



Final Research Report

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Introduction

At SWEG Research and Associates, we strive to compile the most up to date and accurate data, in order to ethically serve our client's needs. We work to bring together the most current research methods so that we can make recommendations that are the most applicable and strategic to our clients. Our philosophy revolves around the idea that with the proper research and statistics, any company can make adequate changes.

Concerning our current client, Crocs Inc, S.W.E.G is invested in providing the company with a comprehensive and thorough report regarding their brand name and image among potential customers, in order for the company to make the most out of their brand. "Crocs, Inc is a designer, manufacturer and distributor of footwear and accessories for men, women and children"[1]. The category Crocs mostly operates in is casual footwear, specifically footwear that is comfortable, unisex, has easy on-off capabilities, has a large color choice, and is catered towards a broad range of consumers. The category of casual and comfortable footwear is widely consumed by people seeking a comfortable shoe option that they can easily wear to perhaps a job that requires them to be on their feet for the majority of the day. Crocs' comfortable shoe category is also appealing to children, because they are colorful, easy to get on and off, and are comfortable for their active lifestyles.

Background/secondary research:

Key Initial Insights:

i: Current business situation for category and client:

Crocs, Inc is currently facing economic turmoil according to Business Insider[2] in July 2014.

Amid plummeting net income (down 44% for the second quarter to \$19.7 million), Crocs, Inc is

planning on closing 75-100 stores (of 624) around the globe and lay off 183 of 5,000 employees. After introducing a new line of sleeker style shoes (including ballet flats, pumps, and open-toe wedges) that failed in the product market, the company plans on cutting back it's range of styles by 30-40%.

ii: Relevant trends:

Economic: According to Bloomberg Business source, CEO John McCarvel says that the company has its eyes set on foreign markets where the style of their clogs isn't considered "ugly" or an "escalator tripping hazard." As of last year, the company planned on opening more than 45 stores in Asia, where sales "jumped 34 percent in the first quarter." [3]

Societal: Bloggers hit the fan with negative comments about Crocs. One woman even cut up a pair of yellow Crocs on YouTube and proceeded to put them in a blender. There are even blogs strictly devoted to Crocs hate. Because of this trend of Crocs being "ugly," the company has been looking for new ways to sell products. This societal trend seems to be Crocs' biggest obstacle when it comes to sales.

Urban Dictionary defines Crocs as:

["quite possibly the ugliest but most comfortable shoes ever. everyone wears them from babies to old farts and rich kids to poorish kids. they are very heinous looking."

person one: ohmygaed...my home ec teacher is wearing the same crocs i am!!

person two: well thats your own damn fault. stop following the trends, idiot.] [4]

iii: Client's current Positioning in the Marketplace

As of December 31, 2012, Crocs has sold its products in more than 90 countries through retailers and distributors through its retail stores, outlets, kiosks and online stores. The footwear products are divided into four product categories including, Core-Comfort, Active, Casual and Style. The Core-Comfort products offer unisex products targeted toward a wide range of consumers established through the main attributes Crocs is attributed to; these being comfort, easiness to take on an off, and color. The Active product includes sport inspired products and footwear such as for boating, walking, and hiking. The Casual product includes sporty and relaxed styles while the Style product incorporates trendier designs. [5] The total revenue of the company has increased with every year, indicating that their position in the marketplace is not without some strength. Crocs total revenue as of 2013 was \$1,192,680,000.[6] In the six-month period ending on June 30 2014, Croc's revenue increased 2% to \$689.3M however; the common stockholders net income decreased 65% to \$22.3M. Also, while revenues reflect that both the Asian and European segments have increases of 10 and 13% respectively, both segments have experienced income decreases of 19 and 20% decreases.

[1] "Crocs, Inc." *The New York Times Business*. The New York Times, Sept. 2014. Web. Sept. 2014.

<<http://topics.nytimes.com/top/news/business/companies/crocs-inc/index.html>>.

[2] Peterson, Hayley. "Crocs' Comeback Plan Flopped, And The Brand Is Collapsing." *Business Insider*. Business Insider, Inc, 22 July 2014. Web. 15 Sept. 2014.

<<http://www.businessinsider.com/the-crocs-brand-is-collapsing-2014-7>>.

[3] Townsend, Matt. "Crocs Wants You To Forget About Its Crocs." *Bloomberg Businessweek* 4337 (2013): 23-21. *Business Source Premier*. Web. 15 Sept. 2014.

[4] "Crocs" *Urban Dictionary*. Web. 15 Sept. 2014. <http://www.urbandictionary.com/define.php?term=crocs>.

[5] "Crocs." *Crox Inc.* Reuters Fundamentals. Web.

<http://invreports.galegroup.com.ezproxy.ithaca.edu:2048/reuters/getInvestmentDocument?DOCID=36591173&CONTEXT=BIE&DIGEST=42619aec8a1ff655280a62b4f012eea&LOCID=nysl_sc_ithaca&DOCTYPE=pdf&FILEEXT=pdf&PAGENUMBERS=0-11>.

[6] "Crocs Inc." *Business Insights: Essentials*. Gale Cengage Learning. Web. 15 Sept. 2014.

<http://bi.galegroup.com.ezproxy.ithaca.edu:2048/essentials/company/1292804?u=nysl_sc_ithaca>.

Core challenge/ Information Gathered

Based on our research here at SWEG Research and Associates, we have come to the conclusion that the largest challenge Crocs is currently facing is the societal issue of the general public finding the Crocs clog shoes to be ugly. As the style of shoe is deemed so hideous as to receive "Croc Hate," and includes people taking drastic measure to demonstrate their negative opinion of the shoe, we feel that this is an issue that needs to be addressed. In doing so, we hope to increase the public opinion of the overall brand, leading to an increase in sales.

In order to solve this dilemma, SWEG gathered more information on the brand. We researched specific product launches and campaigns to better assess their success and failures and determine concrete statistics. We also investigated the specific brands of the company's competitors and what products are direct competitors to Crocs. In order to effectively complete our primary research, we devised three research objectives.

Our first objective was to discover whether or not the Crocs brand name is too tainted to restore. Should we consider changing the brand name or introducing a new design/style of shoe without using the Crocs name in order to see how the public reacts? In this sense, it might be beneficial to try and 'embrace the ugly,' in the sense of making Crocs shoes the new 'ugly

sweater' trend. In order to test this, we conducted a survey about the overall brand and organizing focus groups introducing the new styles without the Croc label. Our second objective included narrowing the target market by researching and conducting focus groups using college students to expose their thoughts and feelings toward Crocs. The third objective entailed researching past campaigns that we had interest in further investigating. By researching which campaigns or factors of each campaign were successful, we determined whether or not we could use those points in future recommendations. Here at SWEG, we feel that our culminative research has resulted in a great deal of material to offer Croc, Inc. and we are excited to begin the implementation process in order to effectively solve the poor brand image that Crocs currently suffers from.

Methods

Participant Observation Method

S.W.E.G is invested in providing Crocs with a comprehensive and thorough report regarding their brand name and image among potential customers, in order for the company to make the most out of their brand. Our main research objective is to figure out what is keeping potential customers from buying these colorful, casual shoes. In order to further investigate this matter, each team member conducted a participant observation to witness first-hand, potential customers' relationships with Crocs. This real-time observation helps to provide researchers with very honest answers that can be transferred to the company, which is something we strive for here at S.W.E.G. As the participants being observed are often unaware of this fact, it also ensures that all the findings from this type of observation are completely honest. Observing real-life scenarios and seeing potential customers in their actual environment allows an

abundance of detail to be discovered, and further permits our findings to be of great importance to the company.

Using this method, our team observed people's footwear choices via first-hand observation in IC Square (an on-campus food court and study space), reactions to Crocs advertisements, images, and videos, external storefront observations, and internal store observations. These variety of methods for this particular research strategy proved effective when yielding our results.

Participant Observation Results

In terms of footwear observation, 69 people had passed through IC Square on the walkway in the span of 40 minutes. Nobody in the vicinity was wearing a pair of Crocs. Only two people were even wearing a clog style of shoe, both being adults. The majority of the people in the group examined were wearing some type of sneaker. Out of the 34 people wearing sneakers, 21 of those were Nike brand, an already established competitor of Crocs. A good portion of the Nike sneakers being worn were brightly colored and of a running shoe design. The next most prominent footwear being worn were boots, these ranging in a tall style, a short or combat style, booties, or Ugg brand. Out of these styles, the combat look appeared most frequently, followed by the tall boots, which reached to the knee or a little above. This style shoe followed more neutral tones of black, tan, or brown.

For the reaction to ads and images method, after showing the participants new styles of Crocs they did not seem to be intrigued to purchase a pair. The observation showed how people do not want to be alone with an opinion on a topic. They would rather passively say that crocs are "not that bad" or "could be worse" instead of saying that they like a few of the styles. The

majority of the observation was spent analyzing the participant's faces and body language, which most of the time was disgusted faces. The participants offered a lot of insight about how Crocs could improve and develop a better brand image, even though the participants did not seem open to the idea of purchasing crocs themselves at the end of the observation.

In terms of the external store observations, in one observation period (out of 2) at the Crocs store at the Destiny USA mall in Syracuse, over 27 groups of people either alone or as a family/couple walked in and out of the store. At one point, a few people may have been missed who might have snuck into the store without seeing because it got so busy in the short time I was there. Of the 27 groups, only 6 walked out of the store with packages. There were many couples that walked in and many mothers and daughters, a majority of them were from the Caucasian race. Only three of the groups who walked into the store were African American and one was Asian. In addition only 8 out of the 27 groups stayed in the store for 10 minutes or more. In another external observation period at the same store, the observations showed that many people who walked past did not look up or at the store or the store sign. Many people of different demographics just carried on with their conversation or walked with purpose to where they were going next. Some people looked at the store in passing but didn't go in.

Finally, we observed the Crocs store in Destiny USA internally. The store was well lit and colorful. An employee came up to our SWEG observer after a minute and asked if they needed help in a non-pushy way that some employees of stores do sometimes. There was one other employee at the cash register. There was one more walking around between the sales floor and the backroom. There were around 4 customers in the small store when this portion of the observation took place. There were 2 or 3 groups of customers (two mother with daughter groups

and one group of women) that checked out and bought something. Overheard was one woman who looked at the shelves with the more fashionable and trendy-looking shoes and say in a surprised tone, “wow!” She looked at those shoes for a minute but then moved on.

In Depth Interviews Method

Each member of SWEG prepared separate individual interviews in order to explore individuals’ opinions on the brand in a richer and deeper context. Our purpose was to facilitate a semi-directed conversation to uncover the participant’s point of view on the brand, plus their thoughts and feelings, and any stories directly relating to their Croc experiences. The purpose of this research was to further expand our knowledge here at S.W.E.G on the general thoughts of the Croc brand and then to look at the brand in terms of awareness, marketing, its practicality, and what consumers would like to see Crocs take on in the future!

Using the information gained from these previous forms of research, SWEG knew to gear the interviews in a way that would provide further feedback on what consumers would like to see Crocs take on and how their image is overall perceived. With this in mind, each member developed separate interview protocols in order to ensure that the interviews moved smoothly while also addressing a range of questions. The eight interviews took place on October 7th 2014 between the times of 9:25 am and 10:40 am and were held in a classroom setting in the Park School of Communications, lasting for approximately 15-20 minutes each. Each interview was recorded using iPhone technology in order to be transcribed and annotated.

Interview Results

When we compiled our results from each interview, there were apparent themes that became recognizable. The overall opinion of Croc shoes became a main category among the

interviews. The perception that the original Croc shoes, which were consistently described as bulky, holey, and foamy can all in all, follow the theme of perceived ugliness. One interviewee made clear their opinion of the shoe by stating, “Crocs are kind of ugly, no one would wear them as a fashion statement, while another followed up on this by claiming, “Automatically they make you kind of laugh.” We were able to conclude that Crocs is a trend that has since died out. What was once a popular trend for those now in their early 20’s in elementary and middle school, is no longer the case. The theme of the shoe’s practicality involved pointing out the various audiences for the shoes, now commonly young children and older adults. This appeared to be a turn off to the interviewees who fall into the young adult age classification. The theme that Crocs does not have a definitive target audience was also highly perceived through the interview process.

The fact that there is a clear lack of current Croc brand awareness, quickly surfaced. Every interview participant could not recall ever seeing a commercial or advertisement for the brand, or certainly not recently. They were very unaware of any current strides Crocs has been taking to alter and expand their products. We were also not shocked to hear the surprise in the interviewees’ responses when they revealed that they did not know Crocs had created a more fashion-forward line of shoes.

The interviews also yielded some pertinent information regarding the future for Crocs. The participants were all in agreement that Crocs should create an adventure line of shoes, as they felt that the line fit their perception of the Crocs brand. Also stressed, was the fact that Crocs should keep some elements of the original design such as its water resistance and color variety. All the suggestions also followed the theme of creating more physically attractive shoes while keeping the level of comfort consistent, as well as providing some aspect that lets the

consumer know that they are still a product of Croc. These comments helped us to determine some major recommendations that would make the Croc brand a more competitive and attractive name in the shoe industry!

Survey Method

For our survey, we decided to ask a series of questions that would solve our four hypotheses:

H1. People who have never bought crocs would be more likely to buy newer products.

H2. People who have never bought a pair of Crocs are unaware of the new designs.

H3. People who have purchased Crocs before are interested in seeing Crocs create an Adventure Line Shoe.

H4. The older you get the more you tend to prioritize comfort over style.

For all four of the hypothesis we used correlation tests to find out if there was a significant relationship or pattern between the two variables.

Our survey included questions about whether or not participants had bought a pair of Crocs in the past, their style preferences, awareness about Crocs new shoe lines, and more. The strengths of doing a survey included gaining quantitative data as opposed to qualitative data. A survey gave us the opportunity to gain insight on the numbers of people who actually like Crocs and much more. The limitations of our survey were that people may not have been inclined to be honest with their responses. In addition, the number of participants was low, therefore our results were yielded few significant results. Finally, because 88% of the participants were between ages 18-22, we only gained information from one target market out of the many that Crocs has.

Survey Results

The survey included 34 responses and 88% were between the ages of 18-22. Out of our four hypotheses, only one yielded significant results.

H3: People who have purchased Crocs before are interested in seeing Crocs create an Adventure Line Shoe.

$r = .362$

$p = .035$

The results were strong, and in the predicted direction. The r value was positive and moderately strong. The results are statistically significant, and prove the hypothesis that people who have bought Crocs in the past are more interested in seeing Crocs create an adventure line shoe.

An interesting finding was that 44% of participants were found to have purchased Crocs in the past. In addition 16% of participants either agreed or strongly agreed that they would be inclined to buy Crocs Fashion-forward style shoe designs, compared to the 80% who indicated agreeing or strongly agreeing to the introduction of a Crocs Adventure line.

Focus Group Method

The second method that our team used to gain insight for Crocs was a focus group. A focus group is a group discussion technique, which is used to enhance understanding and gain in-depth knowledge by gauging consumer feedback. During class, we had a group of four individuals who participated in our focus group. The moderator sat in front of the other three members. This way the members could view the participants' reactions and body language as they answered the various questions. The strengths of conducting a focus group provide views

and opinions from the participants and shows consensus or conflict of views among participants. Overall strength of focus groups for researchers is that this method is cheap, fast and ideal for customer interactions with the specific product. Some limitations of focus groups that our team encountered during the discussion was some participants were talkative or overly opinionated, but other participants were hesitant to express their opinions and needed to be probed to get an answer.

Focus Group Results

After conducting the focus group, we were able to categorize our many findings and further analyze the results. Common themes we found in the results were that most participants had owned a pair of crocs at one point in their lives. The participants related crocs to middle school, or that “awkward stage” in their lives, describing Crocs as awkward clunky foam. Generally, we did find that the participants agreed that Crocs were ugly. Another theme we found interesting was that one participant claimed that they would be consider purchasing an “adventure” style shoe, as it was more relatable to the brand. After that suggestion, the other members of the group quickly jumped on board with the idea of designing an adventure style shoe.

Discussion

Based on our primary and secondary research, there are numerous recommendations that our team came up with. While the original Croc is now most popular among older and very young generations, their newer lines seems to relate best to young adult/middle aged women. In developing a clear target audience, Crocs can better market their products, allowing people to become cognizant of their development. One recommendation is that Crocs needs to manage

their numerous targets in an effective way using various marketing mixes to reach different audiences. Because Crocs has many target audiences, Crocs should find ways to personalize the audience messages by using various channels such as specific magazines catered toward each target market to gain more attention and interest.

In addition, Crocs needs to start amping up their marketing strategies. Based on our research, we found that few people actually have seen advertisements for the brand and because of that the company needs to make Advertisements and social media usage a top priority. In these strategies, it would be beneficial to the company to, while promoting the new looks, ensure the same comfort and durability that Crocs has always provided.

We found a common theme that Crocs are considered “ugly” based on their traditional Croc shoe. Therefore, it’s time to take the original Croc design out of the spotlight and start promoting new designs with the same comfort and durability! Crocs should continue to sell their trademarked “ugly shoe” but do this in a way that makes fun of themselves for selling socially “ugly” shoes through advertisements.

Finally, through our survey and interviews we found out that an adventure line of Croc shoes would be successful, as the shoes are already perceived for outdoor use. Therefore we recommend that Crocs should design an adventure shoe that would be popular amongst key target audiences. Through our surveys we also highlighted key aspects that these new shoes should cover in their design, such as water resistance and hiking capabilities!

Conclusion

By conducting the various research methods, we learned a lot about the advantages and disadvantages of gaining quantitative and quantitative data and why it is important to include

both of them when conducting a research project. By conducting the focus group, participant observation, and individual in-depth interviews first, we gained effective qualitative data to help us create relevant and advanced quantitative questions for the survey. As the semester progressed we kept asking additional probing questions to keep gaining insight on the numbers of people who either like/dislike Crocs shoes, what their likes and dislikes include, and what their general interests are in a shoe. By obtaining appropriate qualitative and quantitative data, we were able to make strong strategic recommendations, which we thoroughly believe will be of great service to the Croc company and overall brand image.