products:

- Bass Pro maintains retail and online products. They include national brands and store brands for clothing and gear to support fishing, hunting, camping, home and gifts.
- Bass Pro owns Tracker Marine, which manufactures and sells boats for fishermen, and Big Cedar Lodge, a resort in the Ozark Mountains.
- Bass Pro include ATV Showrooms and Power Pros Service Centers to serve your boating and ATV needs from coast to coast.
- The website offers a 1Source to provide information about camping, kayaking and hunting along with detailed information about the best locations around the country for engaging in those sports.

Current Strategies

- The in-store experience is important to the customer experience. The sales people are trained to not only sell, but to explain how to use and maintain equipment in order to enhance use of the products.
- They back every product with 100 percent satisfaction guarantee.
- In-store displays present the products as they should be used.
- The company uses direct marketing through catalog sales. They report a high volume of sales, which in turn stimulates store visits. They send more than 34 million catalogs offering 30,000 items.
- The online website provides a detailed shopping experience.
- The company also offers a Bass Pro MasterCard.
- The Bass Pro Outdoor World name associated with community service and positive conservation efforts.
- The company sponsors outdoor events like fishing classics to bring in customers and potential customers.

Insights & Recommendations

REI SWOT Analysis

STRENGTHS	S	WEAKNESSES	W
<ul style="list-style-type: none"> • Strong Brand Loyalty • Strong philanthropic support • Quality of Apparel and Outdoor Gear • Lifetime warranty • Staff experience • Fortune Magazine top 100 employer • Co-Op Membership Business Model 		<ul style="list-style-type: none"> • Higher pricing • Need to expand customer base • Primarily concentrated in the Western half of the U.S. • The discount REI-Garage items are only sold online. 	
OPPORTUNITIES	O	THREATS	T
<ul style="list-style-type: none"> • Reaching younger demographics • More commercial advertising • Offering more competitive pricing • Expand into others states to increase revenue • Increase products and incentives to millennials, women and children 		<ul style="list-style-type: none"> • Intense competition in products and pricing • Fluctuations in economy and customer spending • Online Retailers like Amazon are increasing market share • Other competitors offering travel and philanthropic activities to improve brand outreach. 	
POSITIVE		NEGATIVE	

SWOT Analysis Internal Factors

Strengths: REI demonstrates a number of positive attributes in this competitive market. The business model which is built on the co-op model, in which customers become voting members has developed into a strong brand loyalty following. The emphasis on quality products has become associated with the brand. The emphasis on experiencing the outdoors through the online videos and in-store information has stimulated sales. The REI offerings with the travel programs, education and philanthropy all work together to bring in new customers as well as repeat customers and co-op members. In each case, apparel and equipment are needed, so the transition to sales is smoothly linked. All products include a lifetime warranty. The staff are experienced and trained in all aspects of the retail experience. Fortune Magazine has rated REI as one of the top 100 employers. They offer some unique brands that can only be purchased in their store. There is a strong sense of connection between the brand and the customers. The stores honest and sincere approach to the customer experience is the point of differentiation for the REI Brand.

Weaknesses: Several weaknesses contribute to a competitive disadvantage. One of the major disadvantages is the product costs are generally higher. The company prides itself in a quality product, but the costs involved have resulted in higher pricing. Younger shoppers may seek out similar items at lower priced competitive stores. There are discount REI-Garage items, but they are only sold online. The retail market is limited by the fact that REI is primarily concentrated in the Western half of the United States. Even though co-op membership is increasing, the company needs to keep expanding products and experiences to increase the millennial and younger customer.

SWOT Analysis External Factors

Opportunities: The external attractive factors that represent opportunities to prosper include expansion of the brand reach. This would include interactions with younger demographics in college contexts and sporting events. Promoting more commercial advertising on television and social media should be considered in meeting customer needs. There is an opportunity to increase customer base by offering more competitive pricing. There is the REI-garage with discounted items but that is only offered online. Consideration of more in-store sales may increase sales. Increasing product development and selection through pricing incentives that appeal to millennials, women and children may contribute to increased sales.. Store expansion into others states will also be an opportunity to increase revenue.

Threats: The outdoor apparel and gear market is experiencing intense competition in products and pricing. Walmart and Target are not specialty stores for outdoor gear, yet they are increasing in market share. Online retailers like Amazon are also increasing in market share. While REI has been successful in offering education, travel and philanthropic opportunities, other companies are now also offering the same. Revenue fluctuations are also related to external situations like the economy and customer spending.

Specific Insights and Recommendations

- **REI Stability:** The REI brand has differentiated itself by providing the customer with a quality experience and product in seeking apparel and gear for the outdoors. By developing the cooperative business model it has built a loyal brand following. The company builds its products and retail outlets at a steady pace. Recently a competitor, Sports Authority went into bankruptcy as it was crippled in debt. As the golf boom imploded, Sports Authority was severely impacted. REI is more focused on their specialty products for outdoors experiences. The co-op model has built a strong membership base with a stable repeat sales business.
- **Competitiveness:** The challenge ahead for REI is maintaining sales growth while remaining competitive in the sporting goods market. As different businesses have observed REI's success with education, travel and philanthropy, they have introduced it into their brand experience. This works to draw REI's customers into their market. REI has acknowledged this challenge. It has responded by producing more customer stories which viewers can relate to. They are producing videos with intense imagery and outsourcing it to the outdoor magazine websites. A closer look at pricing and in-store sales will be important to be competitive with the other retailer's. The company recognizes, as the market does, that the baby boomers are aging out, and the millennials are dominating the market. Appeals to customers must provide a good representation of all market segments. The customer segments must be studied closely in terms of their needs and characteristics that can be interpreted into the products they are seeking.
- **The Digital Initiative:** REI recognizes the importance of a mobile strategy in marketing its brand and products. Sales associates have mobile devices in the store to assist customers with detailed information. There is free Wi-Fi for customers while shopping and researching as well. No digital stone is left unturned by this initiative. As of last year, REI reported a 23% increase in digital sales and an increase in co-op membership. The company should continue to improve

the digital experience through personalizing products and messaging for its different audience segments.

- **Target Audience:** It is recommended that more detailed study of reference groups in order to develop target products and messaging. For example, with baby boomer and millennial segments the company is reaching out in communications. However, another approach may produce more contact with the brand: the family as reference group. Reaching out through education, philanthropy opportunities and travel they might consider an emphasis on the family unit. This would include multi-generational approach. If children experience REI brands, they might stay with the brand products as they grow up. Family structure may be a key variable with single parents and children. Taking these characteristics and the family life-cycle needs into consideration may work to increase brand exposure and ultimately profitability.

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