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Global Sport Business Plan

Sport Business: Performance Sports Group Ltd

Product: Bauer ice hockey equipment

Target Market: South Korea

Section 1:

Goal Setting

Given that we are the global leader in developing and manufacturing hockey equipment with our Bauer brand as the strongest, most recognizable brand in the industry, our main focus will be to accomplish the same level of awareness within the South Korean Market. Seoul is the largest and most developed city in our target market with approximately 12.2 million civilians currently residing within the city's boundaries (www.worldpopulationreview.com). Seoul is also the capital and the surrounding area included cultivates a target consumer base of more than 22 million people (www.gone2korea.com). We will also be gauging the market to identify the avid hockey fans that exist there and are wanting to "be like the pro's", whom we can promote our products to for use at their leisure. How shall this be done? These 22 million individuals are becoming more and more interested in the sport of hockey, with Anyang Halla, a professional hockey team playing in the Asian Hockey League, finishing first in the regular season during the 2008-2009 season experiencing sellout crowds after winning 5 Korean Ice Hockey league championships prior to joining the Asia Hockey League in 2003. They have generated a generous fan base and have become well known within the community. We can have success by establishing a partnership with HallaGroup, the owner of the Anyang Halla Ice Hockey Team. (www.halla.com) The Halla group is currently progressing toward a goal to develop ice-based sports for Korean citizens We will engage the JeongMong-won (Halla Group CEO) and Seokmin Lee (Anyang Halla Owner) to introduce our Bauer Brand to their organizations to develop a partnership that will help in building this recognition within our target consumer base. The ability to have a professional organization and their players draped in our product, with our logo on full display is plausible through a venture with Anyang Halla and the entire league as well. Our 2 year goal would be to engage the locals in Seoul, creating a desire to actively participate in hockey for the purpose of purchasing our products that are being displayed by the same professional players that many of our target consumers admire. South Korea is also home to expat teams which consist of foreign and Korean nationals, with the games being non-contact for a majority of the competitions, but full equipment is required to compete (www.korea4expats.com). This presents another potential marketing area to engage in our effort to corner the market. Our 5 year goal would include, not only securing a majority share within

the Seoul, South Korea market, but to also develop a partnership with the league as the official gear of the Asian Hockey League. As the game grows, so would our status amongst consumers as the most prominent provider of hockey sports gear throughout Asia. This would help us garner interest in other markets also, as many of the teams within the league reside outside of South Korea. With minimal information available to determine the Asian League Ice Hockey standards, we are to assume that their requirements are similar to that of the most prominent Ice Hockey League in the world, the NHL, of which, according to the Hockey Equipment Certification Council Inc. our helmets goaltender headgear, full face protectors, visors and skates meet certification standards. (www.hecc.net/HECC-Certified-Products.01-May-2013.pdf)

2 year goal:

- 2015 – First Quarter- Gain Access to South Korean markets beginning with Seoul, having products that meet foreign specifications available for use in Expat Hockey game play through established supply chain. Prior supplying product to the market, we must examine the products (helmet & skates) overall appearance to determine how well the product will resonate within the Korean community.
- 2015 – First & Second Quarter - Establish Partnership with Halla Group and local teams to develop partnerships to get products in players possession for immediate use.
- 2015 – Third & Fourth Quarter- Continue to pushing the product into Seoul, and begin expanding into Gyeonggi-do and Goyang depending upon our levels of successful infiltration during this quarter.
- 2015 –Third Quarter- Roll out promotional and advertising pitches prior to the start of the Asian League Ice Hockey Season.
- 2016 – First & Second Quarter – Expand further into Korean Markets, providing a more extensive product line by adding more certified products available to consumers
- 2016 – Second Quarter & Third Quarter- Begin negotiations to establish a partnership with the league as the official provider of AHL hockey gear, expanding our reach into the other markets represented by the league teams.
- 2016 – Roll out marketing pitches in the multiple markets now being represented by the various teams now wearing Bauer Brand hockey equipment during the 2016 season.

Identify Products

The products we are looking to introduce and expand on would be products within the global ice hockey equipment industry. We will look to expand into different categories such as protective gear, skates, helmets, hockey sticks, jerseys, apparel, goalie gear, and gloves. We will introduce anything that involves hockey and that is required to play the sport efficiently and effectively. We are specifically looking to introduce the Bauer Brand to the Asian Hockey League. Bauer is the most popular hockey brand among amateur, professional and recreational hockey players of all skill and ages. The company has already invested a lot of money into their products and their expansion of products. They have “a disciplined, rolling, multi-year product

development program or road-map through which new products to market in an organized and efficient manner”. Across all of their roller hockey and ice hockey equipment categories, the company typically launches approximately 100 to 150 new products a year which can be very beneficial when introducing the products to South Korea.

The products we are looking to introduce in the market have a very high potential to sell due to the increased interest of the sport in the area. There is the Asia League Ice Hockey (ALH); this league is based in East Asia with seven teams in China, Japan and South Korea. The league allows for imports or other players from outside the area to play on a team in order to even out the strength. Some former National Hockey League players have played in the league. If players continue to play in the league it could only be beneficial to the company. The product is very attractive in South Korea as a result of the league building and become more popular. They will naturally need gear to play effectively. Performance Sports Limited will offer the best including Bauer which is one of the best-selling hockey brands there is. Variety will be very important to exporting. We want to be able to offer all hockey gear but with different vendors. The new customers will be able to determine what they like and what is best for them and we will also determine what will be the most profitable for the company in this market.

The reason that the export of these products will be successful is because of demand. As the country grows and they become more interested in the sport, so does demand for the product in which they need to actively participate in the sport. Performance Sports Limited, “ice and roller hockey products are sold in over 40 countries through a distribution network of more than 3,700 retailers and distributors”(Bauer, 2013). The company already has a strong base and distributes their products to retailers and other distributors through the facility in Ontario. There are also Sales and distribution center located worldwide including an Asian Sourcing organization in Taichung, Taiwan.

Readiness

Pros and Cons of market expansion:

For any company to go global and start working outside their border, needs to consider several important aspects before formulating or implementing on any strategic goals and objectives. In the process of going global, there are various pros and cons to it.

- Pros:
 - In the process of expanding during a growth phase it does not provide any guarantee of success and profits, however it at least increases the likelihood of success.
 - It is likely that consumer confidence and spending is higher in other markets as compare to the home market.
 - Depending on which country the business is expanding into, some currencies are likely to stay strong for longer periods.
 - If managed properly, international expansion for companies will result in not only international presence but also will increase the business profits (Gordon).

- Cons:
 - Almost every single country varies in terms of its demographic, economic, political and social conditions that makes it difficult for companies to analyze market opportunities (Petraikos).
 - Presence of subsidiaries around the world makes it hard to communicate, mainly because of the fact that there will be differences in cultures, language and customs.
 - There will be number of hidden costs associated with various aspects like registering business, fulfilling the legal requirements of other countries.
 - For almost every business regardless the nature of industry it operates in, it needs to have a separate marketing strategy in order to suit the target country (Keefer).

Domestic success

The Performance Sports Group Ltd (earlier known as Bauer Performance Sports) has experienced rapid growth over the last several years, driven by extending market share in hockey and other new sports goods and apparel manufacture. The competitive strength of the company has been a key driver for success in the ice hockey equipment market. The company's platform, responsible for spearheading success in the domestic market, consists of: (a) reliable and strong brands; (b) primary innovation and R&D in the industry; (c) comprehensive knowledge of players and consumers; and (d) defending to regulatory requirements, such as proprietary technologies and patents.

The successful leveraging of the platforms have generated pro forma sales of the hockey equipment division and diamond sports division, with an Adjusted EBITDA of US\$586 million and US\$94 million (for the year ending 31 December, 2013 for Easton Baseball/Softball and a year completed as on 30 November, 2013 for BPS) respectively ("2013 Annual Report") The Performance Sports Group has been the market leader in South Korea for both industries, excluding synergies achieved through operational efficiencies (Flavelle).

Some of the important acquisitions carried out in the last five years had been instrumental for the company to achieve market leadership in the respective categories.

Activity	Year	Impact
Mission-ITECH Acquisition	September 2008	Attaining the market leader position in the category of roller hockey and visor/shields and goalie equipment
Jock Plus Hockey Intellectual Property Acquisition	November 2009	The product development and intellectual property, robust marketing, aggressive distribution increased sales by 665.0% in the apparel category between FY 09 to FY 13.
Maverik Lacrosse Acquisition	June 2010	Acquiring a cutting edge brand in the category of lacrosse equipment and clothing market. Maverik's net

		revenue increased at 30% p.a. in FY' 13
Cascade Acquisition	June 2012	Lacrosse headgears and helmets are industry leaders that helped expand in the lacrosse market
Inaria Acquisition	October 2012	Capability in designing, development and manufacturing sports apparel, such as uniforms of ice hockey, lacrosse, roller hockey, soccer...etc
Combat Acquisition	May 2013	Intellectual property and strengthening R&D in relation to baseball and softball

Annual Growth Rate

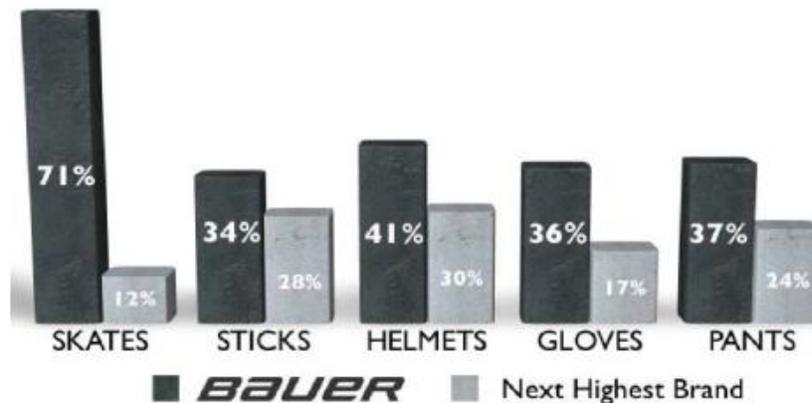
Performance Sports Group Ltd (former BPS) experienced considerable revenue growth of 7% compound annual growth between 2009 and 2013 (“2013Annual Report”).

Competitive Advantage

The competitive strengths which facilitated the company to grow in the business are:

- The company had been one of the most recognized brands in Ice and roller hockey and in Lacrosse
- The company has been the market leader in the Ice and Roller Hockey Equipment Industries with a growing market share
- Industry leader in product innovation and R&D
- Excellent relationships with retailers and in considerable scale
- Highly committed and experienced employee strength with an environment of striving for innovation and growth (Heyne, BoettkeandPrychitko)
- The main drivers of growth are the product platform of the company’s performance sports products

With 2012/2013 Season Concluded, Bauer Maintains Top Position in All Categories



**Based on 657 players on active rosters as of April 15.*

Source: Management Estimates

Commitment of the management

Performance Sports Group Ltd is led by a committed management team having introduced successfully of innovative products, successful growth strategies and strategic takeovers. The President and CEO, Kevin Davis have been associated with the company for over 12 years, while Amir Rosenthal, CFO, has been working in the company for six years. The management team consists of highly experienced people in sporting goods FMCG industries, such as Unilever, Procter & Gamble, Nike, Newell Rubbermaid, and Boston Bruins. The average tenure of the managed team in the company is nearly 20 years. The management had the vision and played a direct role in a number of acquisitions the company has entered into: (a) Mission-ITECH Acquisition; (b) Jock Plus Hockey Intellectual Property Acquisition; (c) Maverik Lacrosse Acquisition; (d) Cascade Acquisition; (e) Inaria Acquisition; (f) Combat Acquisition...et al. ("2012 Annual Report").

Export preparation

A worksheet is prepared to identify and tackle the following activities related to the product export.

Identify key activities: Selecting a suitable transport, type of transport, managing the supply chain, ensuring adequate packaging etc.

Assign responsibility for each activity: Prudent human resource management, enabling synergy among all relevant departments (PaauweandBoon). The synergy and information flow can be improved with an IT solution, such as an ERP system (Davenport).

Determine scheduled start date: Preparing for the export to take place would take about three months. The consideration should be given to build an effective supply chain, IT inclusion to

improve communication with all stakeholders, relevant training imparted to the internal staff in relation to the new functions they are introduced to, shipment activities and selection of a right mode of transport etc.

Meeting the scheduled deadline: A critical path method can be charted out, so that the concerned people are accountable with respect to timelines and finishing their work on time.

Company and Industry Analysis

- Korea's apparel industry has shown steady growth during the last few years with the rapid embrace of both foreign and local fashions, evolving retail channels, and an increasingly wider variety of apparel in the marketplace.
- Korea is a country of nearly 50 million in an area slightly larger than Indiana. Its economy is the 15th largest in the world (source: World Bank). Korea's economy is nearly \$1 trillion dollars and in terms of per capita GDP, it's at USD 19,000. Apart from Japan, Korea has the highest per capita GDP of any of the major Asian markets with populations over 30 million. According to Samsung Economic Research Institute, the estimated economic growth in 2010 was 4.3 percent.
- In 2010, the entire fashion market in Korea was estimated to be reach about USD 25 billion, an increase of about five percent from 2009.

Competitive level of our industry is in the global markets

- Some of the major brands that are active in this market are Adidas, Nike, Puma, Fila, The North Face, Columbia, Bean Pole, Jack Nicklaus, and Burton.
- In the Korean market buying is unpredictable with many teens to thirty year olds buying name brand and unnamed fashion. With the introduction of SPA brands, the consumer has many choices and sportswear continues to grow.

Our industry's growth potential internationally

- According to Fashionbiz, the World Street Journal quoted McKinsey & Company's report that Korea has emerged as the Mecca for prestige products.
- The potential for growth is in new distribution channels, such as E-Commerce, TV home shopping, online stores and sporting goods stores and outlets.
- These new channels account for more than half of all apparel sold in Korea. Industry leaders predict that these new market ideas will increase greatly in the near future.
- Companies like Bauer lead in every category in every region. Goalie, sticks and apparel categories offer tremendous growth potential.

- Bauer's 90% unaided brand awareness is realized for its market share growth potential that separates it from other competitors.

Federal and state government market studies that have been conducted on your industry's potential international markets

The total U.S. market size for the Sporting & Athletic Goods Manufacturing industry: statistics cover all companies, both public and private. In addition to total revenue, the industry research provides details on employees, companies, and average firm size in the sector. The sporting goods market is expected to grow moderately over the next few years, fueled largely by the fitness and health awareness among broad levels of the population, as well as increasing numbers of elderly consumers taking up a more active lifestyle. Germany already has the largest proportion (25 million) of the 50+ age group – the so-called “Best Ager” – within the EU, which is expected to grow more rapidly than elsewhere. New high-tech materials, technical refinements as well as new innovations within the fibers and textiles industries will continue to play a decisive role as a competitive advantage.

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