



## **Industry Analysis**

### **Traverse Backpacks**

Traverse Backpacks offers backpacks for a specific need with in the backpack market. There are no backpacks currently in the industry that has a support system and is for school use. The average person tends to go about 5 to 10 pounds over the suggested weight amount for the average backpack. With a regular backpack items within the bag have to be situated just right in order for the backpack to function properly. Traverse bags would offer a support system for your back.

### **Activity Backpacks**

Bags have evolved from simple strap and pouch to more complex activity specific bags. Activities that involve the use of a bag are climbing, hiking, school, sports, and everyday activities. There are also many different designs such as simple shoulder bags, duffle bags, backpacks with shoulder straps, laptop bags, etc. Even though bags have evolved for many uses there is still no one offering a bag that has a support system for school use.

### **Internal Framed School Bags Industry Analysis**

The backpack industry consists of a wide range of backpacks. The area that we are choosing to focus on is the school backpacks. This industry is well saturated with bags that are for school use they offer laptop compartments, organized pockets and pouches, and even cushioned straps. There are only a few school bags that offer a waist strap for added support. There were none that offered a support system and an adjustable waist strap. If a customer is looking for this type of product they would have to go to an outdoor shop and then those bags would most likely be oversized for their needs.

### **Market Dynamics- Five Forces**

The Porter Five forces chart (see figure 1) explains the business environment surrounding Traverse Backpacks. It shows both the opportunities and threats associated with the new venture. Also shown in the chart are customers, competitors, substitutes, suppliers and industry/regulatory forces and how they influence the expected success of Traverse Backpacks.



## **Customers**

Our customer base will mainly be consisting of college students. We see a great opportunity to enter the market in this target of college students and expect to see great success. There are currently 40 million students across the nation who use a backpack and we plan to target college students (but not limited to all students) who have a constant need for good backpack gear. As we focus on college students we hope to capitalize on the independent financial situation that they have and to create a need for a backpack that will be cost effective and quality reliable. We will enter this part of the market and create a need for college students to use a frame supported backpack and the benefits associated with our specific brand and prices.

## **Competitors**

There are currently 5-10 major backpack companies that are in the market but they vary in quality and pricing. The well established companies offer name brand proven reliable gear, but their market power has lead them to increased pricing. Competitors' equipment ranges in size and quality but their does not yet exists a company ready to enter the market with collapsible hard frames. Our company will also offer sizes suitable for climbing sports, school, and climbing. We will enter the market offering the best quality backpacks for students at the lowest cost available. We expect to maneuver well around competitors and be able to open up part of the market share where much growth is potential.

## **Substitutes**

The substitutes in the backpack industry are generally based on gear that does not have strong frames. Regular school backpacks do not include a frame and end up causing discomfort, wear, and heavier loads for students. Another substitute would include a larger backpack for more avid campers and sportsmen. Our product will prove to fit the category of best gear for all around use. Though similar products on the market exist, pricing is considerably unaffordable to students. The substitutes are too weak, too expensive, or too large.

## **Suppliers**

Because other patents of backpack frames exist, we will plan to use an existing frame model and eventually design a unique design that will correspond to our great value. There are multiple major suppliers that exist including Global Sources- China and Wholesalers from Alibaba.com- South Africa. Since there are so many options we will probably choose an overseas supplier that offers low cost of goods. We plan to use whichever supplier is the best cost at the time, and this may shift depending on shipping costs, currency, etc.



## **Legal/ Regulatory**

We feel confident in entering the market according to the best quality and pricing. As we may do business overseas we may find regulations on shipping that may come and go. As we continue to create a unique value and a need in the backpack gear industry we hope to involve government support by focusing on the overall health of those who use our gear. We have hopes that the backpack gear industry will tend to veer away from gear that does not contain frames and supportive features; this will allow us to be the main powerhouse of best pricing and reliable quality for everyone to be searching for.

## **Direct Competitors**

There are many direct competitors that Traverse backpacks will have to compete. We have outlined eight competitors that use internal frames in our bubble chart (Figure 1.2). In our bubble chart we are making a comparison between the capacities, the internal frame quality, and how if it is geared toward school. We are focusing on a specific niche in the internal frame market, mainly focusing on school age children or the day pack market.

## **Indirect Competitors**

There are tons of other competitors that do not have internal frames but pose a serious threat. These companies, such as Ogio Jan Sport, LL Bean and many other companies provide inexpensive school backpacks. These companies have large brand reputations. These backpacks however do not offer an internal frame which in turn does not offer the support and quality that our backpacks will offer. They still are a large threat and need to be accounted for, especially because in today's market very few students have internal frame backpacks.

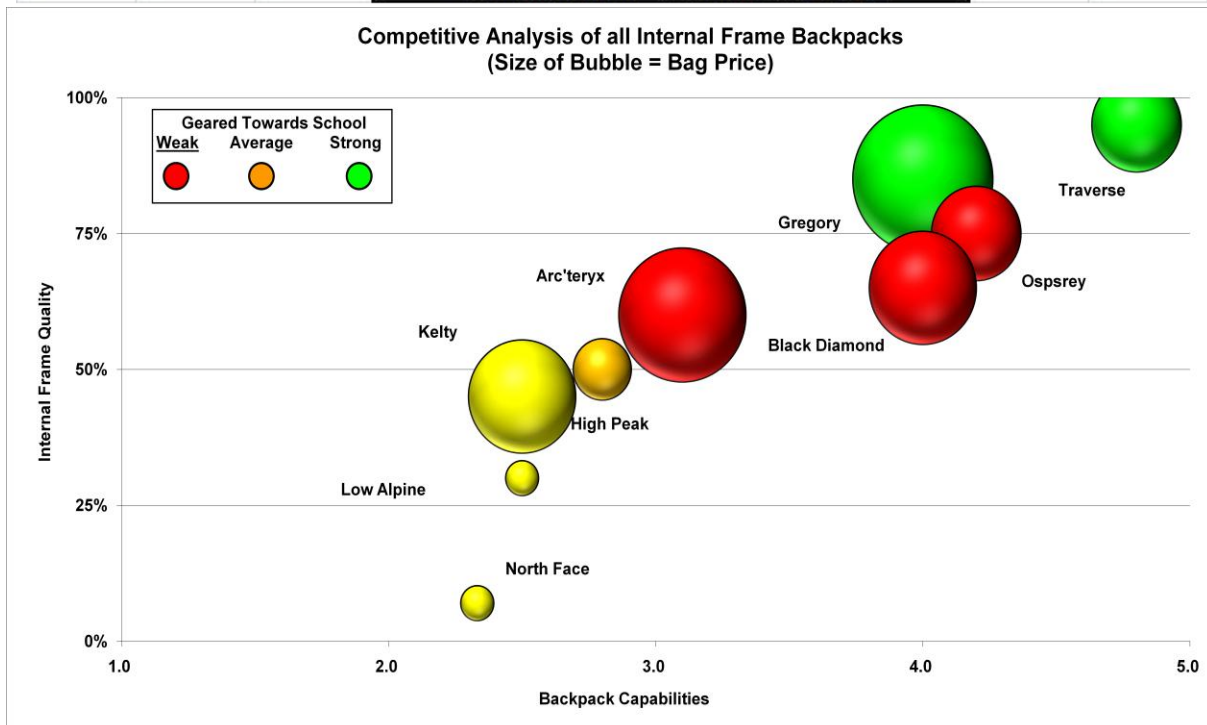
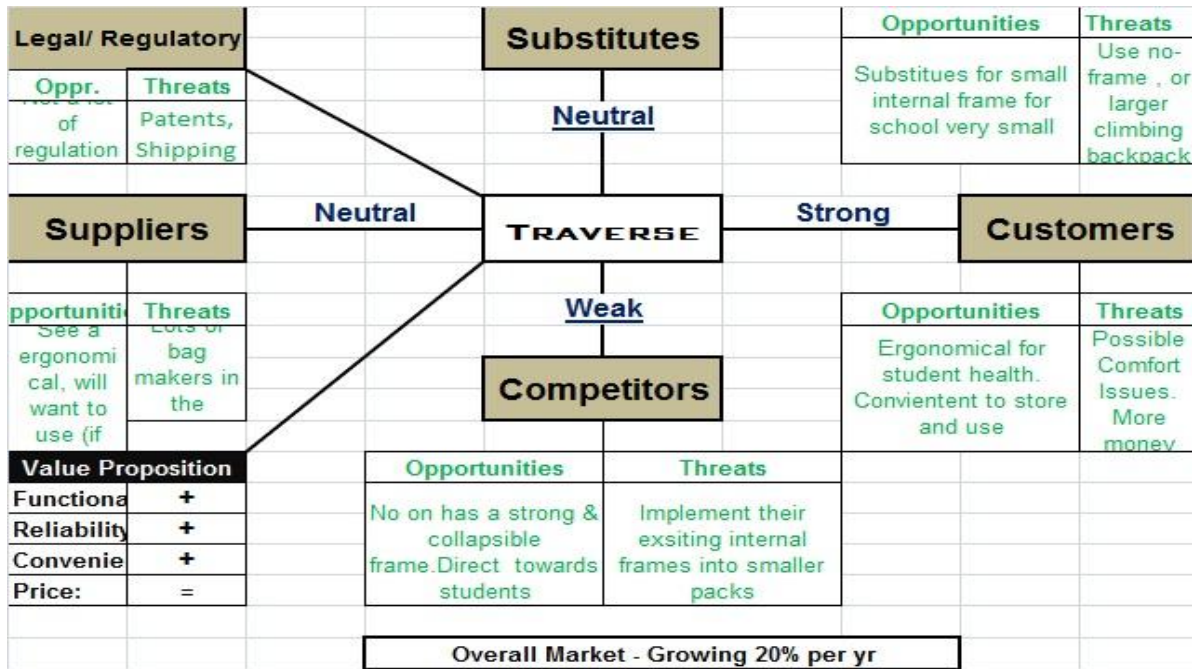
## **Traditional Backpacking Companies**

Gregory, Arc'teryx and Osprey backpacks make amazing internal frame backpacks, but their internal frames typically tend to be quite expensive and do not focus on smaller internal frames that would be used for school use. Both of these companies do have a small market in the smaller packs that are intended for shorter day hikes. They do not however have any collapsible internal frames. These backpacks do offer extensive features and a brand reputation that would be extremely difficult to overcome.

There are many other backpack companies that we have outlined on our bubble chart. They all offer excellent options for internal frames but typically their brand is not as correlated with backpacks. The companies are more focused on the larger backpacks and do not have as large of a market with the smaller internal frames or the quality of these internal frames are not as

good as the previously mentioned companies. Kelty has been around for numerous years and makes decent backpacks. They are well known but the quality is mediocre. Typically their prices are better, but we can always refer to the adage, you get what you pay for.

### Market Analysis





## **Traverse Backpacks**

---

### **Mantra**

*Helping Your Back; Helping You Move*

### **Vision Statement**

*Promoting health and enjoyment in backpack wearing by providing comfort and ergonomical stability in all activities requiring backpack use.*

Team Roster & Scope of Work for each member

### **Stacey Hatch**

Marketing: I will be doing market research. This will include doing customer analysis, finding our target market, looking at market trends, and developing a marketing strategy for Traverse Backpacks. This will include creating an identity and a brand image for our product. I will also do research to find the best way to enter this market. I will be involved with positioning our product and coming up with a pricing strategy.

### **Ethan Bennett**

Finance: I will focus on the numbers for the company. I will prepare the financials and give projection that will reflect our current financial standing as well as the future solvency for the company. By doing creating the financials for the company we will be able to know if we want to fund our company with debt or equity. I will be able to create the ratios that will allow our company to be comparable to others in our industry. Projections for revenues, net income and the amount of capital that will be needed to start up our company will also be taken into consideration.



## **Brent Carver**

Supply Chain/ Supplier: I will be involved in the company system to best distribute the products and supplies to customers. I will make sure to expedite and efficiently monitor the processes at which I receive the proper raw materials, calculate the most energy/cost efficient manufacturing systems, and finalize product information to meet customer satisfaction and company standards. I will also take part in organizing proper technology systems to offer a unique and efficient companywide digital system. My efforts will be combined with other specialists including product developers and technology experts in order to run the most efficient systems in the field.

## **Geoff Nielson**

Research/Product Development: This encompasses in-depth product assembly and material use, along with innovative designs specific to Traverse, implemented into the design of the backpack, including: vertically adjustable waist belt, collapsible and foldable stiff frame, and specific to user integrated design. Development will include intensive collaboration with market research, and documented specifications to both patent and provide synergy among in-company products.



## **Market and Customer Analysis**

### **Customers**

College students carry large loads across campus. There are many things that college students look for when selecting a bag designed for school life. They want a bag that offers them back support and also has pockets making it convenient to access books and other supplies. They want their bag to be big enough to carry the essential books, laptop, iPod, and other supplies. They don't want a bag that feels big and bulky. It is awkward when a bag protrudes way out from their backs making them feel like they are unable to move without hitting the person next to them. They also like to be able to use the bags for different things besides school such as a hiking trip, snowboarding, and travel. They also consider style when choosing a bag. They want something that looks and feels great.

### **Our Approach**

We would offer a bag that is stylish and has many pockets for easy access. There will be pockets for a laptop, pencils and pens, iPod, and other small compartments. Our main selling point will be that our bags offer back support with an internal frame. We would also have a waist strap which will give added support.

### **Barriers to Entry**

Some of the things that we would have to be able to do in order to enter this market is to find a place to manufacture our product and find skilled seamstresses. Companies that are already in the market already have these things established. There are also many brand names that are already established in the market. We would need to create brand awareness and help the customers see what a great product we have and how it differentiates from other school backpacks. Some customers weight style higher than the other qualities so we will have to come up with a great style that is appealing to college students.

### **Market Entrance Strategy**

As we are entering the backpacking industry there are some brand names that supersede all others, Gregory, Osprey, Kelty and a few choice others. In the early stages of our company it would be suicidal to directly compete with these powerhouses. It would be the equivalent of trying to open a Mom and Pa grocery store in the Wal-Mart parking lot, it would





fail. It would be in our greatest interest to partner or license out our patent to these larger backpacking firms who would help us build our small company.

Many of these firms are very similar to our small startup company in that we all producing the same product, backpacks. We feel we will have a technology and a design that will be appealing to these larger stores because of our unique collapsible internal frame and adjustable waist belt. In the backpacking industry there are a few companies who specialize, or have penetrated the market that we hope to enter, small internal frame packs used primary for school use. Gregory has already entered this market with normal school backpacks. A normal school backpacking is defined as, a small bag with no internal frame that would be primary used for books and computers. Seeing that they already have entered this market, it would make the ease of entry for our product line to be relatively simple. We would license our design to Gregory and they would be able to put their reputation and image behind our product. There are many other opportunities for partnering or licensing out our product. We could target any backpacking company that exists and through them create a successful business.

Most of our work will be custom work which would force us to limit our production. But as such we would have the ability to charge higher price and maintain high margins. Currently in the United States there has been a health craze that has influenced the way people view themselves and the amount of money that they have invested in their health. Our backpacks would provide the support and the custom fit so that our customer will maintain a high level of satisfaction and comfort. We will also focus on the adjustable waist belt which will allow for growth and change. This being said I think that our company will be a target for acquisition. Our company if acquired would create a new sector in these larger companies allowing them to customize their packs and better fit the customer's needs. Most of these companies already charge very high prices, because of the quality and because of the name, that adding an expensive custom made line would excite their loyal customer base.

There are hundreds of other possibilities or directions that we could take our company. We could try to license our lightweight and versatile product to the government for the armed forces. There is a possibility that we could enter the big box outdoor retail store such as REI and Dicks Sporting Goods. In these stores we could have representative that would make the necessary measures and adjustment in the store. This would greatly increase our customer awareness and brand awareness. This same idea has been introduced by Apple in the Best Buy stores. Apple has a kiosk type set up with an Apple representative there to market the product the way Apple intends. There are so many different options that could be explored but I feel that licensing out our technology to the icons in the industry would have the most benefit for our small company.





### **Distribution**

Were we would be starting out has a smaller venture, or distributions would be from one warehouse, where we would design and make the backpacks. As our company grows, our facility to will grow and we will be able to handle larger orders, and ship to farther locations.

### **Pricing**

We will set our back in a higher quality market. Most of the current bags either fall under expensive and specialty use, or cheap and general use. Traverse backpacks would be on the higher end of the affordable backpacks, ranging anywhere from 45-75 dollars depending upon size and certain functions.

### **Branding**

We have all witnessed the phenomena of companies, who make identical products to those of their competitors, who can brand their product in such a way that it sells. It is the hit product. We will brand ours so that form follows function. This will come down to the design of the product and how it relates to the consumer, in this instance, a student. We will show off it's versatility in many settings where college students will be presented, as well as addressing the ergonomics of the product, which will capture the attention of mothers and fathers shopping with their 1<sup>st</sup> year freshman child.

### **Discounting**

Traverse backpacks offers a unique student discounting system called the "show me" discount. This discount supports students showing some kind of student ID, whether university, high school, or middle school. Students below middle school not required. If students bring in some kind of proof they are in school or in between school tracks then they may receive 15% off. If other non students want the "show me" discount than they can have students come in and buy the backpack or gear for them. This will give the incentive and the standard for all students to come in and check out our merchandise. Also if students can provide a report card or progress report of their grades being all "A's" then they may receive an additional 10% off. At Traverse backpacks we strive to sell gear to students to at a discount to promote education and excellence. Other discounts may vary in the year. We realize that other groups of people may want to purchase backpacks and gear such as sportsmen, or campers. We offer an outdoorsman discount of 15% off that includes sportsmen, campers, hikers, etc, to come in with some of their gear, and try out products. This will represent to outdoorsmen that Traverse is also dedicated to helping an individual choose the right gear for the right job. This discount



promotes better satisfaction and less returns. Outdoorsmen discount may vary during year and may not be added with any other offer.

### **Allowances/Return policies**

At Traverse we are so confident in our products that we offer a 30 day money back guarantee that if for any reason the customer is not satisfied, they may return the product for any reason for no additional fee. We also offer a unique system that allows customers to buy a protection plan which entails that if our products have some kind of manufactures inaccuracy; the customer may return the product for repair. We have a one year plan and a two year plan. The protection plan includes damage to internal frames, straps, outside coverings, zippers, and buckles. The one and two year plan will vary in price from product to product. If our products are purchased in a Traverse store then the protection plan will allow the customer to return the items to the Traverse store. If our products are purchased in some other store or internet site, then the customer may mail in the item defective product for repair.

### **Service Agreement**

Our Traverse service agreements are very closely related to our returns policy. When customers purchase a product from us, they sign our service agreement which includes all of the details and regulations associated with the purchase. The service agreements include terms which educate the customer on correct information that Traverse has set forth. When customers purchase our protection plans, they will also be signing a service agreement saying they adhere to the terms and will follow the rules set forth by Traverse.

### **Sampling**

At Traverse we offer a sampling program relating to our outdoorsmen discount. If customers will come into our store, they can bring in their gear and try before buy. When they do this they can receive up to 15% discount on their purchase. Students may also come in to the store and bring their books and student equipment to test out before purchasing gear. Again the student testing is separate from the outdoorsmen testing/discount and may not be combined with student discounts. We will have associates in our stores helping customers become familiar with key features of products and their uses for proper jobs.

## Promotions

We are so dedicated to the quality and prices of our products that we will promote this product in many locations. Twitter has become a great location on the internet to post information and have it spread through multiple people. We will make a twitter account to post official Traverse information on and many people will have the opportunity to follow us. We will create a Facebook account and allow many to add us as friends to receive upcoming product information and discounts. We will create an internet site called [www.traverse.com](http://www.traverse.com) which will allow all to come and view our products, service agreements, protection plans, locations, business information, and videos explaining how customers are testing our products. The videos will be in store testing of products by customers, and also success stories that customers have sent in to demonstrate their satisfaction. Our videos will be posted on all of our accounts and internet site affiliates. We will also promote our store and products through local newspapers in discount magazine packets. We will also contact popular radio stations which will remind students and all audiences to get their gear with Traverse because it is the best try and buy store available.

