



**MKTG 4272**

**GROUP PROPOSAL**

***TERRA LIMITED COMPANY***

**Prepared for: JILL REID**

**Prepared by:**

**QUYNH NGUYEN -1761347**

**VY NGUYEN - 1761280**

## **TABLE OF CONTENTS**

- I. Introduction**
- II. Executive Summary**
- III. Analysis**
  - 1. Project Summary**
    - a. Company and product
    - b. Brand Values
    - c. Branding Strategy
    - d. Competition and Industry
    - e. Consumers
  - 2. Assessing Consumer Behavior**
- IV. Conclusion**
- References**

## **I. INTRODUCTION:**

The following report will be presenting the 2020 launching of “Terra Limited Company”, a retailer that would offer eco-friendly, packaging-free or packaging-minimum goods with a main focus on sustainable fashion and clothing brands. Terra is founded to concentrate on working with ethical manufacturers to satisfy the rising demand of concerned consumers in choosing environmentally-safe services and products. Canada, especially within the British Columbia province, has been experiencing a steady growth of the green market, as consumers are becoming more aware of issues surrounding our natural world as well as the effects of their buying behavior. Understanding the current needs, we promise to introduce to our customers not only a fashionable, minimalist lifestyle, but also a wide range of sustainable and economical options to choose from.

In this report, the two of us will be responsible to demonstrate about the company’s profile, competition and industry, targeted consumers, and the analysis of their behaviors.

## **II. EXECUTIVE SUMMARY**

The following presentation will be discussing Terra's main focus on providing sustainable fashion and zero waste products once it starts going into business. We will illustrate what kind of products that would be offered, the brand values of having a eco-friendly lifestyle and its marketing strategy to get people to know Terra better. Competition in Vancouver specifically and in the whole Industry in general would be mentioned as well. Finally, our presentation will switch focus to its consumer, analyzing main targeted segmentation which are those who are significantly conscious of the environment, and finally the application of certain theories during the branding process in order to connect to customers.

### **III. ANALYSIS:**

#### **1. Project Summary**

##### **a. Company and Product**

#### **COMPANY**

Terra Ltd. Co. is a retail service that promises to provide their customers a shopping experience without having to worry too much about the impact of their consuming action on the environment. We are conscious of many of their needs, from the smallest thing such as hygiene utensil to bigger thing like leather handle bag. In the first year, Terra will concentrate solely on fashion items and other simple, zero-waste refillable goods. In later expansion, the company will extend its lines of products to groceries, like foods and beverages, which will also be packaging-free. Since with this section, food safety should be prioritized and market differently, so we decide to postpone until more operational observations are made.

Regarding the history of our company's establishment, it all began with a mutual concern towards mother nature. Scientists for many years have been warning about the impact of rising consumption and wastes that are dumped into the environment (land, forest, ocean, etc.), and we do not have to estimate or look too far into the future to see the consequences: the alarming number of increased natural disasters recorded; rising temperatures and sea levels; deforestation and wildfires; famine and lack of clean water,... It is hard to ignore since those are happening right now around us, and the world has to do something to fix it. As an organization, we are founded to participate in contributing and helping to solve urgent issues, and that is also how the name "Terra" was created. Terra, in the Latin language, means Earth, and we chose it because

every purpose and value of the company direct towards the Earth, towards our mother nature.

## **SERVICE**

In terms of products, Terra's first and only priority is to make sure that they satisfy one of the following three standards:

- Eco-friendly
- Sustainable
- Reusable and recyclable



**Figure III.1.1.** A reusable tote bag designed by Terra that will be sold in the store. *Image designed by Vy Nguyen, 2018.*

With illustrated conditions, it is mandatory for the company to always conduct careful research for brands selection, have detailed evaluation and work closely with suppliers/manufacturers to guarantee correct quality measurement. The first noticeable choice of products are the lab-grown materials. Two main types that we offer would be leather and silk. The world's population is on the increase, and so is leather and silk demand. Fashion brands and manufacturers are challenged to think of a sustainable solution to tackle such issue, along with many protests against slaughtering animals for clothing materials and damaging the environment in the making of silk. That being said, in recent years, there have been a wide range of animal-free clothing items available on the market, such as vegan shoes (Dr. Marten for instance), bio-fabricated leather bags and wallets, or spider-free and worm-free silk using biosynthesis technology.

It is important to understand how big this advancement is to go from normal leather to more sustainable and cost-efficient one. Producing leather has always been an expensive and wasteful procedure: companies do not use approximately 33% to 40% of the material they buy, and many suppliers had to close down manufactures due to the incredibly high cost (Scipioni, Libassi, 2018). "You have to think of its value not in terms of price per square meter because the way we make our materials, there isn't a lot of waste. It's much more efficient in the supply chain because you don't have to wait years to make the material, you can actually make it in less than two week." (Forgacs, 2018). In a 2017 report by Grand View Research, it is predicted that the faux leather business will have reached 85 billion dollars by 2025 (Chiorando, 2018),

indicating the notable potential for this industry. The same trend could also be seen in the silk production, with millions of investment being put into funding scientists, engineers and designers to achieve the desired goals. However, it remains a slow process to become well-known alternatives, therefore, we are hoping to help fastening it through our company by working with a list of qualified startups to introduce these amazing products to our customers.

In addition to our collection, Terra targets ethical brands that manufacture their clothes using eco-friendly fabric like hemp, line, or bamboo. The expansion of these materials are the results of the controversy surrounding the fashion industry, where they have brought severe damage through pollution in the areas that they operate. One crucial note to add is that, combined with the first line of products illustrated above, we will offer to our customers not only the finished items, but also the raw fabric for those who love to design and create clothes. And lastly, for the fashion-focused section, Terra will be providing natural dyes and natural colorants for these raw textiles, and all of them can be refillable and charged accordingly in our store after the first purchase.

After the mentioned core lines of product, it is unsurprising that the company will stock and sell many of the common reusable, packaging-free utensils. To perceive the store's facility layout, we will have one fashion area, and one refillable area that will also display reusable straws, cups, glass jars, kitchen culinary (wooden spoons, knives, forks), etc. The refillable list will include personal hygiene, body products, essential oils, baking soda toothpaste, laundry detergent, eco-friendly cleaning ingredients for the kitchen and bathroom, and so on.

#### b. Brand Values

### **“A step towards sustainability.”**

Our customers' values and concerns is also our values and concerns. Terra understands and prioritize the choice of a minimalistic and eco-friendly lifestyle. Every single product of ours is a promising investment in a fashionable, environmentally-safe, and sustainable future. It is not just a lifestyle; it is the choice of being responsible to our Earth.

#### **c. Branding Strategy**

**Product:** Eco-friendly, free to minimum packaged and reusable products, with a focus on fashion items and raw materials.

**Place:** First store located on Main Street

Main Street has been chosen as “Vancouver’s answer to New York’s Brooklyn,” and described as “a hub of independent boutiques, renowned coffee roasters, local breweries, consignment stores and world-class restaurants”. (Simpson, 2017) This is the so-called “hipster” area, where many of the millennials generation would hang out, drink, eat and shop. In later analysis, we will be digging deeper into this specific segmentation for further understanding.

**Price:** Everything in the store would be ranging from around 2 dollars for a small product like metal straw, to a lab-grown leather bag of around 200/250 CAD. It is inevitable that these items are relatively more expensive than those in other regular convenient/clothing stores, since the cost is accumulated from all the expenses of the production process, the quality check, shipping and many more. However, we guarantee that the expensive purchase is worth it, with high quality and long-lasting characteristics of all the products we have. This also explains why

choosing the right segmentation is vital, as we have to make sure the customers we are targeting would be able to afford certain goods in Terra.

**Promotion:** Digital marketing along with traditional marketing method is ideal for the final step. We will have a Facebook fanpage in advance to promote the store and create the anticipation, and an instagram account should also be considered to better reach customers that actively shop online. Printed ads are recommended to put on coffee shop's doors/walls along MainStreet, Commercial Drive, or GasTown, places that usually bear millennials, our targeted generation. It is advisable for the company to find environment related events to participate, such as having a booth to sell goods or sponsoring the organizers, to further increase customers' awareness. Certain sales will be given in the first period of opening the store, and discount can be given as well to those who buy our reusable items and bring back next time for refilling.

#### d. Competition and Industry

In this analysis, we will focus more on those competitors that share the similar elements in terms of products and customers to Terra's for compatible comparison. Bigger brands would also be discussed, but briefly.

### **COMPETITION**

There are three main competitors in Vancouver that the company need to take into consideration.

#### **Nada Just Food**

Launched in 2018, Nada is a packaging-free groceries store that promises to "provide only

the highest quality foods & products, reduce waste throughout the supply chain, and support a just food system/commitment to social & environmental responsibility” (Nada, 2018). Although Terra has a point of difference in operation, focusing more on fashion and be an intermediary between suppliers and consumers, and that Nada concentrates more on food and beverage, it is wise to be careful that Nada in the future will establish more range of products, and even with the current items they have, they also compete with us in offering reusable utensils.

### **The Soap Dispensary**

Similar to Nada but with different type of concentration, The Soap Dispensary functions as a packaging-free service of selling refillable kitchen, bathroom, body care ingredients and other reusable kits. The customers can bring their own (or buy their own) containers, and charge them according to the amount they grab.

### **MUJI**

MUJI will be the one who competes with us in fashion category. They grow and cultivate cotton and manufacture their own fabric with the material, and the price range for their clothes is also premium (50 dollars for a shirt to around 150 for a coat), similar to ours.

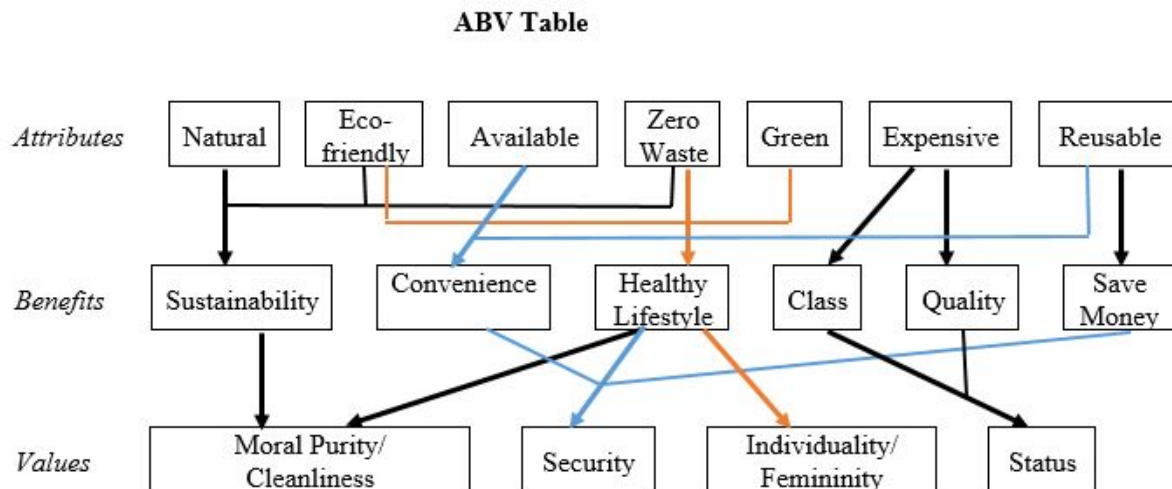
### **INDUSTRY**

These are only startup companies, so it is understandable that there is no specific leader yet. On a bigger picture, which is in the scale of a whole industry, big companies apparently are trying their best to shift gradually to sustainable strategies instead, but of course they are not 100% eco friendly. But efforts are appreciated, and some companies are actually leading in terms of participating in such green movement. Corporations such as H-E-B, Lush, or Timberland are

perfect examples of putting efforts into approaching more sustainable strategies.

e. Consumers

In order to correctly assess the customer segmentation, Terra Co., Ltd. first need to understand the qualities that the company's products will offer its users together with the customers' perception regarding the products' benefits and the internal values associated with them. By using the research technique of laddering, linking product attributes to the terminal values that people wish to attain, Terra hereby presents the company's ABV Table:



**Figure III.1.2.** Hierarchical Value Map of Terra. (2018)

As illustrated in the table, by consuming eco-friendly goods and services, people can gain the benefits of a sustainable and healthy lifestyle, satisfying their interior motive to lead a life of moral purity. Similarly, a healthy lifestyle can represent their individuality or femininity, opposing the traditional “masculine” way of strong, tough, and self-centric living, while the quality of convenience and cost-efficiency may reflect people's desire to gain a certain degree of

security in their life. Finally, because environmentally friendly products are more expensive as a trade-off for their quality, and people need to have certain financial stability in order to afford them, they carry a sense of higher class that will be utilized to satisfy the owner's need of their own status in life, as referenced from the "Analysis of Consumption Symbolism" (Durgee, 1991).

After analysing the ABV Table, Terra has come to a conclusion in terms of the ideal customer segments for the company's operation. The targeted customers will then be divided into two main overlapping groups based on their demographics and their psychographics.

Concerning the consumer demographics, with people's raising awareness with regard to the considerable decline in environmental quality in the recent years, there arises the need for modern consumers, especially those from younger generations, to actively contribute to the environment. In a 2015 research conducted by Nielsen, when asked if they would be more willing to "pay more for sustainable goods" from environmentally committed companies, 66% of global respondents agreed to pay more if they could be of help in protecting the earth. In addition, the company noted in their article that Millennials and Generation Z were the most willing. Those younger generations show lots of potential to become a major economic force in the future; therefore, brands that have successfully established a reputation for eco-sustainability will be able to gain massive market shares resulting from the loyalty of this new source of spending power. Besides, the mature market is also of great importance in protecting this planet. In the same research, though only 7% of Baby Boomers agreed to pay more in 2014, the statistics experienced a significant surge upwards to 51% in the very next year, showing that the older generations also display great concerns over the environment. Therefore, the two main

demographics that Terra will target will be Millennials and the mature market.

Furthermore, Terra has decided that the company will place a higher emphasis on female than on male consumers, since it is stated in a 2008 article that women tends to be more active than men in the pursue of eco-friendly and nature-based products (Arminda et al, 2008). Another reason for our choice is because in the ABV table, one of the terminal values resulting from our analysis is femininity, thus the products' higher appeal on female consumers. Finally, as the products that Terra offer will be relatively more expensive than others in the market, the targeted consumers should mainly be in the middle-class section so that they will have enough financial resourced to pursue our products.

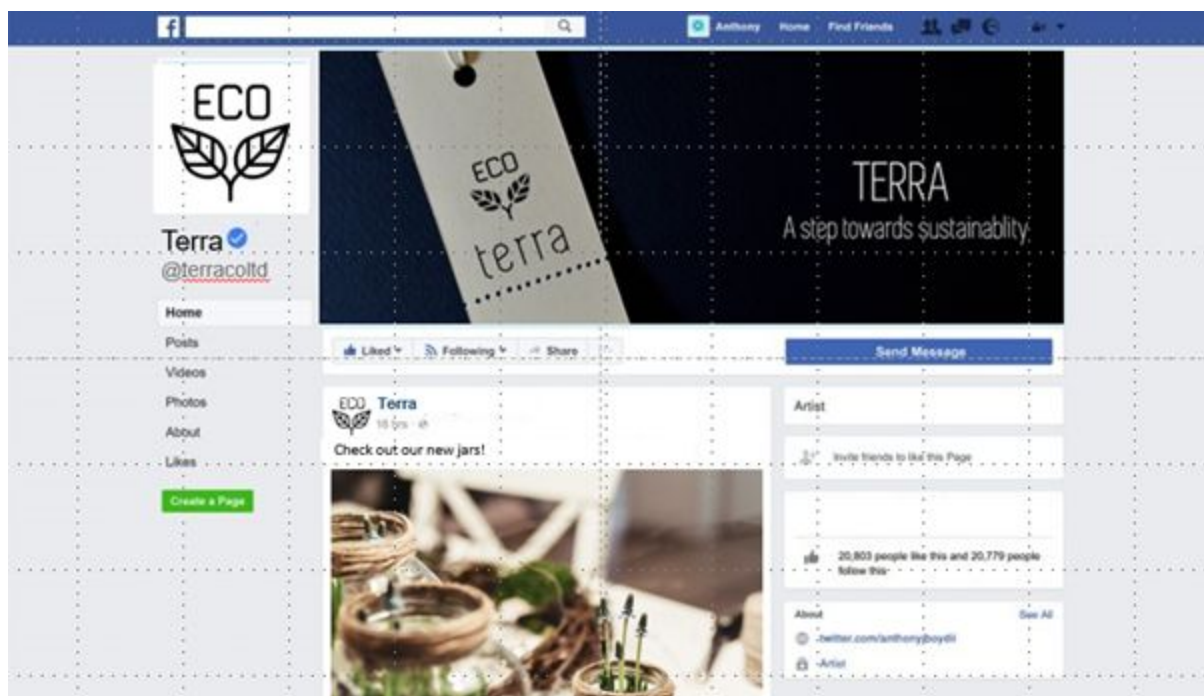
With regard to people's psychographics, Terra will target those who have strong affiliation with environmental protection. As quoted from "Identifying the green consumer", people who are actively dedicating to protecting the environment are likely to buy and consume more green and natural products. One other customer segment is people who value internal orientation, choosing to focus on self-realization, respect, and internal happiness rather than more external values.

## **2. Assessing Consumer Behaviour**

In this part of the report, Terra will utilize theories in consumer behaviour in order to give a reasonable explanation regarding the company's choice of customers. To begin with, in the Nielsen insights, Millennials and Generation Z were considered the two generations that were the most willing to pay more for products that are sustainable and eco-friendly – with 75% and 72% of their respective total respondents agreeing to that notion. Those generations are also highly optimistic: It is stated in a Pepsi survey (2008) that Millennials have very strong association with

promising words such as “Change”, “New”, “Progress”, “Hope”, and “Excitement”. As a subgroup of “go-getters”, they also have very strong “self-brand” awareness, especially women. The young nowadays know their value, and now they are more focused on living for themselves and enjoying life rather than settling down and having a family, leaning towards internal orientation. This unique lifestyle demonstrates clear individuality in their daily life, aligning with the terminal value of individuality and/or femininity in the ABV Table. Therefore, those who wish to achieve a sense of individuality or to display their independence to others are likely to consume Terra’s products.

Another point about Millennials is that they are highly tech-savvy with considerable online presence. Therefore, by advertising online, for example Terra’s Facebook page, the company can both reduce the traditional advertising cost and target the online generations more effectively.



**Figure III.1.3.** Terra Co., Ltd. Facebook Page. (2018)

As seen in the Facebook page of Terra, the company has managed to gathered a number of approximately 20,000 followers, meaning that every post that Terra features on the page will be exposed to 20,000 people, effectively marketing the company's products to potential customers. Online ads also mean that the number of printed brochures and posters will be reduced, helping Terra to stay true to our mission of "A Step Towards Sustainability". Besides, as a major qualified Facebook account, Terra can become an influence group leader that can affect people's purchase decisions.

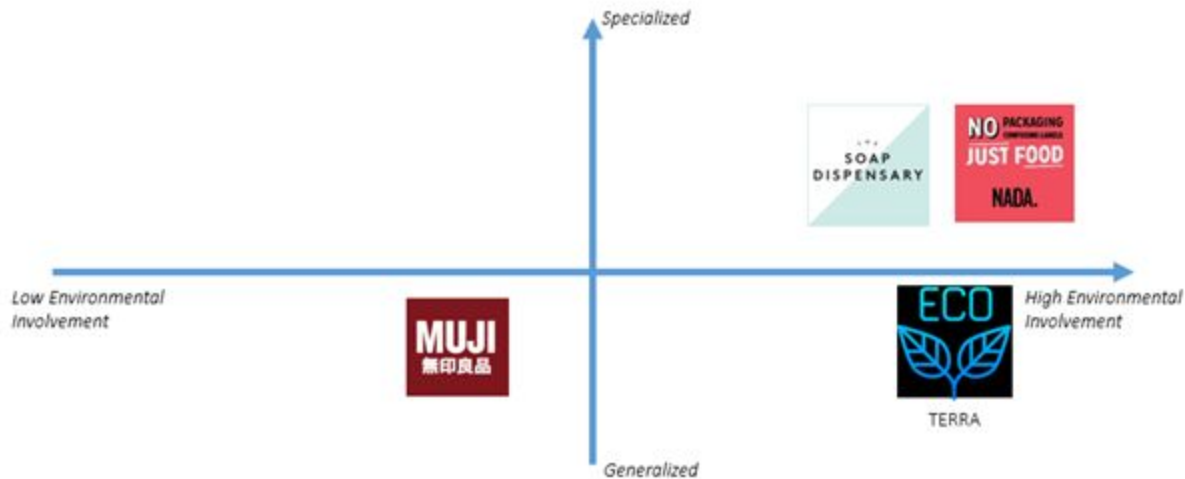
Finally, as Millennials are constantly exposed to online media, they are always open to public observation and World News, increasing their awareness of the world regardless of their geographical location. Therefore, this current generation are highly knowledgeable of what the world is going through, promoting themselves to become pro-environmental and to actively contribute to protect this planet.

Moving on to the next customer group – the mature market – Terra is aware of the "Grey Power" residing in the more senior demographics. Older people are leading very active and multidimensional life with a strong emphasis on altruism – the act of giving back to the community. In an article by Statistics Canada, seniors are said to not be likely to participate in voluntary works; however, those who choose to take part contribute the largest number of hours.

|                 | 2013 |
|-----------------|------|
| <b>Total</b>    | 154  |
| Men (ref.)      | 164  |
| Women           | 145  |
| <b>Age</b>      |      |
| 15 to 19        | 110  |
| 20 to 24        | 147  |
| 25 to 34        | 126  |
| 35 to 44 (ref.) | 122  |
| 45 to 54        | 150* |
| 55 to 64        | 203* |
| 65 to 74        | 231* |
| 75 and over     | 196* |

**Figure III.1.4.** Source: <https://www150.statcan.gc.ca> – “Volunteering and Charitable Giving in Canada”

From the table, it can be observed that older people from 45 years old upward contribute the most to social work in terms of hours. Because of this tendency to spread kindness to everyone in the community, the elders are likely to participate in environmental services and to consume sustainable products, presenting themselves as a promising customer segment of Terra. Moreover, as people retire, they do not have to subject themselves to numerous responsibilities like before; thus, they have more time and money to pursue their own interest, wielding large spending power over the consumption market.



**Figure III.1.5.** Perceptual Map. (2018)

This perceptual map shows the stance of Terra together with the company's competitors in the market for sustainable products. Both Soap Dispensary and Nada Just Food rank high on the scale of Environmental Involvement because the values of those two brands align with Terra's own mission to provide eco-friendly products and to reduce human impact on the Earth. However, Terra's point of difference is the company's brand positioning as a retailer; therefore, Terra's products are more generalized while those of Soap Dispensary and Nada Just Food lean towards the Specialized section. One competitor that also provide a long line of products like Terra is Muji; however, while Muji has been successful in creating a brand image of being organic and nature-based, the company does not have a mission of protecting the environment, thus its low rank on the Environmental Involvement scale. With such range of products, Terra is confident that the company can support its consumers with any sustainable products that they would like to purchase, allowing maximized convenience. The point of difference helps Terra target the customer segments that have the need for an eco-friendly and zero-waste retailer, increasing its position in the market.

#### **IV. CONCLUSION**

To conclude, as Terra is still a new company, there is still much for the business to learn in the industry. The company has decided on the two main customer segments – Millennials and the mature market – because of their spending power as the subcultures of emerging economic force. They are also the people that may have the underlying desires that can be satisfied by the product chain of Terra, according to the Freudian theory of marketing implication and the ABV table that highlights the connection between the product attributes and the values that they represent. By analysing the customers' thoughts and opinions about the Self and Values, Terra has successfully reached their ego and created needs for themselves to fulfil. At last, Terra's Facebook Page is a reference group for potential and existing customers, affecting their individual consumption decisions.

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