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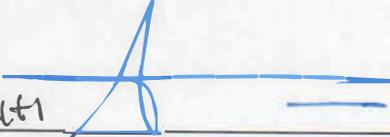
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truHugs

Market report: How to successfully penetrate the weighted blanket market

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Executive Summary

Challenge: truHugs is a new weighted blanket Amazon retailer about to launch. The firm has two weeks to determine how to sustainably penetrate the online e-commerce weighted blanket market.

Key considerations:

- Should truHugs compete on differentiation or cost?
- What consumers should truHugs target?
- What should truHugs brand positioning be?
- What type of marketing campaign should they run, if at all?
- What should truHugs do to establish a competitive advantage by filling unmet consumer needs?

Analysis: The weighted blanket market is a fast-growing industry that is projected to be a \$56 million industry in 2018. An in-depth look at the industry showed that truHugs has two highly pertinent factors that may influence their ability to fulfill their objective: (1) the threat of new entrants is currently high and will continue to increase and (2) lack of product differentiation will result in firms engaging in fierce competition using price wars. These two factors affirm the idea that potential firms who proactively compete using differentiation will have an easier time achieving sustainable competitive advantages. Social trends show short-term market growth will continue and consumer sentiment edges towards eco-friendly, trustworthy brands. truHugs has core competencies resulting from its human resource capital and flexibility in launching a diverse set of competitive actions rapidly.

Concepts governing strategic decisions: Competitive advantage in the weighted blanket industry is dictated by firms taking two strategies: cost and differentiation. 87% of market share is being dominated by firms that compete on cost, with only 13% that compete on differentiation. Relevant offensive and defensive strategies used by the competition in this space include: price wars, imitation through association, release of comparative advertising, strong customer relationships and product diversification. Improvements currently prioritized by consumers are cooler blankets and responsive customer support.

Recommendations:

- Compete on differentiation not on cost.
- Target female millennials from a family-oriented, organic, eco-friendly and transparent position.
- Advertise through social media content development, not paid advertising which will cause stockout.
- Improve weighted blanket to fulfill unmet market needs to quickly gain a competitive advantage by making the product cooler and more durable.
- Excel at consumer awareness and support through the development of social media brand communities.

After successful market penetration, truHugs can maintain their competitive advantage by maintaining marketing support, implementing a price-matching policy, and seeking legal protection through trade dress implementation. The forecasted ROI that results from following these recommendations is 64.34%.

Presentation of Challenge / Question

truHugs is a new weighted blanket Amazon retailer. Owners Justin Hsu and Jonathan Hsu (J & J) are new not only to the weighted blanket industry, but also the e-commerce industry. J & J entered the weighted blanket industry because some “Amazon gurus” recommended capitalizing on becoming market follower retailers of “high growth” product categories. Operational logistics and sourcing the manufacturer of the blankets took several months. Urgently, the blankets are about to arrive in two weeks.

Under a two-week time constraint, J & J must answer the question **“How can TruHugs sustainably penetrate the online e-commerce weighted blanket market?”** Pertinent considerations for effective strategic evaluation of how to penetrate this market include:

- Should truHugs compete on differentiation or cost?
- What consumers should truHugs target?
- What should truHugs brand positioning be?
- What type of marketing campaign should they run, if at all?
- What should truHugs do to establish a competitive advantage by filling unmet consumer needs?

Our market penetration strategy will create the public consumer’s “first impressions” of truHugs. Thus, market penetration strategy must also facilitate a future sustainable competitive advantage within real-world business limitations. In short, J & J must discover who their targeted consumer is, how to make their targeted consumers aware of their products, how their product is to be perceived and ultimately, how to increase sales of their product. Without successful market penetration, J & J may be left selling blankets over the weekend at swap meets instead of living an easier luxurious life with an additional residual line of income.

Also included in this report is what truHugs should do to maintain their competitive advantage after successful market penetration. Finally, the prospective ROI of following the market penetration strategies presented in this report is presented.

Recommendation

Taking all pertinent considerations into account, truHugs should implement five key strategies. For management efforts, first, truHugs should compete with a focused differentiation strategy because truHugs lacks manufacturing capabilities that would allow the firm to compete on price. Instead truHugs can compete on differentiation through efficient use of its core competency in product quality control and ability to innovate on products. Second, truHugs' target market should be female millennials because this demographic is more likely to purchase products online and is a major part of social media users. Targeting this segment has been shown to be a successful strategy by three of the five top competitors. Third, truHugs should be positioned as a family-oriented, organic, eco-friendly, transparent brand to capitalize on current social trends and unmet needs in the industry. This makes truHugs' brand and product unique from industry competitors

For operations efforts, to avoid stockout, the firm should not invest in paid advertising. Also, truHugs should anticipate filling unmet customer needs through an improved product that current consumers have expressed desire for (durable and minimal insulation properties), use of their social media platforms and website to elevate the industry standard for customer service, and increase consumer awareness by emphasizing brand causes and transparency in their organic marketing campaign. Together these five recommendations will help define "who" truHugs is, and "what" truHugs will do to penetrate the ecommerce weighted blanket market.

Summary of recommendations:

- Use a differentiation strategy instead of a low-cost strategy to gain competitive advantage.
- Target female millennial consumers.
- Position brand to be family-oriented, organic, eco-friendly, and transparent.
- Do not invest financial resources in paid ad space.
- Fill unmet customer needs through product improvements, excellence in customer service, and community involvement.

Post-market penetration, truHugs should develop legal protection through trade dress protection, maintain marketing support, and have a price-matching policy to maintain their competitive advantage.

Projected ROI for following this specific market penetration strategy is 64.34%.

Introduction

The weighted blanket is a 30-year old product that is scientifically proven to reduce stress and anxiety for users. As sleep binging has been trending this year, weighted blankets as a product have received increased interest from the population. truHug's is entering a market that consists predominantly of 19 firms, with the addition of roughly 20 market followers who have generated no sales. This analysis was performed after truHugs already purchased their inventory of 1000 blankets and will be adjusted accordingly.

Analysis

What market is J & J seeking to penetrate?

Between the 2008 and 2014, the weighted blanket market increased 5.2% per annum. Relatively, the growth in recent years 2015 to 2017 was nearly double that at 9.8%. (QY Research Group, 2018) The forecasted growth of the weighted blanket industry is projected to continue to increase annually to rough range estimates of 12.1% to 13.5% up to 2022. According to The International Sleep Products Association, these dramatic increases are due to a growth in the economy and the housing market. Financially, the total forecasted revenue for the weighted blanket industry in 2018 is \$168 mil. Because the weighted blanket industry is small, these figures had to be manually computed. E-commerce revenue values were computed using website traffic estimates given by SEMrush using a valid conversion rate mean calculated from 11 industry resources. Amazon retailer revenue values were computed using analysis software JungleScout. (Jungle Scout, 2018) In order to compute market shares, the whole market was assessed using the software with detail. Every company with exception to those that only had 1 sale in the last year was included.

Although these statistics implicate the weighted blanket industry is primed for penetration without market-entry specific strategies such as price promotions, lets gain a closer look from truHugs' perspective through Porter's Five Forces to gain insight on how hard it will be to penetrate the modern weighted blanket market.

Porter's Five Forces – Domestic weighted blanket e-commerce industry

In order to know how to penetrate a market one must learn about the factors of the market that will facilitate market entry. Industry analysis, which shows market factors that will influence truHugs' strategy, is the first step. Organizing the industry market from the perspective of a single entity examining the threat of potential entrants, supplier bargaining power, buyer bargaining power, competitive rivalry, and threat of substitutes, we used Porter's Five Forces framework to gain insight on how industry marketplace conditions may potentially affect our market penetration strategy and resulting profitability. Analysis results are summarized in Figure 1 with a detailed analysis provided in **Appendix A**.

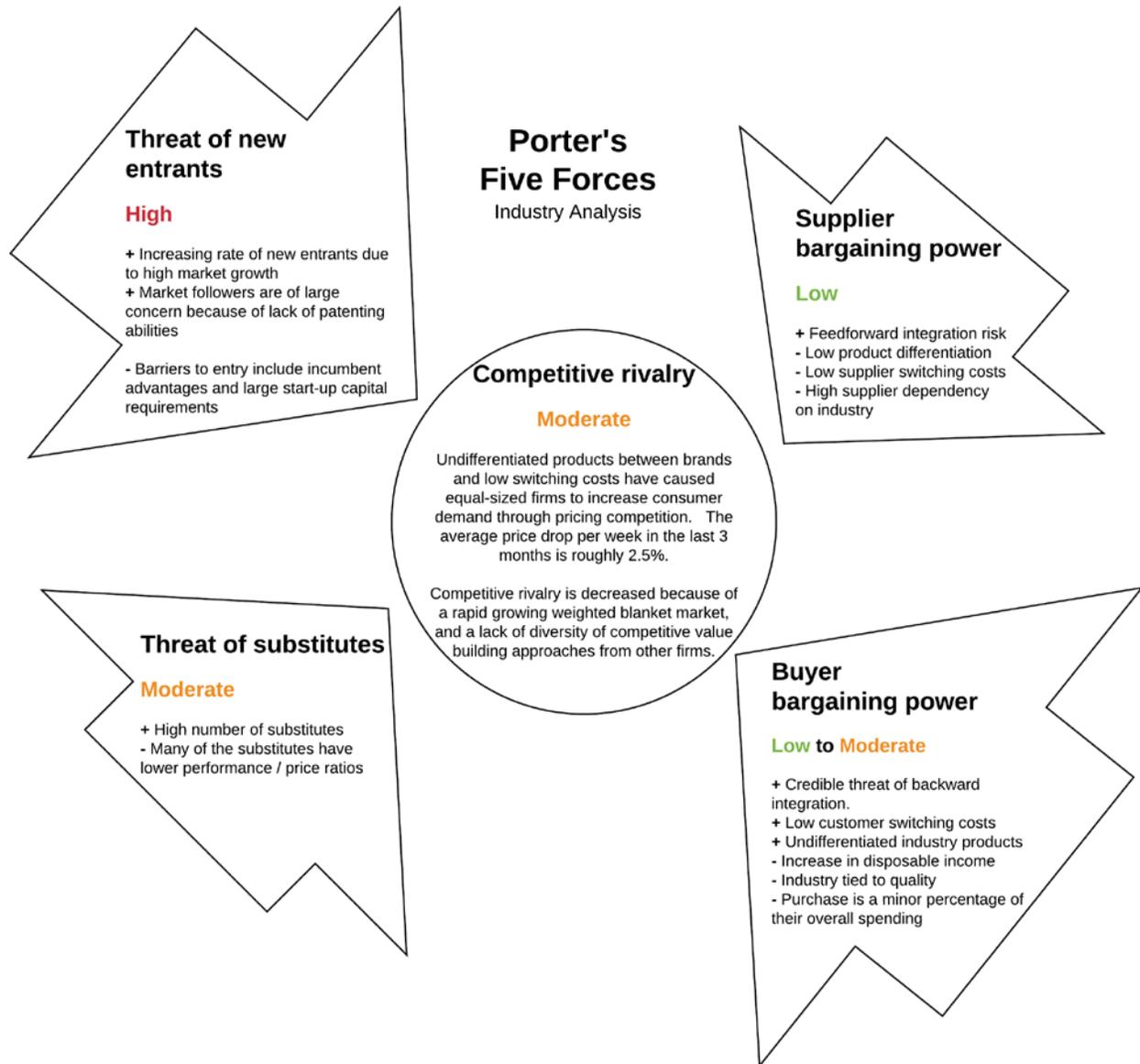


Figure 1 - Porter's Five Forces analysis: A summarized presentation of the weighted blanket industry.

Threat of new entrants | High: Threat of an increasing number of new entrants is high as potential players are motivated by high industry growth, low customer switching costs, and low barriers to exit. The rate of new entrants per month has increased four-fold in the last year, from 0.5 new entrants / month to 2 new entrants / month, lending insight this industry may be a temporary bubble created by environmental trends. Particularly important, the lack of patenting capabilities on product innovations that accommodate differentiation strategies may motivate potential market followers who will capture market share through imitation. Current barriers to entry include high initial seed capital requirements and incumbency advantages. The minimal amount of start-up capital because of the acceptable conventional minimal order of 1000 blankets (without covers) from all available suppliers requires a \$30,000 investment, which is much greater than the start-up capital of \$5,000 most aspiring Amazon sellers have. Incumbency advantages are facilitated through online e-commerce structure. A mature online presence generates more reviews, which increases consumer awareness, which in turn increases

sales and then generates even more reviews. The incumbent advantage is exemplified through Amazon units sold data by JungleScout, as 1st product page sellers generate 22.6 times more sales than those on the 2nd page.

Supplier bargaining power | Low: Supplier bargaining power is low because there is low switching cost between suppliers, low product differentiation among suppliers, and high dependency among suppliers on the weighted blanket industry. These factors overwhelm the insight that the 3 leading weighted blanket manufacturers are all concentrated in China. Of dominant concern is forward integration of suppliers is a noteworthy consideration. Manufacturers of weighted blankets can easily launch an e-commerce store front and the majority (2 of 3) factory owners we have talked to have implicated going in that direction. These factors support lean operations which may result in a lower floor price or allow for increased advertising expenditure during pricing wars among competitors.

Buyer bargaining power | Low to Moderate: Increased buyer power is created because of low customer switching costs, credible threat of backward integration, and undifferentiated industry products. Customers can easily decide between brands with the click of a mouse or manufacture their own weighted blanket using online video guides. To the end-line consumer, most products are undifferentiated in features (exact same blanket from the exact same manufacturer) and are all commonly marketed in terms of functionality and quality. These factors will drive future price wars among firms competing on cost and improve future marketing prospects for firms competing on differentiation. Supportive of this idea, recent domestic increases in disposable income of 5% per annum demonstrate consumers may be willing to pay more for products that are perceived to be of better quality. The quality of input materials directly affects the degree of improved sleep for weighted blanket consumers. For example, bamboo textile material reduces unwanted heat during summertime use more than cotton.

Threat of substitutes | Moderate: Substitutes can be primarily divided into three categories: (a) sleep-aid substitutes, (b) special population therapy substitutes, and (c) substitutes that share common functionality with a weighted blanket. Examples of sleep-aid substitutes include medications (sleeping pills), alternative therapies (essential oils, etc.), and lifestyle habits (diet accommodated with exercise). Special population need substitutes include prescription medication, occupational cognitive therapy, and special education programs. Functional substitutes include heavy stuffed animals, pillows, and towels. The threat of substitutes is moderate because the value / cost ratio of most alternatives in terms of time and money is lower for most substitutes of a weighted blanket. These inconveniences may necessitate purchase of the blanket for individuals who may benefit.

Competitive rivalry | Moderate: Undifferentiated products between brands and low switching costs have caused equal-sized firms to increase consumer demand through pricing competition. The average price drop per week in the last 3 months is roughly 2.5%. Competitive rivalry is decreased because of a rapid growing weighted blanket market, and a lack of diversity of competitive value building approaches from other firms.

Our Porter's Five Forces analysis unveiled several key considerations for market penetration. First, the weighted blanket industry has an ever-increasing threat of new entrants that are motivated by high market growth and low barriers of exit. The only barriers to entry are incumbent advantages and cost of seed capital, which although high compared to the average seed capital of Amazon retailers, is not that high with domestic population considerations. Many of weighted blanket industry new entrants will be market followers who imitate the leaders and compete for demand through price wars because of

undifferentiated products across the industry with low customer switching costs. Competition in the industry is mostly conducted through price wars because of factors that increase buyer bargaining power and lower supplier product differentiation. Domestically, firms will be competing for new customers who have more disposable income to spend on optional products. Feed-forward integration is of concern to firms who currently compete on cost, and backward integration is of concern to firms who compete on differentiation. However, most of the backward integration scenarios analyzed predict low volume production and long delivery. All these considerations ultimately introduce the idea that potential consumers can be captured by firms who compete on differentiation accommodated with high volume production and quick delivery instead of price.

Evaluating the industry as a whole was helpful in discovering which players in the game of selling weighted blankets are rewarded with sales and resulting profits. In order to further understand what J & J should do to penetrate the market, let's move off the playing field and into the spectator stands of the external environment to see how environmental factors may influence whether the rules of the game will change due to public sentiment, what player actions will result in spectator support, and what player characteristics spectators would cheer for.

PEST Analysis – Domestic weighted blanket e-commerce market

PEST analysis will help TruHugs later determine the multiple aspects of successful market penetration: (a) what marketing content should consist of, (b) what external forces may cause the market to change, (c) what the target consumer should be, and (d) changes in capital budgeting for advertising. A summarized PEST analysis is provided in Table 1 accommodated with a more detailed report in **Appendix B**.

Social factors

Because the online weighted blanket industry addresses a end-line consumer market, social trends had the highest importance in influencing strategy and resulting market penetration outcomes. In summary, we see that higher quality sleep for longer durations is trending within 2018, which may lead us to believe that a future sustainable business strategy may be to also sell complimentary products that help with sleep quality. Also, in general, shoppers that search online want more images (78%), reviews (68%), and product comparisons (47%) from e-commerce sites. (Wallace & Wallace, 2018) Resulting firm actions to gain crowd favor and win the game of profitability may be investment in a website with pictures of the product from multiple angles, incentives for recent purchasers to review, and consideration for comparative advertising along with educational content provided on social media. Finally, we see that the majority of consumers who purchase products online are female millennials who value eco-friendly products. (Saleh, 2018; 2017 Cone Communications CSR Study 2018) This finding dictates firms would probably benefit from increased demand by including females around millennial age range while emphasizing core competencies conducive to eco-friendly public perception within their advertising content as their targeted segment.

Table 1 - PEST analysis: An analysis of the political, economic, social, and technological aspects around the weighted blanket industry that may affect truHug's market penetration strategy.

Factor	Trend / Evaluation (Opportunities have a plus sign, threats have a negative sign)	Impact (1 = high, 5 = low)	Rank in terms of importance
Political	- International trade tariffs policy changes do not affect our industry (+)	3	4
	- State sales tax now required with Supreme Court ruling. (-)	4	
	- Trade war with china on high tech imports. (-)	4	
	- Upcoming main term elections. (-)	5	
Economic	- Young adults today shed more debt after the 2008 recession than older adults did during the Great Recession and it's immediate aftermath. (+)	4	2
	- Rise of a sharing economy due to digitization. (+)	2	
Social	- Sleep binging is trending in 2018 (+)	1	1
	- Digital detox is trending in 2018. (-)	1	
	- Females and millennials are 2 to 3 times more likely to make a purchase online. (+)	3	
	- Millennials will outnumber baby boomers by 2019. (+)	3	
	- Nearly half of American consumers purchase products because they are eco-friendly. (49%) (+)	2	
	- Younger adults are more likely to belong to multi-generational house-holds.	2	
	- Millennials will pay more for a cause. (+)	3	
	- Social advertising will become more competitive. (-)	1	
	- Online shoppers want more images, reviews, and product comparisons from e-commerce sites. (+)	1	
	- Trust is the most important factor in increasing purchase intent. (+)	1	
Technological	- Americans are inundated with mobile technology. (30% live in a household with 3< smartphones) (-)	4	3
	- Growth in AI technology applications will fuel future conversations on ethics. (+)	3	
	- Application of blockchain will create new payment services (-)	4	

Economic and technological factors

Bluntly put, economic and technological factors can be summarized in 2 points: (a) Americans have more disposable income to spend (US Department of Commerce, BEA, & Bureau of Economic Analysis, 2018), and (b) Americans are buying their products more and more online due to digitalization disrupting the retail industry. (Rosen, 2017) At first glance, logic tells us these two points hint that market growth will continue to rise. More specifically, however, consumers who have higher disposable incomes are more open to purchasing more expensive, highly differentiated products.

Political factors

For the most part, political factors lead to threats for the weighted blanket market. Both domestic laws and Chinese international trade politics (which affect our supply chain) may eventually lead to increased tariffs. (Kuo, 2018) Increased tariffs would decrease profit margins influencing to what point firms in this space can compete on price, available budgets for advertising, and potentially forcing some firms into an earlier exit strategy. Another aspect that specifically reduces profitability for e-commerce players is that sales tax on online sales to a specific state now has to be paid even if you do not hold inventory in that state. (Erb, 2017) Finally, main term elections are arriving soon, and people may be budgeting their disposable income purchases differently. (Seitz-Wald, 2017)

Internal analysis: What are TruHug’s core competencies?

Resources

truHugs is a weighted blanket company founded in March 2018 by brothers Justin and Jonathan Hsu. Justin initially invested \$55,250 into inventory and has a current budget of \$10,000 available for marketing purposes. If necessary, J & J have access to \$300,000 in personal seed capital as a buffer. Since the company is so new, J & J’s parents also offer their experience and expertise freely. Notably, Mike Hsu offers over 30 years of quality control engineering experience in the aerospace industry, 10 of which were working directly with Chinese manufacturers. Tina Hsu provides Chinese manufacturer contacts through her personal connections and offers cultural and social guidance in dealing with these suppliers. Jonathan brings with him scientific research experience in Kinesiology, which is directly related to weighted blankets’ R&D. He also brings previous business operations experience. Justin has lived in China for several years of his life, and is able to speak Mandarin which, together with his parents, allow him to understand the Chinese culture and communicate effectively with suppliers.

Capabilities

Resources eventually translate into capabilities that the firm can use to gain a competitive advantage in the market place. (Table 2)

Table 2 - Capabilities of truHug's: What truHug's can do with their resources to gain a competitive advantage.

Functional area	Capability
Marketing	<ul style="list-style-type: none">- Effective promotion of products online through a variety of platforms- Excellent customer service- High transparency
Management	<ul style="list-style-type: none">- Gain manufacturer insight on competitor data- Ability to envision product differentiation strategies that will increase demand
Manufacturing	<ul style="list-style-type: none">- Ensure high product quality control standards- Customization of product attributes for differentiation
Research and development	<ul style="list-style-type: none">- Research-backed product innovation- Development of solutions to currently unmet consumer needs

Product Quality

The reason why product quality is listed under the internal analysis section is because this analysis was performed after the product was already bought by Justin. Thus, truHugs is not in the position to develop a new product post-analysis. This is mentioned, because we must introduce the concept here that truHugs’ inventory is not primed for cost competition but rather differentiation competition. A summary of how truHugs product attributes were selected is in **Appendix C**. truHugs’ product is better in terms of quality than our competitors in the following ways:

- More durable and functional – truHug’s product uses 4 inch x 4 inch stitched grids to hold in the weight filler of the blanket instead of the industry standard 6 inch x 6 inch grids. In addition, the blanket uses glass micro pellets, 2.6x more dense and 3x smaller than the market standard plastic filler, to improve equal weight distribution over the person’s body. truHugs also offers

400-thread count linens in their comforters, which is greater than the 225-thread count industry average. This provides consumers with increased comfort and durability, while still allowing for breathability. The ultimate result of all of truHugs' product attributes is a blanket that customers can see has durable and functional value.

- More sustainable and eco-friendly – truHugs' bamboo duvet cover is manufactured while minimizing their ecological footprint. Most bamboo fabrics are extracted from their stalks using toxic chemicals, such as sodium hydroxide, that are not re-usable and are disposed into Earth's natural habitats per production run. truHugs re-uses (99%) an organic solvent to produce our bamboo fabric, reducing unnecessary waste disposal. The lack of diversity in textile production is also a majorly listed problem, as 93.5% of all textiles are manufactured from cotton and synthetics alone. The mass manufacturing processes from these raw materials often include the use of excessive pesticides, use of excessive water, unfair employment policies, and much more. By maintaining a diverse textile mix, truHugs helps lead the way towards a more sustainable future.

Core Competencies

truHugs' core competencies are facilitated by its human resource capital and flexibility in launching a diverse set of competitive actions rapidly. truHugs' broadly skilled human resource capital allows the company to maintain high quality control standards, develop trust and friendships with important stakeholders, innovate unique research-backed product solutions for differentiation positioning, and promote their products through ingenious marketing tactics. Thus, truHugs has the ability to meet the dynamic product needs of weighted blanket consumers and adapt to changing market conditions.

Competitor Analysis

Although the Porter's Five Forces covered competitive rivalry, the top competitors in the industry need to be examined to determine how the game is being played. How the game is currently played can influence the strategic and defensive moves that can help J & J successfully penetrate the market.

A market dominated by one leader

According to our estimates, the dominant market leader is YnM, controlling 43% of the market share with annual revenue of \$72 million. The three closest market challengers competing for shares are Kpblis (12%), Amy Garden (11%), and Zon-Li (8%). Next, 9 companies control 1% to 5% market share (1 – 9 mil in revenues). Finally, we have 6 market followers and nichers that control less than 1% market share (< 1 mil in revenues). At the long-tail end of the market, there are many market followers that have sales so insignificant, their data could not be collected by our software. Qualitative notes on these companies can be found in Appendix D. Figures were calculated for firms with available data because they generate sufficient sales using a combination of SEMrush (SEMrush, 2018) and JungleScout (JungleScout, 2018) software. (Table 3)

Table 3 - Market share analysis: Units and revenue is provided for comparison. Percent market share held by a particular firm is computed using annual revenue.

Retailer	Units sold (annually)	Selling Price	Annual Revenue	% Market Share
YnM (low cost)	724320	\$108	\$ 73,008,043.20	43%
Kpblis (low cost)	213840	\$91	\$ 19,660,755.60	12%
Amy Garden (low cost)	225360	\$80	\$ 18,008,402.40	11%
Zon-Li (low cost)	169200	\$83	\$ 14,124,722.40	8%
CuteKing (low cost)	119160	\$77	\$ 9,181,659.60	5%
Gravity (differentiator)	31089.6	\$250	\$ 7,772,400.00	5%
SensaCalm (differentiator)	35748.96	\$180	\$ 6,434,812.80	4%
Quility (cost)	66960	\$92	\$ 6,225,012.00	4%
Weighted Idea (cost)	48600	\$98	\$ 4,782,088.80	3%
Mosaic (differentiator)	23908.8	\$150	\$ 3,586,320.00	2%
Good Knight (cost)	16560	\$85	\$ 1,413,284.40	1%
Dr. Hart (differentiator)	192	\$217	\$ 1,250,942.40	1%
MiranBlankets (differentiator)	6480	\$159	\$ 1,033,146.00	1%
Calmfortor (differentiator)	3240	\$170	\$552,906.00	0%
The Magic WB Co. (differentiator)	2072.232	\$200	\$414,446.40	0%
Hugaroo (differentiator)	1800	\$177	\$319,842.00	0%
Blanquil (differentiator)	1551.216	\$170	\$ 263,706.72	0%
Dream Hugs (differentiator)	138.72	\$220	\$ 30,518.40	0%
WB Co. (differentiator)	139.128	\$180	\$25,043.04	0%

Product lines, resources and expertise

Examining Table 3, it is apparent that the top 3 market competitors all compete on cost. Because truHug's product costs (more on that later as ROI will be calculated) are higher than their cost competitors within this analysis we will select 3 differentiator companies based on their diversity of resources and expertise, not market share. This methodology will reveal possible pertinent strategies that would be missed if only top market share competitors were assessed, all who compete on cost. Three market differentiators were picked for this analysis because:

- **Gravity Blankets** was picked because they have top market share among differentiators only (36% of the total market share owned by differentiators). They are known for being a market challenger with a high amount of seed capital from Kickstarter.
- **SensaCalm** was chosen for this analysis because of their centered brand position on the therapeutic benefits of a blanket for specific populations.
- Finally, **The Magic Blanket Company** was picked because they were the original founders of the weighted blanket, having a first-to-market incumbency advantage.

Two cost competitors were also included in the analysis for consideration. First, YnM was picked because they control 43% of the entire market, and consequently it is easy to conclude they must be doing something right. Next, prioritizing higher market shares, it appears Kpblis or Amy Garden are suitable candidates for analysis. However, because we know their business models (and their suppliers), they are too similar to YnM to lend any analysis utility. We picked Zong Li as our second cost competitor to analyze their unique capability of complete vertical integration supplemented with B2B sales.

The wide range of resources and expertise differences between these companies result in different sets of core competencies that the firms will use to compete inside this space. Using their core competencies, firms will vary in the strategies they use to gain a competitive advantage to increase demand. (Table 4)

Table 4 - Competitor product lines, resources, and expertise:

Brand	YnM	Zong-Li	Gravity Blankets	The Magic Blanket Co.	SensaCalm
Different product lines	<ul style="list-style-type: none"> - Pre-fabricated weighted blankets with duvet cover - Pre-fabricated weighted blankets - Weighted blanket duvet covers 	<ul style="list-style-type: none"> - Pre-fabricated weighted blankets with duvet cover - Pre-fabricated weighted blankets - Weighted blanket duvet covers 	<ul style="list-style-type: none"> - Pre-fabricated weighted blankets with duvet cover 	<ul style="list-style-type: none"> - Pre-fabricated weighted blankets with duvet cover 	<ul style="list-style-type: none"> - Customized weighted blankets with duvet cover - Weighted blanket duvet covers - Weighted lap pads - Weighted body wraps
Resources	<ul style="list-style-type: none"> - Inventory – Ability to offer 84 different pre-fabricated weight, size, and color combinations - Financial capital – JungleScout estimates average daily revenue of YnM to be 7,747.80. - Brand – achieved through Amazon incumbency advantages – ranked as #1 bestseller with over 1000 reviews, product listing is at the top 	<ul style="list-style-type: none"> - Inventory – Ability to offer 102 different pre-fabricated weight, size, and color combinations. - Manufacturing equipment – Zonli is owned by one of the 3 suppliers of weighted blankets in China, YnM sources from ZonLi. Lean operations during manufacturing process. 	<ul style="list-style-type: none"> - Brand – achieved through online website and social media incumbency advantage – Large online campaign with over 100k invested that resulted in attention from Fortune, Men’s Health magazine. Most FaceBook likes at 97,348 (compared to the others who average around 2-5k likes) - Financial Capital – Kickstarter raised over 2.4 million to finance this company’s success. - Profitability – the largest profit margins are here, costs and selling price are known from supplier sources who sell to them. 	<ul style="list-style-type: none"> - Brand – original weighted blanket inventor and producer bragging rights. - Manufacturing equipment - Domestic production factory - Inventory – Can supply 490 different pre-fabricated weight, size, and color combinations. 	<ul style="list-style-type: none"> - Brand – because they dominate the therapeutic niche for the weighted blanket industry. - Manufacturing equipment – Domestic production factory - Legal protection – Has over 100 trademarked duvet designs and color schemes. - Financial resources and human capital – has a permanent staff of over 20 people on their About Us page.
Expertise	<ul style="list-style-type: none"> - Supplies the majority of weighted blanket demand on Amazon with low costs. - Flexible and quick adaptation to competitor strategies: Comparative advertising with gravity blankets within their own product pages - Specializes in selling weighted blankets without the duvet covers, duvet covers are sold separately. 	<ul style="list-style-type: none"> - Vertically integrated supply chain management - Revenue streams from B2B and B2C 	<ul style="list-style-type: none"> - Increasing customer reach – Can increase perceived value of a \$20 Chinese manufactured product to a \$250 product - Increasing customer research – Gravity’s massive marketing campaign 	<ul style="list-style-type: none"> - Specializes in a product mix of selling customized blankets and pre-fabricated blankets - Offers different materials for the product mix - High product variety: Ability to produce over 460 combinations of size, weight, and color 	<ul style="list-style-type: none"> - Specializes in selling only blankets made custom to order at premium prices, only returned blankets appear to be sold on Amazon - Offers different materials for the product mix

Concepts and Tools

How is competitive advantage built in the weighted blanket industry?

Does an improved product increase competitive advantage?

Because blankets are inherently simple (a piece of cloth that covers the body), legal protection for product life cycle innovations is unlikely. (authors note: We actually tried to patent two innovations we made with no success) As competitors try to produce more product value by improving the product itself, any future improvement in the product's design can be easily imitated by market followers. Thus, any competitive advantage built through either offensive or defensive strategies focused on product improvement cannot be maintained. As an offensive strategy, market followers can simply imitate through reverse engineering (take the blanket apart) to achieve an increased competitive advantage. All these factors point to the conclusion that the weighted blanket industry caters to a fast-cycle market. This evaluation rests on the fact that weighted blankets are really a microtrend that resulted from the overall current trend of sleeping more. Most of the suppliers we have contacted have estimated that the bubble for this product will last maybe 4 - 5 more years. Metaphorically, the trend of weighted blankets matches that of 'spinners' sold in 2016. Accordingly, imitation happens quickly, and competitive advantages are not sustainable.

If a sustainable competitive advantage cannot be achieved through product innovation, how did the top competitors do so?

The top competitors have a larger share of the market through some competitor advantage. In this market, the top competitor's strategies to achieve an advantage include cost leadership, differentiation, and focus.

Cost leadership strategies

Cost leadership is obtained through by retailer firms that minimize unnecessary costs. In order to rake in profits, cost leaders depend on high volume sales. Actions taken in the weighted blanket space to become a "cost leader" include: (a) avoidance of activity that unnecessarily increases costs, such as paid online marketing, (b) selection of distribution channels that naturally promote the product to acceptable demand levels. (Amazon), (c) maintenance of lean operations through vertical integration or strategic alliances with suppliers. Both YnM and ZongLi are Chinese managed brands that exemplify the cost leadership strategy and its resulting actions. ZongLi only has a Amazon product page and no other presence on the web. (company posted) YnM has a Facebook page which sole purpose is to manage warranties and user complaints. Both companies do not invest much capital in modifying customer perception or increasing customer awareness. The result of their cost leadership is they have the competitive advantage of providing a product for a cheaper price, value that many consumers enjoy.

Differentiation strategies

Differentiation is when a firm seeks to build a competitive advantage by creating a product or service that is perceived as being unique in terms of what value it can provide to the end-line consumer. Differentiators tend to sell lower volumes at higher margins. As we learned from our prior Porter's industry analysis, the weighted blankets as product items themselves are undifferentiated between suppliers of all the brands in the market. Whether the blanket manufacturing is in-house or outsourced,

they all comprise of the same materials, same machines sewing the blankets together, and same manufacturing process. Even to potential consumers, the blanket pictures across different brands look very similar or nearly exactly the same.

Table 5 - Brand positioning of truHug's competitors, selected for their diverse representation of firms within the market.

Brand	YnM	ZongLi	Gravity Blankets	The Magic Blanket Co.	SensaCalm
Low cost or differentiator	Low cost	Low cost	Differentiator	Differentiator	Differentiator
Luxury or general	General	General	Luxury	General	General
Quality or functional	Functional	Functional	Quality	Quality	Quality
Corporate or family owned	Corporate	Corporate	Corporate	Family	Family
Player relative market position	Market leader (Amazon)	Market follower	Market leader (Website, social media)	Market nicher	Market nicher
Additional notes	Chinese manufacturer replica “get the same product at a cheaper price” brand image	Chinese manufacturer “get the same product at a cheaper price” brand image	Includes pictures of interracial couples, both men and female, emphasizes technological standpoint and luxury aspect.	Emphasizes American-made innovation aspect.	Eco-friendly therapeutic company

Brand positioning is represented for the 5 competitors we chose to analyze in Table 5. Differentiation by top competitors in this space is built mostly through changing consumer perceptions about how unique a product is with costly advertising budgets. Currently, all firms execute their marketing with a total lack of transparency. For example, Gravity Blankets showed images of their blanket with unique folds and angles, so consumers would think their product is completely different. They try to convince their consumers they have a unique product using catch phrases like “scientifically engineered”, “clinically proven to reduce anxiety”, and “We spent one year researching what would make the best weighted blanket possible.” Another company following the differentiation strategy to gain a competitive advantage, Magic Weighted Blanket Co. sells the fact they were the original innovators of the weighted blanket and they are a domestic company. As a result, consumers may be led to believe Magic Weighted Blanket Co. produce a more functional American-made higher quality blanket.

Important to mention, the continual investment of available financial resources into building “consumer perception of brand product uniqueness” is what allows firms following differentiation strategies to maintain their customer advantage. SEMrush, the online competitor marketing service, estimated Gravity Blankets spends roughly \$3,500 monthly on online ad-space whereas Magic Weighted Blanket Co. only spends \$275.

A combination of differentiation and focus

On the other hand, SensaCalm’s family-oriented eco-friendly therapeutically positioned brand helps convince consumers that the blankets they sell must be higher quality because they are used by occupational therapists. (even though they actually may not be, just by two therapists who sponsor the

brand) In addition, their additional product lines are all therapeutic in nature and this solidifies their perceived product uniqueness. SensaCalm’s therapeutic brand would appeal to a narrower market of people who buy blankets because they have disabilities such as autism or ADHD. Because of SensaCalm’s strategy, they invest almost no money in paid advertising whereas Gravity Blankets spends an average of \$3500 a month. (data collected using Jungle Scout over last 3 months) In order to effectively target their narrow market, SensaCalm has to be more engaged with their consumers. Here, we see how Gravity’s and SensaCalm’s differing market positions result in different advertising strategies. SensaCalm seeks to bond with their narrower market through organic content and consumer engagement. In contrast, Gravity increases demand for their products to a broader market through paid advertising.

Differing distribution channels for firms that compete on differentiation or cost

Most of the low-cost competitors we reviewed are predominantly on Amazon, with minimal website or social media presence. This makes sense, as Amazon’s conversion rate ranges from a high 13% (non-Prime members) up to 75% (Prime members). These numbers are high compared to the 3.4% website and social media conversion rate. Why invest in expensive social media and SEO advertising campaigns when you can have Amazon’s network effects work in your favor. Doing so would allow you to minimize your marketing expenditures while maximizing your reach. On the flip side, the firms with a website / social media distribution channel model seek to educate consumers about weighted blankets and capture new market growth. (Table 6) Please note, SensaCalm and Magic Blanket Co. only sell their used return products on Amazon. It’s only with these products that they can compete on price with the cost competitors that are especially prevalent on Amazon. SensaCalm and Gravity blankets both charge particularly high prices for their differentiated blankets, and they need to invest in having a high online presence (regardless of content or brand positioning, they are very different) across most social media platforms to ‘educate’ consumers on why their product is better.

Table 6 - Online presence data represents two primary distribution channels used: Differentiators use primarily website and social media to educate potential consumers on why their product is different, cost competitors use Amazon’s network effects to increase reach while minimizing marketing expenditures.

Brand	YnM	ZongLi	Gravity Blankets	Magic Blanket Co.	SensaCalm
Website			X	X	X
Amazon	X	X			
Facebook	X		X	X	X
Pinterest			X		X
Twitter			X		X
Instagram	X		X	X	X
Blog			X	X	X

Specific consumer targeting

From Table 7, we can see that for the most part millennial females are targeted by firms competing on cost whereas gender preference is not shown by niche focused firms targeting baby boomers. By targeting different consumers, firms avoid intense marketing competition that would arise if everyone was trying to steal similar consumers from each other.

Table 7 - Competition target consumers: By targeting different types of consumers, firms avoid intense marketing competition.

Brand	YnM	ZongLi	Gravity Blankets	The Magic Blanket Co.	SensaCalm
Age	Millennials	Millennials	Millennials	Baby boomers	Baby boomers (and their children)
Gender	Female	Female	Male	Male	Female
Characteristics	General	General	General	General	Special populations

Nature of competition facing truHugs

Who are the players?

To recap, the market leader is YnM, a cost competitor that controls 43% of market share. Cost competitors take 87% of the total market share, whereas only 13% of firms in this market try to compete through differentiation. Of these differentiators, Gravity Blankets and SensaCalm have the strongest foothold in the market.

Possible offensive and defensive strategies and actions from top competitors to a new entrant taking market share

Because market share is dominated by firms who compete on cost Because the market is so fragmented and most of the market followers of the big players are so individually insignificant in taking from their share of the market, there may be a chance that the top 5 competitors will not react to truHugs entry to market at all. According to a recent article published by Harvard Business Journal, 1/3rd of competitors never end up reacting to a rival's actions. (Avery, 2015) However, what if one of truHug's ends up drawing attention from competitors because they take market share? Competitors will definitely mount a response if they see their bottom line reduced.

One of the most accurate ways to evaluate what our competitors will do is to examine what they have done to gain greater market share. The following historical trends shows possible strategies competitors will take to maintain their competitive advantage.

Offensive strategies and possible actions

- Price wars: Upon the launch of noteworthy market follower Zon Li, YnM and Zon Li have entered a price war. YnM's initial market selling price of \$120 (3 months ago) have dropped to \$70 for their primary product line. Zon Li initiated the drops and YnM follows. (JungleScout, 2018)
- Imitation through association: After the launch of current market leader Gravity Blankets, nearly every low-cost competitor includes association key words like "Gravity 2.0 Weighted Blanket." Some of them even go as far as to sell their products under a new domain name with 'gravity' inside it like www.buygravityblankets.com.

- Release of comparative advertising: While there is currently no formal video or picture ads in purchased ad-space that directly compare weighted blanket brands, threatened competitors have released new social media content (through blogs and posts) that ranks their own products above the new competitor. For example, Blanquil (a smaller competitor) launch a blog titled “Blanquil versus Gravity: Are you getting ripped off?” 3 months after the launch of gravity blankets.

Defensive strategies and possible actions

- Strong customer relationships: For every dollar Gravity Blankets spends on advertising they earn \$14. Surprisingly, Magic Weighted Blanket sees returns of \$76 for every dollar spent on paid ad-space. Even though Gravity Blankets generates more revenue, their monthly advertising expenditures exceeds Magic’s by 13 times! (\$3,600 versus \$275) The data provided by SEMrush demonstrates how there is more to the equation than just advertising and marketing among competitors that wish to differentiate a product that in reality, is undifferentiated. (SEMrush, 2018) Logging on to the Magic Weighted Blanket’s FaceBook and you will see the owners personally interacting with the roughly 7,000 consumers that follow them. In contrast, Gravity Blankets has 97,000 followers but uses FaceBook as an advertising bulletin board. Posts contain professional video ads and new product releases. These findings indicate quality of reach is just as important as quantity.
- Market coverage: Before the release of Gravity Blankets, competitor InYard manufactured weighted blankets exclusively for children with special needs. They are now re-branded as Blanquil, and they sell everything from sleeping slings (like a hammock) to children weighted blankets to adult weighted blankets. Increasing market coverage allows InYard to compete for new consumers drawn to weighted blankets through Gravity’s advertising.

Business-level strategies

Who is an ideal weighted blanket customer?

The ideal customer who buys a weighted blanket would be a mid-30’s female because this demographic represents most online shoppers (2 – 3 times more likely than others). She would be concerned with the environmental impact of the goods she uses because millennials have been shown to pay more for goods with a cause. Furthermore, she cares about how transparent companies are about their practices and whether these practices are admirable. From an IBIS World Report, 63% of respondents declared trust was the most important factor in determining which brand they would a product/service from. She would also care about the quality of her sleep and be concerned about her overall health and wellness, because these are hot topic trends, and products such as sleep bars are booming.

What are a weighted blanket customer’s unmet needs that, if met, can build a competitive advantage?

According to negative reviews given to our top competitor brands, customers want a weighted blanket that is not too hot, durable, and is effective in its fundamental value function of increasing sleep quality. They also want a responsive customer support and fast convenient delivery upon purchase.

How can a firm fulfill these unmet needs to build a competitive advantage?

To produce a weighted blanket that is not too hot, a firm can make a weighted blanket that uses cooler materials and less insulation. A firm can provide good customer support by reaching out to customers to preempt complaints, providing a 24/7 line of customer support, and providing rapid solutions to customers immediate concerns. To fulfill customers' delivery expectations, a firm needs to at least match the Amazon standard of 2-day prime shipping. A firm can also create a more durable blanket by implementing sound quality control measures and using stronger materials. To increase the effectiveness of the weighted blanket, a firm can make smaller quilting squares (so beads don't shift around as much, improve on the softness of the material, and create functional weighted blanket features.

Synthesis of Recommendation

What should truHugs do to penetrate the market considering their unique context and knowledge of strategy?

Primary competitive advantage strategy: truHugs should compete with a focused differentiation strategy

Rationale: A focused differentiation strategy should be implemented based off truHugs resources, capabilities and resulting core competencies. truHugs lack of manufacturing equipment and capital restricts upward vertical integration into production of their own weighted blankets. All innovation ideas have to be done with a strategic alliance with their supplier. With so many people collecting their cut in the middle, truHugs cannot possibly beat firms that manufacture in-house and compete on cost. In addition, truHugs capability to innovate and improve products through free R&D provided through human resource capital of the owners is more conducive to selling a differentiated product that is not only perceived as positively unique in consumer minds, but truly unique in its function and form. With customer trust being the top factor that increases purchase intent in the retail sector, truHugs can differentiate these attributes with transparency that will only increase demand for their products.

Implementation: In order to differentiate a product, resources need to be invested into making consumers aware of how the product is different. All the top competitors who gain advantages through differentiation had a website to explain how their product is different. In addition, the differentiators had many interaction channels with consumers through social media. Thus, resources need to be invested in marketing efforts by creating organic marketing content on social media.

Feasibility: Because truHugs human resources and innovative product attributes match the differentiation strategy for competitive advantage, they should move forward with differentiation. Differentiation is a proven strategy in this sector, as Gravity Blankets demonstrated when they exceed differentiator incumbents SensaCalm and Magic Weighted Blanket Company through manipulation of consumer perception with marketing. Jonathan has the ability to create websites and graphics. In addition, truHugs' innovative product has so many quality advantages over their competitors, J & J can increase awareness about their product with transparency. In a non-transparent industry where consumer product perception is built around fluff and outrageous false claims, trust built with consumers can lead to becoming a sustainable competitive advantage. Our case example of how Magic Blanket Co.'s development of predominantly organic social media content themselves through time

investment produced advertising investment ROI higher than that of the market leader Gravity Blankets demonstrate the practicality of this approach.

Although organic social media content developed alongside a website storefront is cheaper than bidding on online ad space, a financial analysis is required to make sure that the necessitated marketing costs that accommodate a differentiation strategy within online e-commerce environments is financially viable. (Table 8)

Table 8 - Costs of marketing through 'organic' owner-created social media content

Factor	Cost
Video production for a 1.5 minute website video that describes how our product is different through a storyline narrative	\$1500 (industry average rate is \$1000 per minute of video)
Basic product studio photos	\$600 (real world estimate)
Modeling costs	\$800 (real world estimate)
Copywrite protection	\$200-\$400 (real world estimate)
Website development	\$2000

Organic content social media marketing will cost \$5,300. With J & J's reserved \$10,000 budget, truHugs can cover this cost and still have \$4,700 cash left over.

Target consumer: truHugs should target female millennials

Rationale: Our PEST analysis helped show that most online shoppers are of millennial age and female. These shoppers are more likely to search for and buy products online. Also, a major part of online social media users are of millennial age and female. Our competitor analysis and strategic formulation confirms this is the correct choice, as most of the firms we assessed in our competitor analysis cater towards this segment in their advertising, model selection, and design feel to gain competitive advantage.

Implementation: truHugs should include millennial female models in lifestyle pictures with product on storefront pages and potential marketing efforts. Online marketing efforts should be centered around social media channels. Brand, website, and Amazon product page design should be catered towards the millennial female demographic.

Feasibility: Because the majority of consumers that purchase (not search) products online match the consumers that are influenced by social media marketing as female millennials, going with this target consumer will facilitate our marketing strategy while increasing demand among the consumer segment that is most likely to purchase.

Brand positioning: truHugs should be positioned as a family-oriented, organic, eco-friendly, transparent brand

Rationale: As a new entrant with resources that are primarily on the 'mom-and-pop' level, truHugs would benefit from positioning competitor brands with its own in consumer minds. This is driven by consumers who have concerns about globalization, the closing of small business, and unethical business practices. By framing the game, truHugs can achieve a competitive advantage by appealing to consumer sentiment. Further, the PEST trends of sustainability, digitization detox dictate truHugs could increase their competitive advantage by positioning as an organic, rustic, and eco-friendly brand.

Implementation: Branding media content should be developed to represent a brand that is sustainable and eco-friendly. 10% of overall profits should be donated to non-profit organizations that mesh well with brand positioning.

Feasibility: While most of our recommended brand positioning strategy will not incur additional costs over branding with no strategic insight, the 10% donation of our profit margin could hurt us dramatically. Possible harm comes from the possibility of having insufficient funds to cover truHugs organic social media marketing strategy. With an original net income at \$83.34 with the market determined selling price of \$200.00, donating 10% of our profits to increase purchase intent due to our brand positioning would decrease our profit margin by 5% from 42% to 37%. As a result, truHugs will have to sell approximately 7 more units in order to cover their advertising expense of \$5,300. The minor risk of not being able to sell 7 more units (70 instead of 63) with the current brand positioning strategy with donation is worth the potential benefits of building brand equity and increasing consumer sentiment.

Purchasing ad space to accelerate demand and product awareness: truHugs should not invest in paid advertising in order to avoid stockout.

Rationale: The incumbent competitors in the weighted blanket industry showed a high return rate on advertising spending. However, because truHugs only has 1000 units in inventory as a resource, the firm should rely solely on organic content and not spend any money on advertising. Otherwise the firm faces stockout and high opportunity cost. Not spending any money on advertising will allow J & J to spend more resources on customer service which is a main concern of customers.



Implementation: Do not advertise. Instead focus on providing superior customer support and securing more inventory.

Feasibility: With only 1,000 units, truHugs cannot afford to spend money on advertising. If they do, they have a high chance of stockout and lost sales. Regression modeling from data derived during analysis demonstrated that a majority of generating purchase demand is through the development of organic content. (SEMrush, 2018) Only \$388.87 of purchased ad space is necessary for truHugs to stockout in a month. With a supplier lead time of 3 months, a stock out period of 2 months would inconvenience many potential customers.

Filling unmet needs: truHugs should anticipate filling unmet needs through a product with improvements that current consumers have expressed desire for, use their social media platform and website to elevate the industry standard for customer service, and increase consumer awareness by including the two prior mentioned aspects in their organic marketing campaign.

Rationale: First, social analysis revealed that consumers are willing to pay more for a good cause. Out of the industry, only a few competitors have such a cause, and close to none have transparency. For example, Gravity Blankets focuses purely on the product benefits and doesn't support any specific causes, nor does the firm reveal their blankets are internally the same as YnM's. Specifically, no competitors support the environmentally sustainable practice movement. Second, there is lacking customer support within the industry. This lack of reach represents an opportunity that truHugs can fill. Third, the lack of a high-quality weighted blanket with cooler insulation is a problem truHugs can solve with their innovative weighted blanket.

Implementation: truHugs weighted blankets are made out of bamboo lyocell which, as one of the most sustainable fabrics available, yields up to 10 times more fiber yield per acre than cotton and requires less than 1/10th of the water to grow. Also, bamboo lyocell is scientifically described as "like the touch of water" and keep users 2 degrees cooler in the summer. truHugs should focus on this competitive advantage in its photos, videos and website while also ensuring high quality weighted blankets through use of its human resource expertise in quality control (no ripped stitching, leaking beads, etc). Through the website, truHugs should provide 24/7 email and business hour phone/chat support. This support can be facilitated with maintained interaction within the brand social media communities truHugs will build. J&J can provide superior customer support themselves compared to the lackadaisical support offered by industry competitors. Also, to improve customer service, truHugs should offer a thorough knowledge base to those that need it and a 1-year warranty.

Feasibility: truHugs manufacturer has access to bamboo lyocell and can make weighted blankets out of them. Also, J & J can offer the individualized customer support themselves. The use of social media platforms to increase customer service meshes well with our strategy of using organic social media content to increase product awareness and marketing reach. The weighted blanket industry needs a brand that they can trust. Analysis and strategy show that truHugs is in the perfect position to build a competitive advantage by improvement product features desired by past consumers and providing customer support that supersedes the leading competitors'

After truHugs successfully penetrates the market, what actions can they take to maintain a competitive advantage?

Important considerations

Stated as an initial concern during problem formulation, the strategies that truHugs takes for successful penetration for the weighted blanket industry will affect the consequential actions necessary to maintain a competitive advantage. truHugs strategies dictate entering the market with an organic social media marketing strategy with a website that educates potential consumers on why their product and brand is simply better. As a surprising discovery that resulted from this report, we learned that truHugs shouldn't invest in paid ad space in order to prevent stockout. Competitor analysis and strategies conveyed that marketing operated with organic content was sufficient to produce ideal demand (300 units sold a month).

The original concept behind competitive analysis and building a competitive advantage is to increase market share and profitability. In the weighted blanket fast-cycle market, truly sustainable competitive advantages afforded through product improvements and necessitated legal protection are nearly non-existent. With so many aggressive competitor attack possibilities assessed with business concepts and tools, what defensive strategies can truHugs take to maintain their competitive advantage in the future?

Sustainable competitive advantage strategy implications

#1: Maintain marketing support

Our strategy formulation using known business concepts and analysis pertinent to our context showed us differentiation of uniqueness through influence of customer perception was enough to gain market share, even though the product itself is undifferentiated. Original market incumbents like the Magic Blanket Co. and SensaCalm have ended up treating their businesses like cash cows by lowering their marketing expenditures. As a result, market challenger Gravity Blankets came in and took majority market share away and captured new market growth with an aggressive marketing campaign. To sustain truHugs brand equity and loyalty and protect them from competitive attack, truHugs should maintain marketing support for their brand. This can be done by continually updating the social media content and continually offering promotions. Promotions can be structured to get to know consumers needs better such as through survey contests that grant free products or discounts to the winners.

#2: Legal protection on future differentiation-oriented product improvements that can be protected

Although product innovations cannot be protected by patents, trademarks can be obtained as a defensive strategy to protect the brand positioning and image. Nonfunctional product attributes unique to the truHugs weighted blanket such as the look and feel can thus be protected. Knowing this, truHugs can start building a sustainable competitive advantage by supporting their innovative product (which cannot be patented) with a look and feel unique to the product and then protecting it with trade dress.

#3: Price-matching all imitators that are bound to follow

Because of factors that affect the playing field of the weighted blanket industry, our unique innovative product is bound to be copied and sold at lower prices from our competitors. In order to prevent loss of competitive advantage to opposing firms, offering a price match to the market will prevent the need for future actions against competitors trying to gain market share by offering the same product for a lower price.

In summary, maintaining a competitive advantage is a tedious process that requires constant work and research on the market. By preparing defensive strategies to our competitors' offensive strategies and actions far in advance, we can act pre-emptively and start creating a business that is worthy of investment in the years to come.

What is the return on investment for truHugs if they successfully penetrate the market as recommended and maintain their competitive advantage?

How much can truHug's reasonably expect to sell their blankets for?

Ten firms who distribute through Amazon (Amazon, 2018) were included in the preliminary analysis performed for appropriate pricing strategy several months prior to this report. (**Appendix E**) The reason why only sellers from the Amazon distribution channel were selected is because there are more confounding variables that affect units sold when assessing the non-Amazon distribution channels such as diversified marketing methodology (SEO and social media), brand positioning, marketing budgets, and marketing content quality. Because price and sales volume are related, price was designated to prevent stockout. With a supplier lead-time of 3 months, truHugs can only sell 333 blankets a month upon grand opening. This statement is founded on the assumption that truHugs initiates a second order from their supplier after seeing preliminary market conditions within a week of launch. Data was cleaned to only include listings that had similar products to truHugs. Multiple regression was performed between price and # units sold per month for all competitors in the market. This revealed a statistically significant ($p = .03$) regression equation that showed price explained 19.1% of the variance in units sold:

$$\# \text{ of blankets sold per month} = -18.11 * \text{selling price} + 4072.93$$

Accordingly, in order to prevent stock out, truHugs should price their product at \$206 dollars. However, selling price only explains 19.1% of the number of units sold. Thus, a regression model building approach exploring the effects of a firm's time in the market, review rating, number of ratings, whether there was a coupon offered or not, whether there was an infographic on the product order page, whether a listing was designated as "Amazon Choice", and whether a listing was designated as "Best Seller" on number of monthly units sold was conducted. After several regressions, eliminating multicollinearity and insignificant variables with $\alpha < .10$, the optimized regression model equation turned out to be:

$$\begin{aligned} \# \text{ of blankets sold per month} \\ = -14.36 * \text{selling price} + 788.6 * \text{infographic status} + 3250.17 \\ * \text{bestseller status} + 2490.96 \end{aligned}$$

Infographic and bestseller designation were coded as dummy variables. This model was selected over 7 other logical variable combinations because: a) The correlation coefficient was a strong .88, b) selling price, best seller status, and infographic status explained 78% of the variance in units sold, and c) all independent variables plus the intercept were statistically significant. ($p < .10$) The recommended selling price derived from our optimized model building process is \$205.19. Although this is almost the same number as that which was derived by our first model, the numbers make sense. Bestseller status designates an incumbent advantage and also helps a firm by making their listing more visible. Having an infographic results in 788.6 additional units sold, which also makes common sense. Thus, by model building we accounted for these important factors as they also affect final blankets sold a month.

A high pricing strategy will reduce the volume sold, consequently reducing much needed energy and money spent on customer support issues post-launch. To keep things simple, further calculations will assume truHugs will enter the market with a selling price of \$200.

What are truHug's costs?

Including \$10 per unit to be spent on advertising (total of \$10,000, which includes the initial \$6,000 needed to seed social media and website organic content), total expenses per unit were calculated out to be \$116.62.

Table 9 - truHug's cost per unit: This calculation includes \$10 to be spent on advertising, which includes the development of organic content on website and social media platforms.

Expenditure Name	Cost	Total
Blanket	\$31.90	\$31.90
Bamboo Cover	\$21.40	\$53.30
Pillow Case	\$1.20	\$54.50
Tax	\$2.79	\$57.29
Shipping to AMZ	\$6.62	\$63.92
Advertising	\$10.00	\$73.92
Storage Fees	\$1.91	\$75.83
FBA Fees	\$10.79	\$86.62
AMZ sales Fee (15% of Sales Price)	\$30.00	\$116.62
Total Expenses		\$116.62

With a market penetration price set at \$200 to avoid stockout, the net income is \$82.38 per blanket, equating to a 42% profit margin. The break-even sales price assuming all weighted blankets are sold is \$101.91, a cost that is low enough to compete with our cost competitors who have inferior quality products.

What is the return on investment for truHugs?

Reiterating what is written later in the internal section for purposes of providing more quantitative analysis, total investment for this project is estimated conservatively to be roughly \$65,000, with the additional inclusion of \$5 per unit for unplanned expenses. How much demand will the market provide? In order to forecast accurately here, we must determine what unit volumes new entrants are selling. For this analysis, new entrants is defined as any firm that entered the market within the last half year. This narrowed down the number of brands to 3: a) Dr. Hart, Hugaroo, and GoodKnight.

Table 10 – Characteristics of new entrants: New entrant is defined as someone who has been in the market less than half a year.

Brand	Days since launch	Infographic	Best Seller	Price	Units Sold
Dr. Hart	109.00	Yes	No	\$199.99	240
Dr. Hart	109.00	Yes	No	\$224.99	150
Hugaroo	149.00	Yes	No	\$162.32	30
Hugaroo	149.00	Yes	No	\$169.99	90
Hugaroo	149.00	Yes	No	\$216.16	30
GoodKnight	167.00	No	No	\$75.31	510
GoodKnight	167.00	No	No	\$95.4	510

Next, the firms used for comparison can be narrowed down even further through the following inclusion criteria: (a) whether they will have an infographic like truHugs, (b) whether they compete on

differentiation or cost, (c) whether their prices match truHugs' price range and (d) whether their differentiation intensity and brand positioning is developed equally to truHugs' penetration strategy. This immediately eliminates GoodKnight as a firm whose performance should be used to forecast demand. Between Hugaroo and Dr. Hart, both have competitive disadvantages in terms of offering product variety. Dr. Hart offers multiple weights but only one color and size. Hugaroo offers different colors but only one weight and size. truHugs, on the other hand, offers multiple colors and weights but only one size. Hugaroo did not invest resources in establishing brand equity, whereas Dr. Hart has a strong brand representing innovation and credibility.

Dr. Hart should be chosen for this forecast because of similar pricing, brand equity strategies, and product quality when compared to truHugs. Dr. Hart's products are priced similarly to truHugs in the \$200 range. In addition, Dr. Hart has brand equity because the product is claimed to be effective and sold by a licensed medical doctor. Similarly, truHugs planned brand equity development includes engaging consumers with research education to prove product credibility with the additional bonus of positioning as a socially responsible company. Dr. Hart's blanket product is also similar in quality to truHugs, using premium filler and textile raw material.

Dr. Hart is selling 390 blankets on a monthly basis 3 months after their launch. Assuming linear increase of 130 blankets a month during a launch period of three months leading to a steady demand of roughly 400 blankets a month for the following years, a similar unit selling price at \$200, and a reserved annual salary of \$25,000 for each of the two business owners, the computed ROI is: 64%.

$$ROI = \frac{\text{profits}}{\text{investment cost}} = \frac{\$360,824}{\$560,795} = 64.34\%$$

Potential exit strategy

This means that truHugs can either make \$410,000 a year split between two for an individual salary of \$205,000. This isn't much for the amount of work required. We anticipate to maintain truHug's transparent position, keep up with changing market conditions, conduct R & D, and maintain community engagement roughly 60 hours of work a week. Right now the going rate for selling an E-commerce business is 23 times the monthly profit. (Empire Flippers, 2018) This means that if truHugs builds their brand equity up, they can make \$785,833 dollars at the end of this year, in addition to the \$410,000, making the total exit strategy profit \$1,195,833.

Conclusion

The goal of this report was to determine how truHugs should penetrate the fast-cycle weighted blanket market. Within this report, we first conducted an analysis of the industry to learn about factors that govern the game we are about to play. Here, we learned how the industry dynamics determine how the profit is shared among all stakeholders. Then we assessed environmental trends, particularly social trends because truHugs is a business to consumer company, to determine what non-functional needs consumers may have at this particular time. Next, we examined our top competitors, and then used historically-proven business concepts to strategize how to enter the weighted blanket industry. Our analysis logged down insights for consideration to meet our objective, and we took these facts and applied thoroughly demonstrated strategy concepts to arrive at our final recommendation.

This report demonstrated that the weighted blanket industry may not be the most ideal one, but it's one worth pursuing considering truHugs core competencies, capabilities and resources. Now, truHugs may be more decisive in who their consumers are, what their consumer needs are, what their brand and positioning should be, whether they should invest in paid ad space, and how they should compete.

Perhaps just as important as successful market penetration is the ability to continue business in the market you just penetrated. Of high importance is pre-emptively anticipating your competitor's attacks. Within this industry, attacks occur primarily through price wars and imitation. In order to continue building a thriving business through sustained competitive advantage, truHugs must pay particular attention to these two factors as they will acutely affect their business strategy.

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Appendix A – Industry Analysis with Porter’s Five Forces Framework

Porter’s Five Forces organizes the industry market from the perspective of a single entity examining the threat of potential entrants, supplier bargaining power, buyer bargaining power, competitive rivalry, and threat of substitutes.

truHug’s threat of potential entrants (high)

Threat of potential entrants for J & J is high because of low customer switching costs, equal access to distribution channels, lack of patent potential, and low barriers to exit. Customer switching costs are virtually free, as they can select which brand they want to purchase online with a few clicks of a mouse. Because of this factor, new entrants may be further drawn to the business because of an easily accessible new customer base as long as awareness is increased. Weighted blankets are primarily sold online, with Brookstone being the first “brick and mortar” retailer to consider their sale with an initial order of 60,000 blankets back in January 2018. This means that online retailers are selling weighted blankets through commonly shared distribution channels like Amazon, eBay, and online e-commerce stores. Additionally, weighted blanket innovations lack patent potential. Simple product improvements like adding a zipper to secure the comforter inside a duvet cannot be patented. Finally, there are low barriers to exit in the small business saturated weighted blanket industry. Because average profit margins are high, if blankets are not sold, they can be effectively sold at cost with current market prices. In our analysis of competition on Google and Amazon, as of July 2nd every two weeks a new retailer of weighted blankets arrives to market when compared to entrant rates of 0.5 entrants/month roughly a year ago. That is an average increase of 400% in rate of new entrants. These givens elucidate the concept that an **increasing number of new entrants will enter into the weighted blanket industry**, at least while the weighted blanket is in its early to middle growth ‘star’ phase.

Elements that discourage new entrants to the weighted blanket industry include high capital requirements (for the space) and incumbency advantages. In the Amazon 3rd party seller space, roughly \$50,000 is required to start with the first industry-wide conventional minimal order of 1000 blankets. Seed capital for e-commerce businesses varies widely across industries, but multiple “industry expert coaches” state the average of available entrant capital lies somewhere around \$5,000. Incumbency advantages are seen in the way online e-commerce traffic is structured. Incumbent competitors like Chinese retailer YnM and Kickstarter-funded Gravity Blankets have around a thousand reviews, which boost their sales ranking, which in turn boost their page listing order, which then lead to increased sales. In fact, demand units for retailers on the first page of Amazon product pages for weighted blankets averages out to be 452 blankets a month, whereas the average for the second page is only 20 blankets a month. These numbers may discourage future new entrants from entering the weighted blanket industry. These factors show that **a firm may set up barriers to entry through the build-up of brand recognition through accumulation of online reviews**. To increase consumer traffic through a combination of content-driven marketing and ad space purchases requires capital. A competent firm may use defensive strategies such as these to increase barriers to entry.

Weighted blanket supplier bargaining power (low)

Supplier bargaining power is low because there are many substitutes to individual supplier’s products, there is low product differentiation among suppliers, low supplier switching costs, and high dependency among suppliers on the weighted blanket industry. Weighted blankets have a high number of potential

substitutes which decreases supplier power. The three suppliers of weighted blankets are located in China. While this supplier concentration may seem to increase supplier bargaining power, all of them produce undifferentiated weighted blanket products. In addition, the costs to switch between these suppliers are non-existent and can be done between orders. Finally, because the weighted blanket manufacturing process requires special equipment and its own set of factory fixed costs, weighted blanket suppliers do not produce other textile and bedding products. The resulting high dependency among suppliers on the weighted blanket industry further decreases their bargaining power. **Overall low supplier power implicates firms within this space can operate with lean operations which increases profit margins.** Superfluous margin capital can then be invested by firms towards other areas, such as advertising to decrease buyer power.

Credible threat of forward integration of suppliers is a noteworthy consideration in the weighted blanket industry. In several business negotiations, suppliers have noted they are considering selling weighted blankets themselves because growth rates within the industry are at an all-time high. Logistically, suppliers can easily launch an e-commerce store front.

Weighted blanket buyer bargaining power (low to moderate)

Buyer bargaining power is low to moderate because aspects that increase buyer power are countered by a roughly equal portion of aspects that decrease buyer power. The forces that decrease buyer power here have a strong weight relative to TruHug's competitive position than the forces that increase buyer power.

Forces that increase buyer power include low customer switching costs, credible threat of backward integration, and undifferentiated industry products. Customers can switch between different weighted blanket brands with the click of a mouse, looking for the lowest cost deals. Many of TruHug's competitors started their weighted blanket companies motivated to produce a better, customized product for themselves or their loved ones. As a side effect, there have been many online guides on how to create your own weighted blanket on online community platforms like blogs and forums. On Kickstarter there are companies (Sheltered Co, Alpha) whose value centers around creation of customized blankets with the disadvantages of long lead times and low volume production. In addition, nearly all the blankets being sold under all brands are created by the same manufacturer. The current lack of customization and product differentiation within the weighted blanket space has led to increased buyer power. The factors that increase buyer bargaining power in the weighted blanket industry may contribute to price wars between retailers because currently most consumers select which products to buy based on price.

Buyer bargaining power is decreased in the weighted blanket space because of lack of customer concentration, lack of purchase concentration, lack of financial pressure, and industry influence on quality. Customers of online retailers typically only buy weighted blankets one at a time, which means they cannot bargain to reduce the cost due to high purchase volume share with their retailers. Because consumers typically buy blankets as a one-time purchase for their bedding arrangement, the purchase transaction can be assumed to be a minor portion of their overall expenditures. The largest package deals include weighted blankets that are sold in pairs. These offered package deals represent retailers know that modern day consumers of bedding goods may lack financial pressure. The U.S. Bureau of Economic Analysis has reported the annual growth of disposable income in the domestic market from 2014 to 2018 averaged around 5% annually. McLaughlin, an industry reporting agency, forecasts the housing market to grow in price and demand because of the millennial demand. Finally, higher quality

of sleep is influenced through better manufacturing inputs. For example, using bamboo instead of cotton may decrease undesired heat during summer use. All the above factors show that **increasing customer perception of received value through quality through advertising may be afforded through an acceptable high selling price point for a company that strategizes through focused differentiation.**

Threat of substitutes (Moderate)

Threat of substitutes in the weighted blanket category can be divided into: (a) substitutes that help with sleep, (b) substitutes that help special population disorders, and (c) substitutes of weighted blanket product features. Substitutes that help with sleep quality include sleeping pills, alternative therapies like essential oils, and diet accommodated with exercise. Weighted blankets are often used professionally to reduce anxiety and increase attention / focus in special populations with autism and ADHD. Substitutes for this segment may include medications, occupational / cognitive therapy, and lifestyle habits like diet. Finally, we have any substitute that can match the function of a weighted blanket, which is to provide deep pressure to increase sleeping hormones while decreasing anxiety. Weighted household objects like towels, stuffed animals, and heavy pillows can be substituted with normal blankets to produce a weighted effect similar to that of a weighted blanket.

Most of the substitutes to a weighted blanket represent a combination of alternative solutions that are more inconvenient financially or temporally to implement. Diet and exercise to achieve higher quality sleep is more taxing than buying a weighted blanket and putting it on your bed. The application of essential oils takes more time than jumping into bed. Therapy for special populations is expensive and unaffordable to many. Many of these listed substitutes also currently serve as compliments.

However, in terms of serving absolute function of providing weight while sleeping, there are many cheaper alternatives that are conveniently accessible. The higher value versus price ratios of cheaper alternatives like heavy pillows will decrease the overall profitability of the industry through lowered demand.

Competitive rivalry (moderate)

The industry is characterized by fragmented equal-sized competitors who compete on price. Price-based competition dominates the weighted blanket industry because products are currently undifferentiated and switching costs between brands are low.

However, online e-commerce is characterized by lack of diversity of awareness generation approaches, low fixed costs, and organic growth. As the majority of weighted blankets are sold online, these aspects decrease competitiveness in the weighted blanket industry. In addition, the high market growth of 13.5% per annum can support more players without decreasing profitability significantly.

Competitive rivalry trends show there is competition primarily on price and not on differentiation. **Thus, a player of this space may choose to avoid the blood infested waters of the low-cost weighted blanket market by choosing the green pastures of capturing market growth through product differentiation.**

Appendix B – PEST analysis: Online e-commerce weighted blanket industry

Social trends

Lifestyle trends

- The National Consumer Research Institute says sleep quality is one of the top 7 health trends for America in 2018.
- Nap “bars” are on the rise
- Office and university nap spaces are being implemented
- Nap aids are on the rise.
- Spa’s are now offering sleep medicine or sleep education programs.
- Digital detox is trending

Demographics

- Millennials will outnumber baby boomers by 2019.
- A record number of Americans live in multigenerational households 20% to 30% from 2016 to 2017.
- Family size and motherhood is increasing 80% to 86% from 2006 to 2016
- International arrivals: 25% increase in Central Americans, 500% increase in black immigrants 4.2 million.
- Millennials and GenXer’s are 3 times more likely to make a purchase online.
- Female respondents cited they enjoy online shopping more than men (51% vs 37%)
- 72% of females and 59% of males have decided to abandon their purchase because of shipping costs.

Consumer buying patterns

- E-commerce now accounts for 20% of all retail sales and is growing at an average of 15.1% for the past 5 years.
- 96% of Americans shop online, 35% of their shopping budget is spent online, 43% of consumers shop in bed.
- The top reasons why people don’t buy something online is 58% shipping cost and 58% not being able to try the product and 34% waiting for delivery.
- 95% of Americans purchase products online at least yearly
- 36% of Americans have shopped at category-specific online retailers.
- 88% of consumers are willing to pay for same-day or faster delivery.
- Social networks are the leading source of purchase inspiration for consumers at 37%.
- 78% of online shoppers want more images from ecommerce sites
- 69% of online shoppers want more reviews from ecommerce sites
- 46% of online shoppers want more product comparisons from ecommerce sites.

Consumer attitudes and opinions

- A third of American consumers prefer sustainable brands
- Almost half of consumers who purchase eco-friendly products (49%) say they do so to help the environment
- Trust and convenience are the number one reason why people buy a product.
- Trust plays an important role in how consumers evaluate online security risks.

Advertising and publicity

- Effective marketing is becoming more and more personal. (Saatva)
- Social advertising will become more competitive.
- Millennials and Gen X are twice as likely as older generations to be influenced by advertising.

Economic

- Young adults shed more debt after recession than older adults did during the Great Recession and it's immediate aftermath.
- Second generation Americans are substantially better off than first generation Americans on key socioeconomic measures.
- Rise of a sharing economy due to digitization has already disrupted the retail industry.
- Effective marketing is becoming more and more personal. (Saatva)

Technology

- A third of Americans live in a household with three or more smartphones.
- Blockchain development will boost online retail sales by increasing trust.
- AI technology application to all industries will fuel conversations on ethics.
- New payment services

Political

- Domestic international trade tariff increases for nearly every industry (currently excludes weighted blanket industry)
- State sales tax is now required on e-commerce sales even if the retailer does not hold inventory in that state.
- High-tech trade war with China, tariffs may increase on that end too.

Appendix C – How truHugs’ product attributes were selected according to demand.

How did truHug’s determine what color their blankets should be?

Number of products sold of a certain color per annum was calculated for the entire Amazon weighted blanket space using Jungle Scout estimates. This time-consuming tedious process that was done several months before the blankets were ordered revealed the data in [Table](#)

Table 11 - Color popularity among weighted blankets sold via the Amazon distribution channel

Colors	Units	% of Total
Gray	1445952	90.61%
Navy	116640	7.31%
Cream	30960	1.94%
Blue	720	0.05%
Brown	360	0.02%
Hot Pink	360	0.02%
Pink	360	0.02%
Purple	360	0.02%
Total	1595712	100%

The Table reviews the demand for gray colored blankets took first place at 90.61%. In distant second place, Navy was the second most popular color, representing 7.31% of all weighted blankets sold. Thus, gray and blue were chosen for truHug’s blanket colors.

How did truHug’s determine what size and weights their blanket should be?

In order to make this decision, one must see what blanket dimensions currently have the highest demand. Because of the supplier selected because of low selling price had terms that restricted the selection, truHugs selected the size that is in highest demand, 60 inches x 80 inches. Data was collected across the entire Amazon weighted blanket market using JungleScout.

Table 12 - Size popularity among weighted blankets sold via the Amazon distribution channel.

Size	Units/Year	% of Total
60 x 80	689,232	43%
48 x 72	634,680	40%
36 x 48	103,320	6%
41 x 60	84,240	5%
48 x 78	41,400	3%
40 x 60	37,080	2%
80 x 87	5,760	0%

Size	Units/Year	% of Total
Total	1,595,712	100%

With analysis techniques that match how color and size was determined, we selected to have 15 lb (40% of total products sold in the weighted blanket market) and 20 lbs. (the next highest at 20%) as the two variants we would sell.

Appendix D – Qualitative notes on low sales market follower firms

The Weighted Blanket Company

Founded in: December 29, 2015

Positioning:

- Luxury
- Quality
- Customer service

Support:

- E-mail

Advantages relative to TruHugs:

- Domestic (made-in-USA)
- Variety of colors and options (solid and combo)
- Custom orders
- 1-year manufacture warranty
- Hand-crafted

Disadvantages relative to Truhugs:

- **More expensive than TruHugs**

Neutral differences

- Cover made from mink

Consumer complaints:

- Large lead times
- Smell and toxic chemicals (maybe competitor)
- Not delivered (maybe competitor)

DreamHugs

Founded in: June 30, 2017

Positioning:

- Functional
- Scientific

Support:

- E-mail
- Address
- Phone #

Advantages relative to TruHugs:

- 1-year manufacture warranty, 15-day no questions asked return
- More variety in weights 10 lbs, 15 lbs, 20 lbs

Disadvantages relative to Truhugs:

- One color – light gray
- **More expensive than Truhugs**

Material differences:

- Smaller pockets (no pockets?)
- Proprietary blend of fleece and cotton
- Poly pellets

Consumer complaints:

- Large lead times
- Not delivered (maybe competitor)
- Bad customer support

Additional notes:

- Price comparison, discounts

Blanquil

Founded in: December 3rd, 2017

Positioning:

- Quality
- Functional
- Science-based Therapy

Support:

- E-mail

Advantages relative to TruHugs:

- 30-day no questions asked return
- More variety in color (just one more special edition)

Disadvantages relative to Truhugs:

- **More expensive than Truhugs**

Material differences:

- Smaller pockets (no pockets?)
- Poly pellets
- Poly covering
- Inside cotton

Consumer complaints:

- Ineffectiveness
- Unwieldy
- Durability
- Too hot

Luna Wellness Blankets

Founded in: April 19, 2018

Google ranking:

Positioning:

- Market follower
- Quality
- Functional
- Scientific

Support:

- E-mail

Advantages relative to TruHugs:

- 100-day no questions asked return
- **Cheaper than Truhugs**

Disadvantages relative to Truhugs:

- **1 color**
- **Cover sold separately, warranty doesn't cover**

Material differences:

- Poly pellets
- Cotton comforter

- Cotton covering

Consumer complaints:

- Ineffectiveness
- Unwieldy
- Too hot

AnxietyBlanket

Founded in: N/A

Google ranking: N/A

Positioning:

- Market follower
- Quality
- Functional
- Scientific

Support:

- No presence online found, hard to find

Advantages relative to TruHugs:

- **Cheaper than Truhugs**

Disadvantages relative to Truhugs:

- **1 color and size**
- **Cover sold separately, warranty doesn't cover**

Material differences:

- Poly pellets
- Cotton comforter
- Cotton covering

Consumer complaints:

- Ineffectiveness
- Unwieldy
- Too hot

MiranBlanket

Founded in: February 13, 2018

Google ranking:

Positioning:

- Market follower
- Quality
- Functional
- Scientific

Support:

- No presence online found, hard to find

Advantages relative to TruHugs:

- Cheaper than Truhugs
- 2 Year no questions asked warranty
- More weight tiers (15 lbs, 20 lbs, 24 lbs)

Disadvantages relative to Truhugs:

- **1 color and size**
- **Cover sold separately, warranty doesn't cover**

Material differences:

- Glass filling (same)
- Cotton comforter
- Cotton covering

Consumer complaints:

- Durability
- Weight shifts

SensaCalm

Founded in: January, 2007

Google ranking:

Positioning:

- Therapeutic (focus on kids)
- Quality
- Socially responsible

Support:

- Chat, E-mail, Phone

Advantages relative to TruHugs:

- More weights and colors
- Established for a long time

Disadvantages relative to Truhugs:

- More expensive than Truhugs
- No international warranty. 1 year manufacture warranty for domestic, 80% restocking fee.

Material differences:

- Poly filling
- Cotton comforter
- Cotton covering

Consumer complaints:

- Durability
- Customer service
- Size

Quility (same company as InYard, brand extension to adults)

Founded in: February 17, 2016

Google ranking:

Positioning:

- Therapeutic
- Quality – Made in Europe
- Educational - blog

Support:

- E-mail, Facebook messages

Advantages relative to TruHugs:

- Cheaper than TruHugs
- More weights and sizes

Disadvantages relative to Truhugs:

- 100% guarantee or your money back

Material differences:

- Poly filling
- Cotton comforter
- Cotton fleece or minky covering

Consumer complaints:

- Durability
- Customer service
- Ineffectiveness – attracts lint
- Size – too small
- Weight shifting
- Warmth

InYard (Quility subsidiary now, focused on children)

Founded in: February 17, 2016

Google ranking:

Positioning:

- Therapeutic (focus on kids and autism)
- Quality – Made in Europe
- Educational - blog

Support:

- E-mail, Facebook messages

Advantages relative to TruHugs:

- Cheaper than TruHugs
- More weights and sizes

Disadvantages relative to Truhugs:

- 100% guarantee or your money back

Material differences:

- Poly filling
- Cotton (back) and polyester (front) comforter
- Cotton fleece or minky covering

Consumer complaints:

- Durability
- Ineffective
- Weight shifting
- Size (too small)
- Quality

Calming Moments

Founded in: February 01,2014

Google ranking:

Positioning:

- Quality – Made in Austrilia (sourced too)
- Low cost

Support:

- E-mail, online chat, phone, address

Advantages relative to TruHugs:

- More weights, sizes, and colors
- Custom pocket type
- Fast lead times

Disadvantages relative to Truhugs:

- 100% guarantee or your money back

Material differences:

- Poly filling
- Cotton comforter
- Cotton fleece covering

Consumer complaints:

- Durability
- Ineffective
- Weight shifting
- Size (too small)
- Quality

The Magic Weighted Blanket

Founded in: January 01,1998

Google ranking:

Positioning:

- First Incumbent
- Low cost

Support:

- E-mail, online chat, phone, address

Advantages relative to TruHugs:

- More weights, sizes, and colors
- Customization available
- Fast lead times

Disadvantages relative to Truhugs:

- 10-day money back guarantee
- More expensive than Truhugs

Material differences:

- Poly filling
- Cotton comforter
- Cotton fleece covering

Consumer complaints:

- Return cost
- Appearance
- Ineffectiveness
- Size (too small)
- Material (too thin)

BrookStone NAP Weighted Blanket

Founded in: June 01,2017

Google ranking:

Positioning:

- Innovation
- Low cost

Support:

- E-mail, online chat, phone, address

Advantages relative to TruHugs:

- 1 more color (3)
- Fast lead times

Disadvantages relative to Truhugs:

- 60-day money back guarantee

Material differences:

- Poly filling
- Cotton comforter
- Cotton fleece covering

Consumer complaints:

- Durability
- Ineffectiveness
- **Smell**

Lifetime Sensory Solutions Weighted Blanket

Founded in: June 01,2017

Google ranking:

Positioning:

- Low Cost

Support:

- None

Advantages relative to TruHugs:

- Flexibility in size and color
- Fast lead times

Disadvantages relative to Truhugs:

- 30-day money back guarantee

Material differences:

- Poly filling
- Cotton comforter
- Cotton fleece covering

Consumer complaints:

- Durability
- Long lead times

YnM Weighted Blanket

Founded in: January 01, 2012

Google ranking:

Positioning:

- Low Cost

Support:

- None

Advantages relative to TruHugs:

- Flexibility in size, color, and weight and color
- Fast lead times
- Cheaper than TruHugs

Disadvantages relative to Truhugs:

- 30-day money back guarantee

Material differences:

- Glass filling
- Cotton comforter
- Cotton fleece covering

Consumer complaints:

- Size (Improper quality control)
- Material (Fabric thin and rips)

Weighted Idea Cooling Cotton

Founded in: August 08, 2017

Google ranking:

Positioning:

- Low Cost

Support:

- E-mail

Advantages relative to TruHugs:

- Flexibility in size, color, weight, quilting pattern and material
- Cheaper than TruHugs

Disadvantages relative to Truhugs:

- 30-day money back guarantee

Material differences:

- Glass filling
- Cotton / Minky / Fleece comfortor
- Organic cotton / minky cover

Consumer complaints:

- Material (Fabric thin and rips)
- Packaging (disorganized, missing instruction sheet)
- Heat (is not cool as advertised)

ZonLi

Founded in: August 08, 2017

Google ranking:

Positioning:

- Low Cost

Support:

- None

Advantages relative to TruHugs:

- Flexibility in size, color, weight, quilting pattern and material
- Cheaper than TruHugs

Disadvantages relative to Truhugs:

- 30-day money back guarantee

Material differences:

- Glass filling
- Cotton comforter
- Microfiber fleece cover

Consumer complaints:

- Durability (Fabric thin and rips)
- Packaging (disorganized, missing instruction sheet)
- Ineffective (weight distribution is random)

Gravity Blankets

Founded in: August 08, 2017

Google ranking:

Positioning:

- Modern
- Trendy
- Technological

Support:

- E-mail, (chat for sales)

Advantages relative to TruHugs:

- 3 weights, 3 colors
- Advertising network effects
- Brilliant marketing campaign

Disadvantages relative to Truhugs:

- More expensive than TruHugs
- Bad return policy: \$80 restocking fee, \$65 return postage

Material differences:

- HDPE filling
- Cotton comforter
- Microfiber fleece cover

Consumer complaints:

- Lack of customer support
- Excessive lead times
- Ineffective (weight distribution is random)
- Bed bugs
- Warm

Appendix E – Amazon listings by 11 retailers include in appropriate pricing analysis

Brand	Market Position	Color	Size (in)	Weight (lbs)	Price (USD)	Units Sold (annually)	Annual Revenue
Amy Garden	Cost	Gray	36 x 48	5	59.56	32040	\$1908302.4
Amy Garden	Cost	Gray	48 x 72	12	81.53	31320	\$2553519.6
Amy Garden	Cost	Navy	48 x 72	15	76.53	32040	\$2452021.2
Amy Garden	Cost	Gray	48 x 72	15	77.35	31680	\$2450448
Amy Garden	Cost	Gray	48 x 72	15	69.08	35280	\$2437142.4
Amy Garden	Cost	Gray	60 x 80	15	81.8	32040	\$2620872
Amy Garden	Cost	Gray	60 x 80	20	115.83	30960	\$3586096.8
Calmfortor	Differentiator	Pink	60 x 80	12	170.65	360	\$61434
Calmfortor	Differentiator	Brown	60 x 80	12	170.65	360	\$61434
Calmfortor	Differentiator	Gray	60 x 80	12	170.65	2160	\$368604
Calmfortor	Differentiator	Blue	60 x 80	12	170.65	360	\$61434
CuteKing	Cost	Gray	48 x 72	15	58.9	28800	\$1696320
CuteKing	Cost	Gray	48 x 72	20	71	28800	\$2044800
CuteKing	Cost	Gray	48 x 72	n/a	29.21	2880	\$84124.8
CuteKing	Cost	Gray	60 x 80	15	88.53	29160	\$2581534.8
CuteKing	Cost	Gray	60 x 80	20	94	29520	\$2774880
Dr. Hart	Differentiator	Gray	60 x 80	15	199.99	96	\$575971.2
Dr. Hart	Differentiator	Gray	60 x 80	20	224.99	60	\$404982
Dr. Hart	Differentiator	Gray	60 x 80	25	249.99	36	\$269989.2
GoodKnight	Cost	Gray	60 x 80	15	75.31	6120	\$460897.2
GoodKnight	Cost	Gray	60 x 80	17	85.31	4320	\$368539.2
GoodKnight	Cost	Gray	60 x 80	20	95.4	6120	\$583848
Hugaroo	Differentiator	Gray	60 x 80	15	216.16	360	\$77817.6
Hugaroo	Differentiator	Blue	60 x 80	15	169.99	360	\$61196.4
Hugaroo	Differentiator	Hot Pink	60 x 80	15	162.32	360	\$58435.2
Hugaroo	Differentiator	Purple	60 x 80	15	169.99	360	\$61196.4
Hugaroo	Differentiator	Gray	60 x 80	15	169.99	360	\$61196.4
Kpblis	Cost	Gray	36 x 48	5	65.63	15480	\$1015952.4
Kpblis	Cost	Gray	36 x 48	5	61.97	21600	\$1338552
Kpblis	Cost	Gray	40 x 60	10	83.39	18720	\$1561060.8
Kpblis	Cost	Gray	40 x 60	10	67.8	18360	\$1244808
Kpblis	Cost	Gray	48 x 72	12	117.55	21960	\$2158218
Kpblis	Cost	Gray	48 x 72	15	94	15480	\$1455120
Kpblis	Cost	Gray	48 x 72	15	70.7	14400	\$1018080
Kpblis	Cost	Gray	60 x 80	15	99.8	13320	\$1329336
Kpblis	Cost	Gray	60 x 80	15	79.93	15480	\$1237316.4

Brand	Market Position	Color	Size (in)	Weight (lbs)	Price (USD)	Units Sold (annually)	Annual Revenue
Kpblis	Cost	Gray	60 x 80	17	118.05	18720	\$2209896
Kpblis	Cost	Gray	60 x 80	20	116.3	20160	\$2344608
Kpblis	Cost	Gray	60 x 80	22	136.3	20160	\$2747808
Miran	Differentiator	Gray	60 x 80	15	154.54	3960	\$611978.4
Miran	Differentiator	Gray	60 x 80	20	167.13	2520	\$421167.6
Quility	Cost	Gray	36 x 48	5	69.7	25560	\$1781532
Quility	Cost	Gray	48 x 72	12	99.7	27360	\$2727792
Quility	Cost	Gray	48 x 72	25	122.2	14040	\$1715688
Weighted Idea	Cost	Gray	48 x 72	12	68	2520	\$171360
Weighted Idea	Cost	Gray	48 x 72	15	76.61	8640	\$661910.4
Weighted Idea	Cost	Gray	60 x 80	15	92.16	7200	\$663552
Weighted Idea	Cost	Gray	60 x 80	17	109.5	2880	\$315360
Weighted Idea	Cost	Gray	60 x 80	20	97.52	18360	\$1790467.2
Weighted Idea	Cost	Gray	60 x 80	22	142.7	3240	\$462348
Weighted Idea	Cost	Gray	60 x 80	22	129	2880	\$371520
Weighted Idea	Cost	Gray	60 x 80	25	119.99	2880	\$345571.2
YnM	Cost	Gray	36 x 48	5	75.47	8640	\$652060.8
YnM	Cost	Gray	41 x 60	7	83.83	69120	\$5794329.6
YnM	Cost	Gray	41 x 60	10	91.76	15120	\$1387411.2
YnM	Cost	Gray	48 x 72	12	82.87	4680	\$387831.6
YnM	Cost	Gray	48 x 72	12	79.11	59760	\$4727613.6
YnM	Cost	Gray	48 x 72	15	69.6	88560	\$6163776
YnM	Cost	Cream	48 x 72	15	87.02	30960	\$2694139.2
YnM	Cost	Gray	48 x 72	15	85.34	41040	\$3502353.6
YnM	Cost	Navy	48 x 72	15	86.05	69840	\$6009732
YnM	Cost	Gray	60 x 80	15	85.21	54360	\$4320000
YnM	Cost	Gray	60 x 80	17	116.3	29520	\$3433176
YnM	Cost	Gray	60 x 80	20	121.86	80280	\$9782920.8
YnM	Cost	Gray	60 x 80	20	121.88	68400	\$8336592
YnM	Cost	Gray	60 x 80	22	141.13	79920	\$11279109.6
YnM	Cost	Gray	60 x 80	25	164.53	3600	\$592308
YnM	Cost	Navy	60 x 80	25	163	14760	\$2405880
YnM	Cost	Gray	80 x 87	25	255.88	4680	\$1197518.4
YnM	Cost	Gray	80 x 87	30	316.01	1080	\$341290.8
Zon-li	Cost	Gray	48 x 72	12	68	41760	\$2839680
Zon-li	Cost	Gray	48 x 72	12	82.07	2160	\$177271.2
Zon-li	Cost	Gray	48 x 72	15	24.73	42120	\$3147627.6
Zon-li	Cost	Gray	60 x 80	15	90.61	41760	\$3783873.6
Zon-li	Cost	Gray	60 x 80	20	97.93	38880	\$3807518.4

Brand	Market Position	Color	Size (in)	Weight (lbs)	Price (USD)	Units Sold (annually)	Annual Revenue
Zon-li	Cost	Gray	60 x 80	22	146.33	2520	\$368751.6