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# KANKURA GOLF:
# A BUSINESS PLAN FOR GERMANY

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## Abstract

This work, Kankura Golf: A Business Plan for Germany, is about a Portuguese golf footwear brand, which is currently facing the challenge of redefining and improving its sales strategy. Consequently, this project focuses on assessing the size and scope of the golf footwear industry, with the purpose of defining the company's market position. Besides of analysing the internal and external contexts by applying the concepts presented in the literature review, this report collects customer insights from German golfers. In the end, it is concluded that the company's optimal positioning is as a modern golf shoe brand that combines superior quality with a fashionable design.

*Keywords: Golf Footwear Industry; Marketing Strategy; Brand Positioning; Niche Market*

# 1 Introduction

Kankura Golf (KGolf) is a Portuguese golf footwear brand, owned by Kankura Salazar Lda (KS), an import-export footwear company that has more than 30 years of experience in this industry. The company's CEO António Kankura Salazar (António) launched this project with the aim of producing high quality versatile golf shoes, which are suitable to use in the golf course but also in the daily life. For a non-golfer this seems a banal and common situation, but the fact is that as a golfer and experienced businessman António understood that the traditional golf shoes weren't yet fully adapted to current golf player's needs: waterproof, comfortable and fashionable golf shoes that a player can use in and off the golf course, without having the need to exchange shoes before and after a round of golf. So, in 2014 he started the golf footwear brand Kankura Golf, with the mission of creating "golf shoes made by golfers". In less than three years, the company is launching the fourth collection and it is represented in 11 countries, in which has sold 5.823 pairs of golf shoes (appendix A, figure 1).

To achieve such a fast implementation KGolf took advantage of two key resources of KS: the extended know-how in the shoe business, and the vast network at all levels of the value chain (suppliers, agents/distributors, retailers).

However, despite of the incremental sales increase and the international presence intensification, this strategy led the company to sell its shoes without a clear defined target, putting KGolf's future success in perspective. The fact is that regular daily shoes are different from golf shoes, which are sold to a different customer, in a different store. Therefore, KGolf is facing the challenge of redefining itself and hence understand which are its core markets and customers.

Consequently, this project focuses on assessing the size and scope of the golf footwear industry, with the purpose of defining a clear market position for KGolf.

In order to identify the key market for this analysis, a preliminary study was done. Firstly, the European countries were identified as the major market for KGolf due to two main characteristics: its proximity to Portugal (where KS has its core competencies) and the fact that Europe has the second biggest golf concentration worldwide (appendix A, figure 2). After this step, the market size of each European country was analysed. This revealed that one third of the registered European golfers are concentrated in two countries: England (678.372) and Germany (640.181) (appendix A, figure 3) (KPMG 2016). Finally, due to the BREXIT, England finds itself in an unstable political and economic situation, in which prospect commercial relations with European Union countries (and companies) are questionable and difficult to predict. This uncertain scenario makes the English market less attractive for small non-British companies like KGolf (Milmo 2016). As a result of this preliminary study, Germany was selected for the purpose of this analysis.

Hence, the main research question of this project is:

What is optimal and recommended brand positioning for Kankura Golf in Germany?

The assessment of this question will be divided in five main chapters. Firstly, a literature review presenting the necessary core concepts on strategy and marketing will be done. The second chapter will focus on the situation analysis, which will comprise three levels of examination: macro environment, the golf footwear industry in Germany and the company itself. In the third part, the findings of the previous chapter will be complemented with deeper consumer insights, with the objective of defining a marketing strategy and brand positioning. In the end, after a brief financial contextualization, will follow the suggestion and conclusion.

# 2 Literature Review

This chapter provides the theoretical background and a literature review of the relevant marketing and strategy concepts for this project.

In reality, there are many sets of business tools to analyse a company's situation and to help companies understanding its optimal competitive positioning. One of the frameworks that support the evaluation of the company's strategic planning is the SWOT analysis. This analysis focuses on identifying the company's strengths, weaknesses, opportunities and threats. Typically, by observing the external business landscape opportunities and threats are identified, whereas strengths and weaknesses are usually deduced by analysing the company's internal structure (Besanko et al., 2009). The assessment of these four factors helps to understand the company's business, and leads to identify the main issues and challenges that the company is facing (or will likely face in the future) (Porter, 1985).

In fact, there are a number of frameworks that support and help to comprehend the external business landscape. Given that the proposed analysis is focused in exposing and exploring both the macro economic and industrial contexts, and its impact in the company, the selected methods to be applied in the scope of this report are: the PEST analysis and Porter's Five Forces model.

The PEST analysis focuses on a strategic analysis of four macro-environmental factors: political, economic, socio-cultural and technological. Sometimes two additional factors, environmental and legal, are added, but in this report these two topics will be included in the other four factors. The use of this framework is vital to ensure that the company's strategy is aligned with the different macroeconomic forces that are affecting the business environment (Porter, 1985).

On the other side, and complementing the macro-environmental perspective of the PEST analysis, the Porter's Five Forces model is a comprehensive analysis at an industry level, that strives to understand the main competitive forces of the industry: internal rivalry, threat of entry (or entry barriers), threat of substitutes, bargaining power of suppliers, and bargaining power of buyers (Besanko et al. 2009; Porter 2008). As Michael Porter wrote, the "awareness of the five forces can help a company understand the structure of its industry and stake out a position that is more profitable and less vulnerable to attack", a key research theme in this project (Porter 2008).

The result of these two frameworks will lead to understand the company's industry and macro-environmental landscape, and thus, serve as a basis towards identifying the company's opportunities and threats, which will allow an effective strategic positioning (Besanko et al. 2009; Porter 1980). However, it is important to note some limitations of these two frameworks. First, both rely on a static analysis, meaning that external factors are continuously changing, hence needing a constant review. Secondly, "it focuses on a whole industry rather than on individual firms that may occupy unique positions that isolate them from some competitive forces" (Besanko et al. 2009).

In addition, the analysis of the internal structure is focused on understanding, which is the company's competitive advantage and how it is creating value. In fact the "firm can create superior economic value", in which it executes certain activities more efficiently than its competitors (Besanko et al. 2009). One of the ways of accomplishing this is the possession of "resources and capabilities that its competitors lack" (Grant 2016; Besanko et al. 2009; Grant 1991). As a matter of fact, resources and capabilities "provide the basic direction for a firm's strategy", and are the "primary source of profit for the firm" (Grant 1991). Resources "are firm-specific assets" which "cannot easily be duplicated or acquired by other firms in well-functioning markets" (e.g. patents or employees expertise). Capabilities "are activities that a firm does especially well, compared with other firms". These, "might reside within particular business functions", "may be linked to particular technologies" or "they might reside in the firm's ability to manage linkages between elements of the value chain or coordinate activities across it" (e.g. network) (Besanko et al. 2009; Grant 1991).

In the end of the three analyses (macro-environmental, industry and company) it is possible to slightly understand which should be the company's strategic position to be successful. In fact, according to Porter, "achieving competitive advantage requires a firm to make a choice" (...) "about the type and scope of competitive advantage it seeks" (Porter 1985). Consequently, he defined three generic strategies to achieve competitive advantage: cost leadership, differentiation and focus. Cost leadership means that a company is targeting almost every segment in the industry by offering a lower price; differentiation is the attempt to target industry wide, but striving to distinguish its products by other characteristics than price (e.g. quality, design); focus is the targeting of one (or few) segment that has particular needs and characteristics (Porter 1985).

Actually, these strategies give the answer to the first key positioning issue: "how" the company might create value in the market and industry. Yet, they ignore the deep understanding of the customer's needs, and thus a second key positioning question arises: which markets and customers should the company target in order to be able to create value?

Across the years, this has been a major research subject in the marketing and management fields. One of the techniques and theories that explores this subject and best supports Kankura

Golf's positioning issue is Kotler's "segmentation, targeting, positioning (STP)" formula, commonly used in strategic marketing (P. Kotler, Bowen, and Makens 2006; Philip Kotler and Keller 2009).

In essence, segmentation, means to divide the market "into well-defined slices", in which a segment "consists of a group of customers who share a similar set of needs and wants". The objective is "to identify the appropriate number and nature of market segments" and then decide which one(s) to target. The definition of the segments is done by analysing and clustering different characteristics such as, descriptive (e.g. geographic, demographic), or (and) behavioural (e.g. usage occasions, brands). In the end, the key is to identify and profile distinct groups of buyers who differ in their needs and wants (Philip Kotler and Keller 2009).

The second stage, targeting, is about selecting one, or more segments. This process involves evaluating the potential attractiveness of each segment and the fit with the company's objectives and resources.

After, having defined a clear target the company must define a position in the target market. The objective is to create a "value proposition and product-price positioning strategy based on the segment's unique customer needs and characteristics". So, it "is the act of designing a company's offering and image to occupy a distinctive place in the minds of the target market". One of the tools that typically supports this process is the marketing mix, also known as the four Ps of marketing: product, place, price and promotion (Tybout and Calder 2010; Philip Kotler and Keller 2009).

In the end, this literature review focused on presenting some of the core concepts in strategy and marketing that are essential for this analysis. In the next chapters the introduced theories will be put in practice in the context of Kankura Golf and its market positioning in Germany.

# 3 Situation Analysis

This chapter exposes the context in which Kankura Golf is operating. Besides of a market and company overview, it comprises analyses at three different levels (macro-environmental, industry and company). The outcome will be used in the end of the chapter to perform a SWOT analysis of KGolf.

### 3.1 Contextualization of the Golf Footwear Market in Germany

The golf footwear market can be characterized by relating two dimensions: volume sales and product range (figure 4). When looking at the volume brands two types of brands can be defined: those covering a wide product range (Adidas, Nike or Footjoy), and those focusing on a particular product (such as Ecco with comfort shoes). Besides, there are several brands exploring niches, such as Sandbaggers (focused only on women shoes) or BIION (only high quality). Currently, KGolf is placed among the low volume brands but with a medium-wide product range.

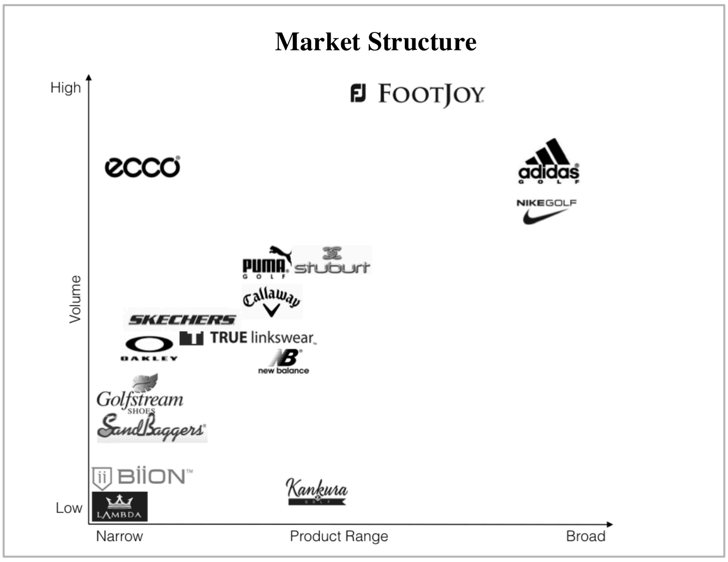


**Figure 4:** Simplified market structure of the German golf footwear market (own representation).

Furthermore it is essential to understand the golf footwear industry's value chain. As shown in figure 5 in appendix B, this is a complex scheme that entails many different types of stakeholders. When looking at the supplier's structure, it should be noted that this varies depending on the size of the firm, but also on the type of the shoe being produced. In principle, large firms (such as Adidas and Nike) produce their volume on plants mainly located in Asia, while smaller firms and high quality shoe productions typically rely on a few local subcontractors, mainly located in Portugal or Italy.

On the other side, the distribution channels are characterized by a mixed system of agent, distributors and direct distribution. Agents and distributors differ on the type of rewarding: an agent typically receives a direct sales commission and a distributor is usually an entity that directly buys a certain stock and than distributes on its own, on a free on board (FOB) system. Occasionally, smaller companies have complementary consignment agreements with local stores and golf club pro-shops (store located inside the golf club).

Furthermore, the retail channels can be divided in four categories: e-commerce, pro-shops, golf shops (stores specialized in golf, located outside the golf club) and large retailers with sports departments (e.g. Karstadt - equivalent to Corte Ingles).

Finally the customers can be divided in two types: B2B and B2C. The B2B customers are typically agents, distributors and retailers, but can also be other brands and institutions. The interaction from the company with these last two usually occurs in a co-branding or private labelling alliance between two entities. In a brand level, it means to expand the existing portfolio towards golf apparel, and thus incorporate a golf footwear collection in the offer. This is likely to happen in pure fashion brands (such as Hugo Boss) or in golf-fashion brands that only sell clothing (such as Golfino). On the golf club/institution level this means to complete the existing customized golf apparel collection with golf shoes. Lastly, the B2C customers are the end-consumers – in this case the golf players in Germany.

The relation and impact of these stakeholders in the company will be analysed in the next chapters.

### 3.2 Macro-Environment Analysis: PEST

This analysis is based on the PEST framework and helps understanding the macro-environmental context and its impact in KGolf.

### *3.2.1 Political Context*

For the past years, the political situation in Europe and in Germany has been stable. However, the German elections next year may bring major political/economic changes if Angela Merkel is not re-elected (Connolly 2016). Besides of that, the BREXIT, allied to the growing strength of right wing parties, such as National Front in France or the Sweden Democrats might bring some instability to the EU in next years (Shuster 2016)

### *3.2.2 Economic Context*

Germany is Europe's largest economy and the 4th largest economy in the world with 3.355.772M$ GDP (The World Bank 2016b). It is the 3rd largest world exporter (having exported a value of 1.574.493M$ last year) and has currently reach a record low unemployment rate of 6% (Eurostat 2016; BBC News 2016; The World Bank 2016a). When looking at the whole shoe industry market, it is to note that Germans spent around 11.000M in shoes in 2015, in which 17,5% account for the sports shoe industry, making it one of the world's most important markets in the business (Statistisches Bundesamt 2016b). According to Euromonitor, after the predicted negative growth in 2017, the market is likely to grow in the next 5-years, following the tendency of the western European countries (Euromonitor 2016). Moreover, the German footwear business is characterized by being highly dependent on importation, with 70% of the supply coming from Asia (China, Vietnam and Indonesia), and Europe (Italy and Portugal) (Statistisches Bundesamt 2016a). Considering in particular the golf shoe industry, it is to note that the total revenue of all golf associated industries in continental Europe (including: facilities, capital investment, equipment & supplies, events & associations, real estate, tourism) was 1408M€. From this, ~6% (89.17M€) represent revenue originated by golf footwear sales (Sports Marketing Surveys 2013). In Germany, golf players spend about, 1.33 billion euros per year in the sport (Hallmann and Wicker 2015).

### *3.2.3 Social-Cultural Context*

Germany has a total population of around 81 million people and an average annual wage of 37.613€ (more than the double of Portugal but under the mean of the OECD countries) (OECD 2016). Its official registered golf population was 640.181 in 2015, which is equivalent to 1% of the whole German population (KPMG 2016). From this almost 50% are frequent players (play several times a month), 63% are men, and are typically from the Baby Boomer generation (61%) (German Golf Association 2016). However, it should be noted that Germany is the country in Europe with more female players, in number and percentage, largely beating the biggest golf European market, England (appendix B, figure 6) (KPMG 2016). Furthermore, German golf players have a high purchase power: ~51% of the frequent players have a monthly income above 2500€ and have typically general manager position (B4P 2016). In fact, they are willing to spend on average one monthly income on their sport over a 12-month period (Hallmann and Wicker 2015). Finally, Germans' shopping behaviour is gradually changing towards the online channels: in 2015, 2% of the footwear sales were done online, with Zalando and Amazon leading (Statista 2016).

### *3.2.4 Technological Context*

The technology used in golf is strongly regulated by the entities supervising this sport - in official tournaments it is forbidden to track movements, or to use electronic devices. Still, there are some brands (such as Under Armour), which are launching the first smart golf shoes, which are connected with the smartphone (Kell 2016).

## 3.3 Industry Analysis: Five Forces Model

The strategic analysis presented below, the Five Forces Model, will be focused on analysing the competitive forces of the golf footwear industry in Germany.

### *3.3.1 Internal Rivalry*

As previously mentioned, the German golf footwear market has currently the size of 640.181 golf players, having registered a constant growth rate for the past years (see appendix B, figure 7). To assess the market structure the Herfindah-Hirschman Index (HHI) was considered (Besanko et al. 2009; Investopedia 2016). Since KGolf and the official entities didn't provide information on market shares and competitors in Germany, England and USA due to the similarities of the market structure, were used as a proxy. In both markets there is a well concentrated competition with a HHI of 0.3, with Footjoy, Adidas and Nike dominating ~81% of the market, whereas the rest 19% is divided among several smaller companies which explore different niche markets (see appendix B, figure 8). (Sport Marketing Survey 2016). Even though this market structure is close to an Oligopoly, dominated by a few very large firms, there is a relatively high degree of rivalry, mainly due to the relative small size of the market and the importance of volumes to achieve profitability.

Moreover, the portfolios of the brands are not very differentiated and the switching costs are inexistent, making branding an essential tool to attract and retain customers. This is shown by the fact that two of the main players, Nike and Adidas, are ranked among the 100 most valuable brands in the world, valued at 27.5 and 7 billion, respectively (Forbes 2016). For all this reasons, the internal rivalry is considered high.

### *3.3.2 Threat of Entry*

The volume producers (Nike, Adidas and Footjoy) have economies of scale and thus absolute cost advantage (mainly due to high exposure to Asian manufactures), hence making the entry in volume market very difficult for small players. Yet, for volume footwear sports brands that are willing to integrate golf shoes in its portfolio, as recently occurred with Under Armour or Sketchers, this barrier remains low (Kell 2016; Soni 2016). Still, it is important to note that golf shoes need to have certain characteristics (such as stability, resistance to slipping or follow etiquette demands) a know-how that is not dominated by typical sport footwear companies and that might be considered as an entry barrier (European Comission 2016). Besides, the European Union "has strict legislation on the use of chemicals in any product", that includes footwear, which might be a high barrier to entry for non-European brands (Ministry of Foreign Affairs 2016).

Furthermore, the access to distribution channels s one of the defining success factors in this business. A barrier that might be considered higher for small companies, that don't have easy access to large sports retail stores or to a network of sports footwear distributors.

An additional barrier to entry is the importance of the brand identity and image. The three brands that dominate the market, strongly invest in marketing (Adidas $2.1 billion, Nike $3.2 billion) to be associated with the world's ranking top players: Nike with Tiger Woods (former no. 1), Jason Day and Rory McIlroy (current no. 1 and 2), Footjoy with Henrik Stenson (current no. 4), Adidas with Dustin Jonson (current no. 3) (PGA 2016). In fact, when

Nike entered the golf apparel business, it invested $40 million in a contract with Tiger Woods (Hoium 2016).

So, depending on the size and scope of the company, the entry barriers might be considered high or moderate.

### *3.3.3 Threat of Substitutes*

Despite of the tendency to standardize golf shoes (as shown e.g. in the portfolios of Adidas and Nike), golf shoes still require certain biomechanical characteristics, which may not be substituted by a normal shoe (Ministry of Foreign Affairs 2016). This allied with the (still) existing etiquette demands of golf shoes in several courses, and the high technological regulation (presented in PEST) lead to conclude that the threat of substitutes is moderate.

### *3.3.4 Bargaining Power of Suppliers*

In this case, the bargaining power of the suppliers depends on the size of the firm, and the volume that it produces. Compared to small firms, larger companies like Adidas and Nike, which are vertically integrated, have a wide product range and produce a much higher volume, are less exposed to the bargaining power of the suppliers. On the other hand, when it comes to produce quality shoes both small and large firms need to rely on few subcontractors. These smaller plants produce for many different brands and have a limited capacity (and strict production plans) (European Comission 2016). This leads them to have the power to negotiate prices and production plans. Therefore, the bargaining power of suppliers is considered moderate.

### *3.3.5 Bargaining Power of Buyers*

B2C: The PEST analysis revealed that German golfers have a high-purchase power - 50% with a monthly income above 2500€ and they are likely to spend one monthly income in a 12-month period in the sport - which might indicate low price sensitivity (Hallmann and Wicker 2015; Sports Marketing Surveys 2013). In theory, the average player only buys a new pair of golf shoes each 6 years. Yet the shoes have direct impact in the player's performance, a fact that might indicate that they are willing to pay a premium for quality, which again makes them less sensitive to price. So, B2C customers, have low buyer leverage and price sensitivity, showing a moderate bargaining power.

B2B: Clients in this segment (agents, distributors, other brands and institutions) are characterized to have a high propensity to negotiate margins, thus being very sensitive to prices, showing a high bargaining power.

So in the end, it might be concluded that the golf footwear industry in Germany is very competitive with three of the five forces considered high (internal rivalry, threat of entry, bargaining power of B2B buyers) and none of the forces considered low.

## 3.4 Company Analysis

This chapter will reveal in depth internal insights from KGolf by investigating its resources and capabilities. Afterwards, the company's competitive situation will be summarized in a SWOT analysis.

### *3.4.1 Resources and Capabilities*

The following strategic valuable resources and capabilities were identified in the context of Kankura Golf.

Knowledge – Know-How: 30 years of acquired knowledge in the footwear industry, having worked mainly with high quality brands that produce in Portugal (Birkenstock, Camel Active or Fly London)

Portfolio Characteristics: Producing in Portugal is not the same as producing in Asia (such as Adidas or Nike). Portuguese factories have not only higher quality and production standards, but also the tradition of using superior raw materials (Binlot 2015). This allows the company to have a unique composition of shoe characteristics: high quality, fashionable, waterproof, comfortable, in/off course golf shoes.

Employers Skills: Highly qualified technicians that personally control quality and have a long experience in the industry.

Agile structure: Allows a fast response and adaptation to changes, and contributes to an effective implementation of strategy and operations. Additionally it also allows a high customization and personalisation at different levels (suppliers, agents, and golfers).

Network and Reputation: KGolf can take advantage of network and the reputation synergies with the parent company KS. KS is a highly respected company among suppliers due to its ability to captivate high quality brands to produce in Portugal. Thus, it is responsible for a considerable volume production in many high quality plants, which gives the access to production at competitive prices, habitually difficult to small brands such as KGolf. This, allied to the extended network at almost all levels in the value chain (plants, distributors, golf courses, agents) constitutes a valuable resource.

Location: By having its headquarters in Portugal, KGolf enjoys a privileged location. Besides, of being one of the world's best high quality footwear production hubs (north of Portugal), the country is also considered the "world's best golf destination" increasingly attracting golf tourists from year to year (Turismos de Portugal 2016).

As a result, it might be concluded that KGolf is in possess of valuable resources and capabilities, which are a solid foundation to support the company's future strategy.

### *3.4.2 SWOT Analysis*

The above conducted analysis of Kankura Golf's internal and external factors are summarized in the SWOT framework shown in figure 9. This matrix shows that besides of the fierce competition shown in the Five Forces Model, there are some fields that KGolf can explore to grow and be successful in the golf footwear market. As previously mentioned, Michael Porter defined three types of strategies that KGolf might strive for: cost leadership, differentiation or focus. In fact, the larger volume companies in the market, such as Adidas, Nike and Footjoy, already strive for a mix strategy of cost leadership and differentiation strategies: they are targeting almost the whole market with lower prices and a differentiated portfolio. So, by perusing such strategies KGolf would be competing directly with the large volume brands, entering a “Red Ocean” in which it will likely fail (Kim and Mauborgne 2014).

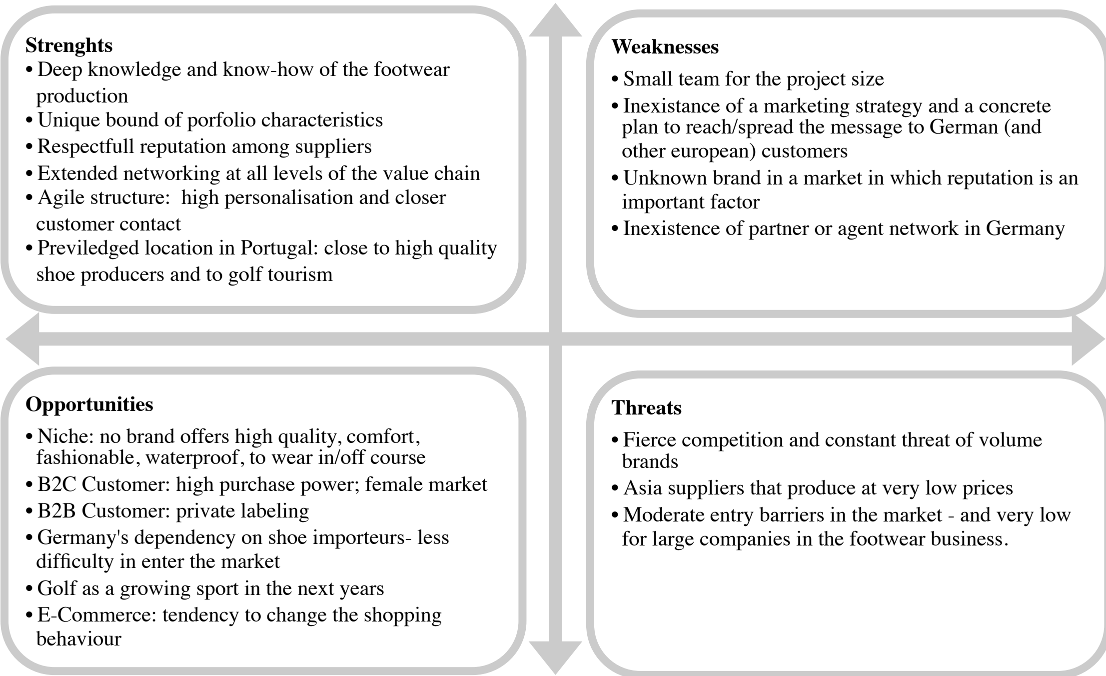


**Figure 9**: SWOT Analysis of Kankura Golf (own representation).

Consequently, Kankura Golf’s, previously mentioned, bound of unique product characteristics and resources, indicates that the company should seek for a focus strategy, targeting a niche market. This analysis revealed that there are two markets that represent an opportunity for KGolf. The first are the B2B institutions and other brands seeking for golf shoes private labelling or co-branding – a market that is not very attractive to volume brands due to the strong image of these companies. The second is the B2C sector of high-quality fashionable golf shoes, besides of matching the portfolio characteristics of KGolf, this segment will allow the company to develop a competitive advantage due to its privileged location in one of the world’s main high quality footwear production hubs: Portugal.

However, the profiles and needs of these markets are not yet clear. Therefore, the next chapter will be focused on gathering in-depth customer insights to define a clear the target customer.

# 4 Marketing Strategy

In this chapter the STP methodology will be explored. The objective is to define KGolf's target customer, and then to successfully position the company in the market, with a well-aimed and successful marketing strategy (Philip Kotler and Keller 2009).

## 4.1 Segmentation and Targeting

So far, the desk research revealed that Kankura Golf's main market opportunities are B2B institutions/other brands seeking for private labelling or co-branding, and the B2C sector of high-quality fashionable golf shoes. Both markets represent valuable segments that are expected to have a positive impact on the company's success and future sustainability. However, due to the complexity and difficulty in gathering insights, the above-mentioned B2B segment will no longer be considered as a potential target market for KGolf in this report. Thus, further on, the focus will be set on understanding the German golf players seeking for high-quality fashionable golf shoes. For this reason, a field study was conducted to better comprehend these customers' characteristics and needs.

### *4.1.1 Research*

The performed research was on a quantitative level and was based on an online survey (see appendix D for full questionnaire). Instead of pursuing only the golf players that seek for high-quality fashionable golf shoes, the survey was addressed to the whole German golf population (Creswell and Clark 2007). The idea behind was to understand the overall golf player's shoe needs and preferences, thus assessing the true potential and size of market for high-quality fashionable golf shoes.

The randomly picked panel had a size of 353 golfers. The majority of the questioned golfers were male (84%) above 40 years old (70%). The research confirmed, that 52% of the golfers have an income above the German average (more than 3000€ net/month) and that 77% have a high education. Regarding the general golfer profile it might be concluded that the interviewed panel was constituted of frequent players: ~60% assumed playing at least one time a week and having a handicap lower than 18 (within a range of 0 to 36). Considering its footwear tendencies it is particularly interesting to note, that 65% of the interviewees have three or more pairs of golf shoes, and prefer the volume brands: Footjoy, Adidas, Nike and Ecco. Yet, it is should be underlined that 86 respondents assumed having purchased a pair of golf shoes from alternative non-volume brands such as G-Fore or Lambda.

Despite of the fact that golf shoes are the combination of many characteristics, one of the goals of the research was to understand, which particular characteristic had the highest influence in the customer's last purchase. This was assessed by asking the following question: "Which was the one characteristic that led you buy this pair of shoes?". In the wake of this topic, five main characteristics were detected as the primary reason for purchase (which explains ~90% of the purchases): comfort (48%), waterproof (8%), design (14%), price (9%), quality (5%) and spikes (2%).

However, it should be noted that, "comfort" seems to be a "must have" characteristic of any golf shoe. It is presumed that this drives from the fact that golf requires long walks (about 6km in each round of golf), so that a high level of comfort is indeed required in each pair of golf shoes. Nevertheless, it was detected that there are golfers that only care about the comfort when deciding what to buy - these represent the "pure comfort seekers". As a result (and based on these characteristics) it was possible to divide the market in five segments: "Pure Comfort Seekers", "Stay Dry Golfers", "Price Driven", "Qualit Buyers" and "Modern Golfers".

Taking this segmentation in account, it is clear that customer group that better suits KGolf's bound of portfolio and organizational characteristics are the "Modern Golfers". When examining this segment it stands out that there is a high propensity for women to seek for modern shoes, with 25% of female respondents assuming modern/fashionable as the main purchase factor, while only 10% of the male participants revealed that priority. It was also stated that modern golfers have a higher income than the average, with 30% having an income above 5000€ per month. This is in line with the fact that they are willing to pay a higher price for golf shoes, in which 42% indeed assumed, having paid a price above 120€ (comparing to only 21% of the average golfers). Furthermore the research revealed a curious factor regarding the act of purchasing: besides of the typical distribution channels, a few respondents assumed having contacted directly the producer or local distributor/agent to buy the shoes, which might indicate a high propensity to seek for customization. This hypothesis is also supported by the fact that some modern golfers also described, "the one characteristic that made them buy the shoes" as, "unusual shoes", "rarity", or "personalized". Finally, a relation between modern golfers and quality could be established, in which almost 50% of modern golfers panel ranked quality as #1 and #2 in the importance scale (in comparison to 23% of all respondents).

Based on the research findings it is clear that due to KGolf bound of characteristics, the company should target the segment of "Modern Golfers" seeking alternative brands, which deliver superior quality and fashionable golf shoes.

## 4.2 Positioning

The first step to define a concrete positioning for KGolf is to determine its points of parity and difference (Philip Kotler and Keller 2009). Research revealed that comfort is the main point of parity, as it is the "must have" characteristic of any golf shoe. On the other side KGolf's main points of difference were identified as the ability to combine superior quality with a modern/fashionable golf shoe design. High-quality is justified not only buy the look and feel of the materials, but also by the fact that the company doesn't produce in Asia, but in Portugal, a country that has an international reputation of producing high quality shoes. Modern and fashionable design is actually the core element in which the company differs from the competitors, a characteristic that may be distinguished when looking at the portfolios. Henceforth, Kankura Golf's positioning statement to target modern golfers can be defined as follows:

"To modern golfers *(target)*, Kankura Golf offers a new concept of comfortable golf shoe *(frame of reference),* that combines superior quality with a fashionable design *(points of difference)*, due to its 30-years of experience and know-how in the footwear business *(reasons to believe)*."

With this positioning, KGolf is set as a high quality and modern brand, distinguishing itself from the volume brands, as shown in figure 10.

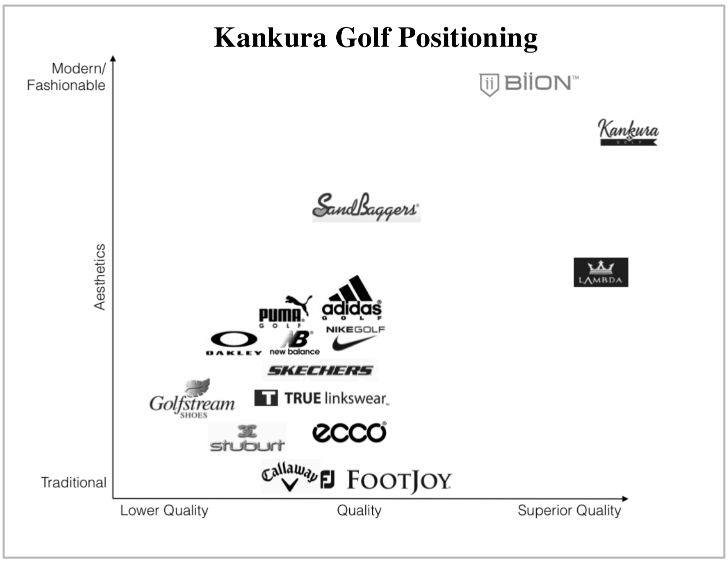


**Figure 10:** Desired positioning of Kankura Golf in the market (own representation).

## 4.3 Marketing Mix

This chapter will expand the previously defined segment positioning strategy, by including all aspects of the marketing mix: product, price, place, and promotion (Philip Kotler and Keller 2009).

### *4.3.1 Product*

As previously mentioned golf shoes are an essential part of the golf equipment, having a direct impact in performance due to the influence of its biomechanical characteristics. Therefore, besides of being focused in serving the particular preferences of the modern golfers (design and quality) KGolf must not forget that a golf shoe must satisfy other needs, such as waterproof, comfort and spikes. In the case of the waterproof characteristic the company is already on the field developing a particular membrane that lets the foot breath to the outside, but at the same time avoids water from entering to the shoe. Yet, this is a feature that doesn't need to be in all the models, but must be available in the collection. On the other side, comfort is considered as a "must have" characteristic and it is therefore advised that the company assures this in every single pair of shoes. Moreover, the existence of spikes depends on the type of course and weather, but still there is a trend to choose spikeless shoes and thus having shoes that are suitable for in and off course (Sport Marketing Survey 2016). In this case KGolf offers both variants depending on the model. Regarding superior quality and modern design of the shoes, Kankura Golf's portfolio seems to be on the right track. Yet the company might consider developing a more personalized and unique offer as wished by the segment. A possibility for customization is the incorporation of private logos, an option already offered by KGolf, but that the company could develop and promote in the future.

Furthermore, it is interesting to analyse the product life cycle. Here the research revealed that 85% of the golfers bought a pair of golf shoes in the last two years, contesting the results from the desk research. Besides, when asked when they'll buy the next pair of shoes, 70% assumed they would buy it in a maximum of one year, revealing a rebuy rate of one year.

In the future, and despite of the fact that golf is a very technological regulated sport, KGolf should study the incorporation of some connected and smarter features, as recently developed by Under Armour (Kell 2016). So, in general terms, KGolf collection is matching the modern golf player's needs and preferences. Nevertheless, to keep up with the evolution and up to date with customer preferences the company should consider doing periodic feedback rounds or even co-creation, this way it assures that it is launching products that the customers are seeking for (Cui and Wu 2015).

### *4.3.2 Price*

The research findings reveal that the average price paid by modern golfers on the last purchase is tendentially above the average. It was also shown that KGolf customers are not very pricing driven (ranked 4th/6th in the most important purchase decision aspects) and have an above the average household income. This leads to conclude that modern golfers are indeed not very sensitive to price changes. So, given the suggested KGolf positioning and value proposition, the company should price at least a 10% premium.

Regarding, vouchers and coupons it is to note that KGolf should distribute these very objectively targeting the modern golfers in the right place.

### *4.3.3 Place*

Since the company doesn't control directly part of the retail channels, placement is probably the most challenging chapter for KGolf. In general the company doesn't have contact with the customer nor with the retailers, because in between is normally an agent or a distributor. Hence, it is essential for KGolf to be aware of the importance of selecting the right agent for the right market.

The purchase channels are mainly e-commerce, pro-shops and sports stores. As previously mentioned it is interesting to note that research revealed that few modern golfers also use alternative channels such as the direct contact with the brand or to the distributor. It is recommended to explore these kind atypical channels, not only to implement a certain personalization but also as way of differentiating the customer's brand experience from the competitors.

Furthermore, the research didn't show any clear pattern towards the adoption of the e-commerce as the main future distribution channel. Nevertheless, this represents a very interesting opportunity for a small company like KGolf to reach out its customers in a cost efficient manner. This allied to the fast adoption of new technologies and the changing consumer habits in the footwear industry (shown in environmental analysis), leads to conclude that it is advised that KGolf continually invests in having an up-to-date and modern website, that matches its offering. For this purpose it is also essential to have the website translated in German. To complement the website sales, the company should consider place its shoes in online stores such as Zalando.

Another distribution channel that the company could explore should be the high-class department stores in Germany such as KaDeWe, Karstadt or Peek & Clopenburg. In these stores, the golf shoe offer isn't very vast and it represents an opportunity to establish in alternative channels, to differentiate from competition. Finally the placement in store is essential to achieve brand awareness, in this field it is advised that the company has a display that stands out among the rest, whether it is in its materials, colours or modern design. To effectively implement this, it is essential for the company to assure that the relation between the agent and the retailer is good.

### *4.3.4 Promotion*

Kankura Golf needs to be effective in communicating the brand message and increasing awareness through out all the touch points (see appendix C, figure 11).

One of the main differences between volume and premium brands is packaging. The until now adopted packaging in Portugal seems to be suited to attract modern golfers in Germany, and aligned with the type of message of the company. KGolf shoes come involved in a tissue bag and are accompanied by a tamper. Adding to this the company could consider incorporating a small flyer contextualizing the company and the production site, like some premium brands do. This could be a good opportunity to highlight the fact that the handcrafted shoes are produced in Portugal.

Furthermore the company has been present (mainly in Portugal) with a small stand in many tournaments, events and fairs (such as National Championships or Professional

Tournaments). Yet to implement such action in Germany is very expensive and not effective for a small company like KGolf. Therefore, it advised that the company explores its advantage of being in Portugal, one of the world's favourite golf tourism destinations. KGolf could promote the shoes in the touristic golf courses in Algarve and in the Lisbon area. Parallel to having the collection presented in the club house, some ideas could be for example the possibility of experimenting the golf shoes for one round of golf, or making a challenge: "If you make a hole in one we offer you a pair of shoes".

Regarding social media, it is to refer that the company already has an outsourcing firm that manages the Instagram and Facebook accounts. It is suggested that the company remains with this strategy but with a strong focus on attracting the modern golfers in Germany. Moreover, the brand already produces a global promotional video in English. To complement this action the company should consider making some appearances in local golf magazines and blogs.

## 5 Financial Contextualization

To fully understand Kankura Golf business it is interesting to make a brief contextualization of its financial situation. Up to now, the company has already sold an aggregated of 5.823 pairs of shoes. Its break-even is set at 10.000 pairs of shoes, and is to be reached out until 2019. Yet, it is to note that the company achieved this sales volume without being present in the biggest golf markets in Europe (England, Germany and Sweden). If the company sells its shoes to 0,2% of the golfers in Germany (equivalent to ~1200 pairs of shoes), it means an annual sales revenue of 78.000€ (with an average price of 70€) and a gross margin of 30.000€ (average production cost of 40€). Thus it might be concluded that the entry in the German market is likely to have a significant financial impact in the short-run.

# 6 Conclusion and Suggestion

The initial scenario described in the introduction presented a company, that despite of the incremental sales increase and the international presence intensification, was selling its shoes without a clear defined target. Consequently the main objective of this report was to identify the company's core markets and customers, and thus reposition the brand. In this context, the pre-study revealed Germany as one of the main unexplored markets for Kankura Golf. After analysing the situation it could be concluded that given the company's characteristics and resources it should seek for a focus strategy, targeting two different segments. The first are the B2B institutions and other brands seeking for golf shoes private labelling or co-branding, a market that is not very attractive to volume brands due to the strong image of these companies. The second is the B2C sector of high-quality modern and fashionable golf shoes, which constitutes an opportunity for the company to develop a competitive advantage due to its privileged location in Portugal, one of the world's main high quality footwear production hubs. From the research focused on the B2C sector, it can be concluded that Kankura Golf's portfolio indeed comprises the bound of characteristics that the segment of "Modern Golfers" is seeking for. Thus it is suggested that the company brand positioning is as a modern golf shoe brand that combines superior quality with a modern and fashionable design. Furthermore, it is also suggested that due to this segment's high purchase power, the company should price at least a 10% premium. Among other placement strategies, it is to note that the company should engage in a stronger e-commerce strategy, due to the opportunity that this represents in reaching customers in a cost efficient manner. On the promotion side it is to highlight that due to budget restrictions, the company should take advantage of its privileged location of being close to the golf tourism in Portugal.

For the future it is suggested that the company further investigates the opportunities in the private label and female market segments, but also studies the entrance in the other important European markets (Sweden and Britain).

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# 8 Appendix

## A: Introduction

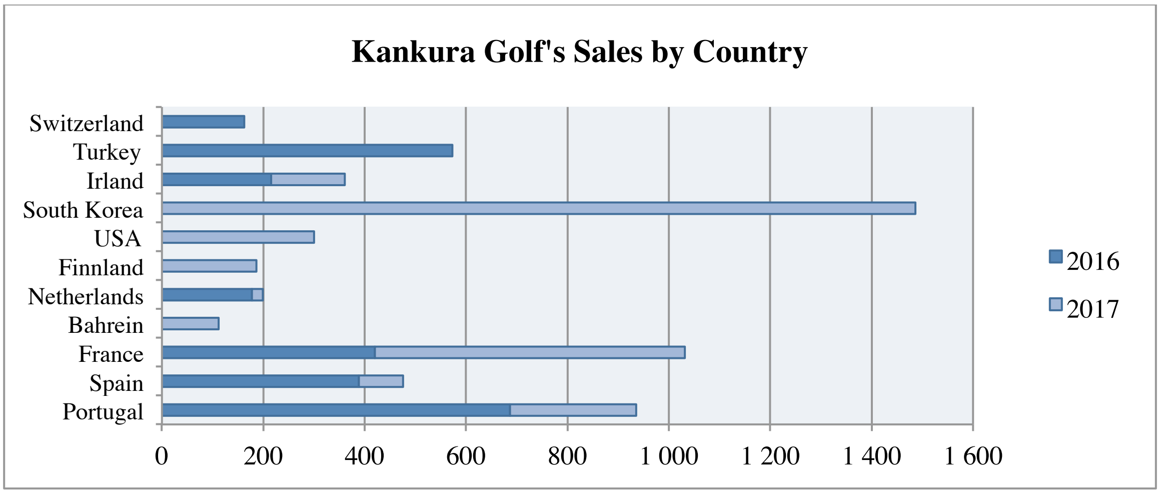


**Figure 1:** Kankura Golf's Sales by Country (own representation).

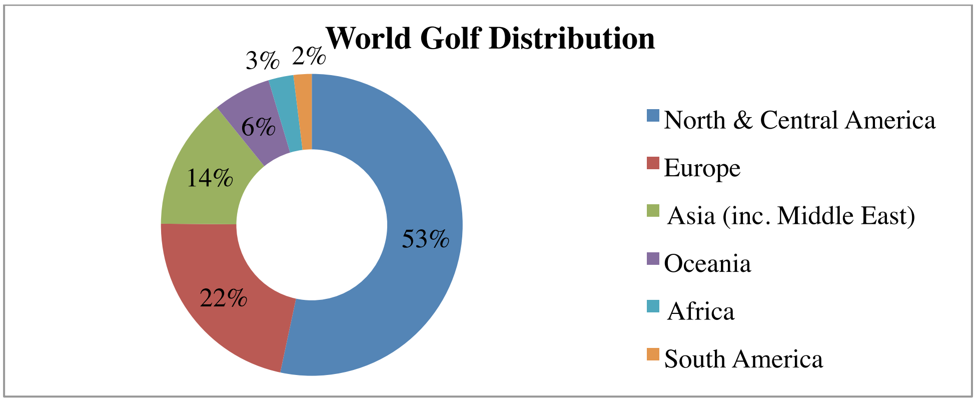


**Figure 2:** World Golf Distribution in % (own representation) (R&A 2015)

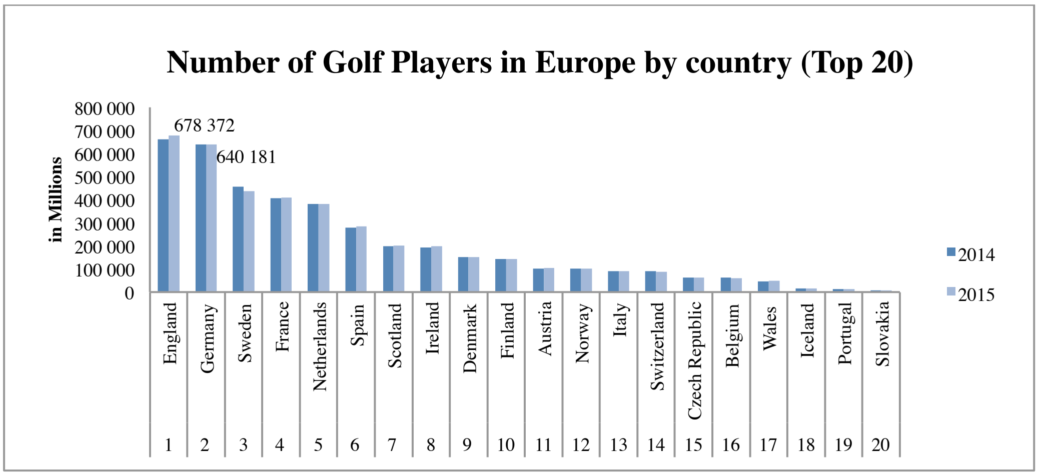


**Figure 3:** Number of golf players per country (own representation) (KPMG 2016)

## B: Situation Analysis

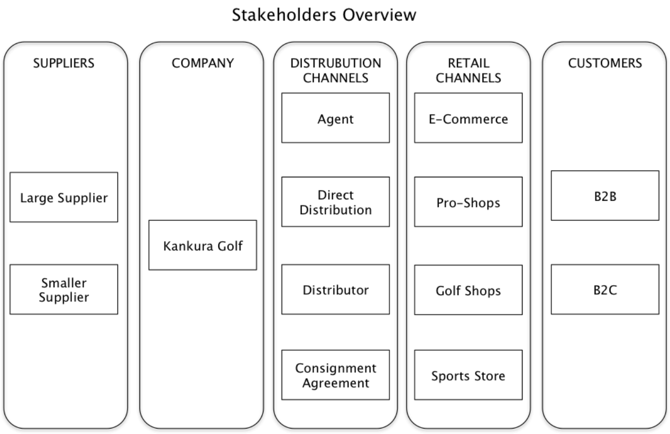


**Figure 5:** Stakeholders Overview (own representation).

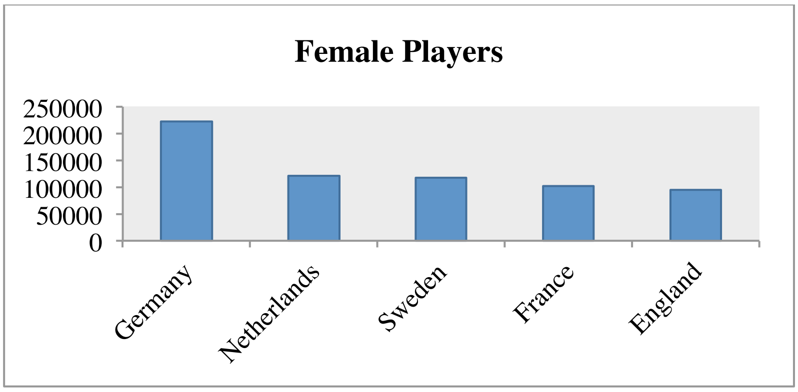


**Figure 6:** Amount of Female Players per Country (own representation) (KPMG 2016).

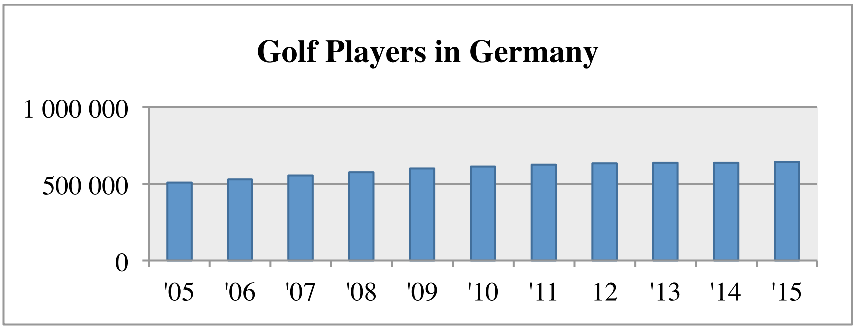


**Figure 7:** Golf Player's Evolution in Germany (own representation) (KPMG 2016).

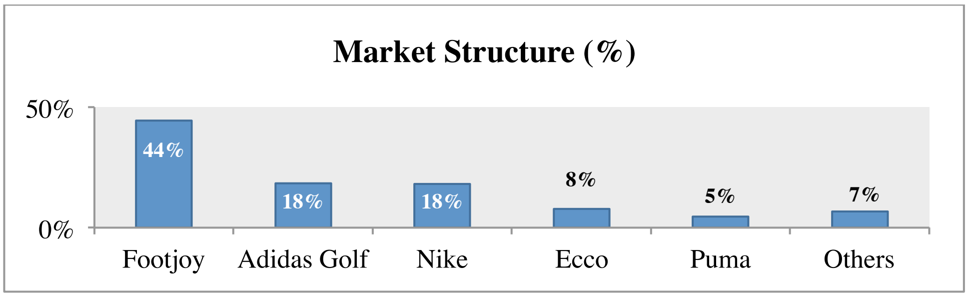


**Figure 8:** Market Structure in USA (%) (own representation) (Sport Marketing Survey 2016).