

Fairfaktor

Market Access & Analysis

Toolkit

Table of contents

About this toolkit	4
1. Business development and market access	6
2. Market analysis	10
3. Market segmentation	26
3.1 Target group analysis	27
3.2 Developing personas	36
3.3 Target groups and personas in the German market	42
4. Sales channels	52
4.1 Business-to-Business (B2B) sales	53
4.2 Business-to-Consumer (B2C) sales	63



About this toolkit

This publication is part of a comprehensive set of toolkits for artisans, handicrafts organisations and Fair Trade producers in the textile and fashion industry. The toolkits have been developed for capacity building in the areas of market access and analysis, fashion design and communication to help small organisations build a strong business and realise their market potential.

This present issue is intended to support in accessing new markets with the aim to exploit existing market potential but also to expand business and to reach new target groups. This toolkit introduces the topic of market access including the practical implementation of market analysis and segmentation. It explains target group analysis including persona development and also includes specific insights about potential target groups among German consumers. The establishment of new sales channels, both in B2B and B2C business is covered as well.

This toolkit mainly addresses you as general managers with strategic decision power, sales and distribution executives and all of you who contribute to and work

with business development. It serves as a guideline, providing instructions and tools for various business cases through a modular structure so that you can focus on the content relevant to your individual situation. It also includes examples, practical exercises and further references, all of which can be recognised by the symbols explained in the following.

All toolkits contain a lot of information on various topics and activities. We therefore recommend reading and working through the individual chapters one by one. It can also be helpful to distribute them among the relevant team members. If you want to work through all of the toolkits in order to gain a holistic understanding, we recommend the following order based on the content structure: Communications, Market Access & Analysis, Design. Of course, many of the topics are interrelated. You will therefore also find links between the toolkits.



Definition

Explanation of specific terms for better understanding.



Exercise

Possibility of practical application of the theory learned.



Example

Fictional illustration of the practical implementation.



Additional info

More in-depth insights on the topic.



Key takeaways

Highlight of the most important aspects.



Resource

Reference to further useful information or tools.

1. Business development and market access

To grow a business and get access to new markets or a higher market share, there are ultimately three main strategies for you to choose from:

1 Market penetration

You can grow your market share by raising sales **to existing and new customer groups**. This is mainly done through increased and modified marketing activities and communication measures tailored to your (desired) target group. For example, by introducing social media profiles or advertisements to address younger target groups.

If you want to reach more customers through market penetration, key questions to consider are: How is your current customer group characterised? What is your desired target group? What do your marketing and communication activities comprise? How do customers find you? How can you reach your target group? These questions should be answered in order to derive suitable market penetration strategies and communication measures. You will find detailed information in the communications toolkit.

2 Product development

You can develop **new products** or variants to existing products to be sold in **existing markets**. This way, you have the chance to acquire new customers or encourage existing customers to make additional purchases. For example, if you specify on crafting knitwear, you can introduce knitted accessories to generate more sales.

When you consider product development, think about the following aspects: How many products do you currently offer? Do you introduce new products regularly? Can you expand some products into ranges or add additional products to ranges? What resources and steps does the product development process take? How can you introduce a regular product development process? These questions should be analysed in order to successfully implement this business development strategy. This topic is further addressed in the design toolkit.

3 Market development

You can try entering **new markets** with your products in other countries or regions or through new sales channels. For example, you could open an online shop in addition to your local store. Entering new markets however is a challenging step to take, which requires good preparation. It is important to conduct a market analysis and evaluate potentials and barriers that might occur.

The main questions to consider are the following: Which markets are you currently (successfully) active in? Are you selling to end customers or to B2B partners? Which sales channels are you using? Which markets would you like to enter? Why do you consider these markets to be suitable for your business? These questions should be answered in order to develop successful market development strategies.

It is essential to fully understand the prospective market. This can be achieved with the help of an extensive market analysis. In the following, we will go through this process, which is important to equip you with the competencies needed to take strategic decisions for your business development.

2. Market analysis



A market analysis is the systematic examination of a market with regard to its conditions, characteristics and potential.

A market analysis aims to examine the structure, competition, environment and further development of a particular market for the purpose of taking effective, strategic marketing and sales decisions. Conducting a thorough market analysis is essential when you plan to enter and open up new markets, but is also useful to understand your current position in an existing market.

It helps to

- create a profound understanding of the current situation and dynamics
- evaluate whether a particular market is profitable
- identify opportunities and risks for your business
- and finally secure a strong market position.

How to conduct a market analysis

A well-founded market analysis involves analysing various areas and is based on real data and market knowledge. It includes the following steps to obtain the required information.

1 Determine the market

First, fully determine and define the relevant market as precisely as possible. Specify in terms of geographical region, product category and target group. This forms the basis for a substantial market analysis.

Then, determine the market volume. Analyse the market size and how it is developing to assess the potential profitability for your business. Consider current sales or turnover, as well as historical figures and market forecasts.

Example: Fictional brand Ajala Threads

Ajala Threads would like to expand into new markets. To do this, it is necessary to analyse whether it is worth entering the market. The market to be analysed in this context is the market for sustainable fashion in Germany, more particularly the market for fair and ecologically manufactured, handmade premium clothing for sustainability-conscious, modern and high-earning consumers between the ages of 35-65.

The market for sustainable fashion in Germany has become increasingly important in recent years. Sales in 2023 were estimated at around 1.3-1.5 billion euros, which accounts for around 3-5% of the total clothing market. In addition, the growth forecast is estimated at around 8-10% per year due to the growing awareness of sustainability and the associated demand for ecologically and fairly produced products. The premium segment with a higher willingness to pay for high-quality products accounts for an estimated 15-20% of the overall fashion market. If this share is transferred to the market for sustainable fashion, it could be assumed that the market for fairly and ecologically produced, handmade premium fashion for the relevant target group in Germany could be in the range of 150 to 300 million euros. It is expected that this figure will rise in the future.



How can you specify your market in terms of geographical region, product category and target group?

How big is the market volume of this particular market?

What is the potential development forecasted for the market?

2 Examine the competitive situation

Next, you should carry out a competitive analysis to understand your opportunities in the market with regard to the competition. This will give your business a clear picture of the current and future competitive situation and enable you to position yourself strategically in the market. To gain a comprehensive picture of the overall competitive situation and intensity, use the Five forces model by Michael E. Porter. This includes the following aspects to be analysed:

- competition between existing businesses
- competition from new providers
- negotiating power of suppliers
- negotiating power of customers
- competition from substitute products

The main focus lies on other businesses that offer comparable products and serve similar needs or create similar benefits for the customers. Identify the most important competitors: Their business models, strategy and performance are at the centre of this analysis. Other market participants such as suppliers and customers are also analysed with regard to their influence.



Example: Fictional brand Ajala Threads

The intensity of competitive rivalry is generally high in the fashion industry. Potential competitors encompass the big players in the fashion market, who are increasingly marketing their collections to customers under sustainable aspects. In addition, premium brands that offer high-quality clothing made from natural materials, but do not produce under fair conditions can be seen as competitors. More importantly, with regard to the sustainability-conscious and informed target group, small sustainable fashion brands from Germany represent a strong competitor as they are established in the market. However, most of them are not characterised by handmade manufacturing and traditional craftsmanship, so this could potentially represent a competitive advantage.

As sustainability is becoming an increasingly important topic and the sustainable fashion market is forecasted to be growing fast, the market is economically interesting and might attract many new competitors. With regard to entry barriers however, a sustainable fashion business requires high initial capital to be invested in the development and marketing of first collections as well as inventory and sales infrastructure. Considering legal aspects, the regulatory requirements will also become more challenging due to EU legislation. This makes it

harder for new, and particularly small businesses to enter the market.

As far as suppliers are concerned, the negotiating position is quite strong, as the focus on natural, renewable materials that do not require highly complex or technical processing steps, means that the choice of suppliers is quite broad. Restrictions on supply due to patents or a concentration of suppliers are not to be expected.

With regard to consumers, the negotiating position is moderate. Fashion is one of the largest industries in the world, which has grown and continues to grow over the long term, as clothing plays a large part in people's everyday life. However, the range of sustainable and fair fashion in particular is still small. A truly sustainability-conscious target group does not have many alternatives to choose from and is willing to pay more for high-quality products that reflect their values. Nevertheless, sustainable premium fashion is not essential for consumers to buy, so depending on the overall economic situation, they might reduce their purchases or opt for cheaper alternatives from the wide range in the fashion market.

The risk of substitute products for clothing is generally low. In contrast to the market for technology, for example, in which increasingly innovative,

multi-capable and versatile product developments are making the need for other products completely obsolete, it does not seem foreseeable that clothing in general will be replaced by an alternative product. However, with regard to sustainability and circularity, the market for second-hand clothing will continue to grow and represent an alternative. In the long term, renting clothing as a service could also partially replace buying.

In conclusion, the fashion retail industry is a highly competitive and dynamic sector that is constantly evolving. However, the market for sustainably and fairly handcrafted, high-quality clothing in Germany is a promising and potentially profitable market. Generally, it is one of the countries that imports and consumes the most clothing and German consumers are also showing a demand and willingness to pay for sustainable products.



Who are the most relevant competitors with the largest market share (market leaders)? What competitive (dis-) advantages do they have? How intense is the competition and how difficult is it to gain market share?

How difficult is it to enter the market? Are there high entry barriers with regard to legal conditions, technological requirements or necessary investment costs? How likely is it for new competitors to enter the market?

How many potential suppliers are there? How dependent are you on the suppliers? How flexibly can you react to price increases from their side?

How big is the target group's need for your product? Do the customers have many alternative products to choose from? How high is price sensitivity among them?

What are relevant alternatives to your product? Are there different products or services that could completely replace your offer? How could this impact the sales of your product?

3 Understand the market environment

Each market has different framework conditions that influence the overall situation. These result from external circumstances, which can vary significantly depending on the location and can also change dynamically over time.

In order to understand the market environment and framework conditions, use the *PESTEL analysis*. This method analyses the influence of external circumstances on a market or company using the following six interrelated categories:

- **political factors**
(e.g. political order and stability, trade policies or agreements)
- **economic factors**
(e.g. economic growth, inflation, purchasing power)
- **socio-cultural factors**
(e.g. demographics, culture, values and attitudes, lifestyles)
- **technological factors**
(e.g. infrastructure, information technology, logistics)
- **ecological factors**
(e.g. climate, environment, natural resources)
- **legal factors**
(e.g. laws and regulations, consumer protection, product safety)

Collect all factors and then assess their influence on the market. Thoroughly research all possible local specialities and differences to markets in which your company already operates. Also take into account future developments. This helps you to evaluate your potential performance in the long term.



Example: Fictional brand Ajala Threads

As far as political factors are concerned, current trade and import regulations as well as negotiations on trade agreements between the EU and India, where Ajala Threads is based, have an influence on the market. In the future, political developments in Germany and the European Union, including upcoming elections, might potentially bring about changes in the foreign policy including trade policy, trade agreements and import regulations.

The further development of the economy, in particular economic growth and changes in the inflation rate, also have a strong influence on the market and are reflected in changes in purchasing power. Higher-priced and non-essential products such as sustainable clothing tend to be bought less when people have less money to spend.

Social aspects of relevance are the consumers' attitudes. Compared to other European markets, German consumers are among those with the highest willingness to pay for clothing, but also pay attention to value for money. They are particularly willing to pay a price premium for high quality and sustainability. In the future, the change in values that is taking place among the younger generations, with sustainability, conscious lifestyles and consumption gaining in importance,

will result in an even higher demand for ethical products.

In terms of technologies, developments that are currently attracting a lot of attention in the textile industry, such as innovative production or recycling technologies are not relevant due to the focus on handmade products made from natural and local materials. Instead, developments in communication technology and logistics might further enhance the opportunities for international sales and marketing.

With regard to ecological aspects, changes to the environment, climate and biodiversity and the associated availability of raw materials will be one of the most significant factors, which should continue to be monitored in the future.

Relevant legal aspects include regulations in the area of sustainability and international trade, including the EU Corporate Sustainability Due Diligence Directive (CSDDD) on supply chain transparency and the EU Strategy for Sustainable and Circular Textiles, addressing the production and consumption of textiles.



What political factors and developments (might) influence the market and how?

What economic factors and developments (might) influence the market and how?

What social factors and developments (might) influence the market and how?

What technological factors and developments (might) influence the market and how?

What ecological factors and developments (might) influence the market and how?

What legal factors and developments (might) influence the market and how?

4 Conclude the (future) potential

At the very end of your analysis, summarise the conclusions you have drawn to determine whether a market would be potentially profitable for your business. The market analysis intends to examine and identify opportunities, risks, barriers and potential from many perspectives.

In order to assess how advisable it is to enter the market, it is also particularly important to focus on the long-term view and take into account market growth forecasts, as well as general trends that could influence the market. In this context, it might also be insightful to look at previous predictions and developments.

Example: Fictional brand Ajala Threads

Overall, the market in question harbours great potential for Ajala Threads. In view of the general trend towards sustainability, the potential outweighs the risks, so it is advisable to enter the market and benefit from the market’s forecast growth.



What is the overall conclusion of the market potential?

Which trends or developments might influence the market in future and how?

In reality of course, a thorough market analysis is a complex process that involves much more details than we can illustrate in these examples. It is often time-consuming and cost-intensive to research the relevant information in order to make a well-founded assessment of the market. Up-to-date and reliable data can be difficult to access. To get you started, find here a list of potential sources, including some that are publicly available and offer information for free.

Even though conducting a market analysis can be challenging, it is an essential step. It forms the foundation for informed business decisions based on a deep understanding of the market, the competitive situation, influencing factors and potential developments. This allows you to strategically position your business, minimise risks and strengthen your performance in the market. Stick to the following three guidelines for an effective market analysis.



1. Know yourself:

Make sure you know exactly what your activities, strategy and identity are all about. Unless you have a clear picture of your own business, you won't be able to analyse it strategically in the context of a new market.

2. Data is key:

Strategic decisions always need to be based on reliable, relevant and current data. Focus on well-founded resources and try to be as precise as possible. The more facts you can find, the more accurate and effective your market analysis will be.

3. In depth and in full:

Analysing a market means more than just checking a few numbers. You need to understand the competitive situation and the environment influencing the market. Do your research, then gather, structure and analyse the information you can find.



Resources	Market determination	Competitive analysis	Market environment
Global databases	X	X	
Federal statistical offices	X	X	
Government ministries or institutions	X	X	X
Public research institutes	X		X
Market research institutes	X	X	X
Research journals			X
Industry journals and reports	X	X	X
Industry associations or organisations	X	X	X
Chambers of commerce	X	X	
Innovation and trend reports	X	X	X
Consumer analyses and reports		X	
Annual company reports		X	X
(Specialist) newspapers and magazines	X	X	X

3. Market segmentation

3.1 Target group analysis



Market segmentation describes the division of a (larger) market into smaller, individual and clearly defined segments of target groups that are as homogeneous as possible in terms of characteristics relevant to purchasing behaviour, but heterogeneous among themselves.

Conducting a market segmentation and target group analysis allows you to understand each segment better, making it easier to address them effectively and tailor your marketing activities, your product offer and your communication specifically to your target group.



A target group comprises all persons who are to be addressed with a specific marketing activity. It encompasses a broad group of people, but is nevertheless precisely defined by certain relevant characteristics in which they are homogeneous.

In this context, it is relevant to understand that it is neither possible nor desirable to reach or even appeal to everyone with your offer, since people have different needs and preferences.

Therefore it is useful to conduct market segmentation as it helps to

- identify the most relevant customer groups with high potential for your business
- better address your target groups to meet their demands and preferences
- make your business more profitable by effectively targeting the right customers

How to conduct a target group analysis

The key question that needs to be asked to define the target group is: Who are we addressing with our offer and which characteristics do they show? This includes the description of demographic and psychographic criteria, as well as the purchasing behaviour.



Demographic criteria describe general, objective and measurable facts of a person including gender, age, location, family status and household structure, education, profession and income.

Psychographic criteria on the other hand encompass, as the name suggests, psychological aspects such as personality traits, values, attitudes, interests and activities.

Purchasing behaviour describes consumption preferences and habits regarding the products, price sensitivity and purchasing power, channels of communication and distribution of the products or the brand.

To gather the required information, you can access data from various sources, both external and internal. This includes but is not limited to consumer research or market studies, databases and public statistics, as well as customer surveys or customer data and online analytics from the webshop. While some of this data can be very difficult and expensive to access, public institutions mostly make some information openly available.

When researching data such as reports or statistics, you can search for terms such as consumer attitudes, consumer behaviour or consumer trends, with a focus on your sector and including keywords such as sustainability, Fair Trade or fashion. Using internal data such as customer profiles, online marketing or social media analytics also helps getting to know your target group. Once you have narrowed down your customers a little, you can also research more specific information. You should refer to facts, but still think a little innovatively. For example, if your target group is of a certain age, you can find out more information about their generation. Or you can look for cultural characteristics of target groups in a certain country or market.

In any case, make sure to verify the reliability and the accuracy of the data to ensure realistic segmentation. You want to capture and depict reality, not model your ideal scenario.



Resources	Demographic criteria	Psychographic criteria	Purchasing behaviour
External			
Global databases	X	X	X
Federal statistical offices	X		X
Government ministries or institutions		X	X
Public research institutes	X	X	X
Market research institutes	X	X	X
Research journals	X	X	X
Industry journals and reports			X
Industry associations or organisations	X	X	X
Innovation and trend reports		X	X
Consumer analyses and reports	X	X	X
Internal			
Customer data from physical stores	X		X
Website and webshop analytics	X		X
Online marketing analytics	X	X	X
Social media analytics	X	X	X
Direct customer contact (service)	X		X
Customer surveys	X	X	X



Example: Fictional brand Ajala Threads

The target group of Ajala Threads mainly consists of men and women in the age of 35-65. The majority are well educated professionals earning an above-average income. Common careers include business-oriented or social professions. Most of the target group members also live in a shared household with a partner or family, which results in high disposable household incomes ranging between 5000-6500 Euros monthly. The majority lives in big cities, or in medium-sized towns with close access to urban areas.

Values shown among all target group members include family, relationships and community orientation. They share a sense of social responsibility and awareness of sustainability, as well as the aspiration to make a positive contribution to society on an individual level and consume consciously.

The target group members live an active and consumption-intensive lifestyle. They like to do sports, outdoor activities and spend time in nature. The majority enjoys a good work-life balance and spending time with family and friends. The target group also shows a general interest in societal topics such as politics and economy.

In line with the income, the target group has a high purchasing power and shops clothing more regularly than the average consumer. The willingness to pay for clothing varies along a wide range, but

is generally positively influenced by sustainable production and high quality in terms of material, manufacturing and fit. The target group members are neither very fashionable and hyper-trendy shoppers, nor strictly consistent sustainable consumers. They focus on quality but are not very brand-orientated. For these reasons, they mainly shop from multi-brand retailers (both offline and online) that offer a wide selection of labels and products. They mainly draw their buying inspiration from the available selection while shopping, but also from social media, which is also a relevant source of information.

In conclusion, the target group is part of a well-situated but socially aware milieu, characterised by an affinity for a sustainable yet pleasure-oriented lifestyle. It consists of conscious shoppers aiming to make a positive contribution by buying socially and ecologically responsible brands and products. Value-driven personalities trying to balance their standard of living with a clear conscience. Quality-oriented consumers showing willingness to pay for fair products.



What age group(s) and gender(s) does my target group encompass?

What are other typical demographic features of my target group?

What values and attitudes does my target group have?

What interests and activities does my target group pursue?

What consumption preferences and habits does my target group show?

Summarise the target group's key characteristics in a precise description.



Conducting a customer survey

A very helpful and potentially insightful way to learn more about your target group is to conduct a customer survey. To put this into practice, consider the following aspects:

1. **Define an overall goal:** You want to learn more about your target group or customers. But what exactly do you want to find out in detail? You need to specify this in order to narrow down the particular questions in the survey and to ensure that you receive useful answers. For example: Do you want to learn about their needs and problems you could address? Do you want to understand what motivates them to buy your product? Or do you want to identify potential for improvement from your customers' perspective?
2. **Determine the target group:** In line with this goal, it is important to think carefully about which people you actually need to address. Which particular group of people should you interview to answer your questions? For example, consider whether it makes sense to survey all customers or if you should rather focus on a subgroup, such as new customers or former customers?
3. **Define the topics in detail:** Now specify which topics and questions you need to address and what knowledge you require. Which specific questions do

you want to capture and what aspects does this include? For example, you might want to identify general purchasing decision factors, so you should consider what this includes, such as product features, budget and prices or personal attitudes and values. Next, consider what this means in detail, for example in terms of the product this might encompass functionality, quality, materials or design and aesthetics. Reasons or barriers to buying your products might also relate to your general business approach including production conditions and certifications, distribution and availability, or your infrastructure and service, including shipping costs, return options and payment methods. Keep reminding yourself of what exactly you want to find out and evaluate all questions and possible answers to see if they contribute to gaining these insights. Gather and structure your thoughts for the next step.

4. **Develop the questionnaire:** Once you have defined the framework, you should now design a detailed questionnaire. It should not be too long or complex so that many participants are motivated to answer it. At the same time, you need to create a balance with the aim of finding out as much as possible about the participants.

- **Briefing:** It is always important to provide participants with some information at the beginning of your survey, including the reason they are being approached, the topic of the survey and the duration. If the participants are able to familiarise themselves with the survey, they are more likely to complete it. Thanking the survey participants can also help to build trust and loyalty.
 - **Demographic criteria:** This includes characteristics such as age, gender, education, job, income range and household situation. This can be helpful to analyse whether certain answers are related to certain demographics, helping to identify your customers more precisely.
 - **Questions:** Gather your questions and structure them logically from the more general to the more specific questions. In general, you can ask open questions that leave room for personal comments, closed questions that already suggest answers, or a mix of both. Closed questions can also include rankings or scales. Always consider what insights you want to capture and what type of question is best suited to answer them. For example, if you want to understand the most important buying factors of your customers, it makes sense to ask for a scaling or ranking of possible answers, as otherwise, you will not understand their priorities.
5. **Choose a method and tool:** Now choose the right survey method based on your target group for this survey. Consider where you can reach them best. For example, this could be either by email, online or in person. Depending on the method, you should also choose the appropriate tool (such as an online questionnaire tool like Google surveys) and familiarise yourself with it.
 6. **Test the survey:** Before you conduct the final survey with the intended target group, run a test with your team members or other internal people to check the questionnaire. This helps to avoid logical or technical errors and gaps to ensure that the final survey can be completed in full and delivers the desired results.
 7. **Gather and analyse data:** After completing the survey, collect the data, structure it and analyse it systematically. Use practical tools for the data analysis (such as Excel or special software). The results should be documented in a comprehensible manner so that you can refer back to it later. Identify the results that are relevant to you, such as the most important purchase decision factors or preferred materials. Then, develop a plan on how you can translate these findings into concrete actions to better address your target group.

3.2

Developing personas

While the target group can be seen as a preliminary stage of a persona, personas precisely describe more specific characteristics, which enables an even more targeted approach.



A persona is a fictional but realistic and data-based representation of a real customer profile that represents a specific target or customer group.

A persona contains descriptions of demographic and psychographic characteristics, as well as consumer behaviour but goes into more detail and therefore takes into account the diversity of customer types. Most importantly, personas describe the individual needs, including the motivation, goals and challenges of the customers. This helps to understand what influences their purchasing decisions and behaviour.

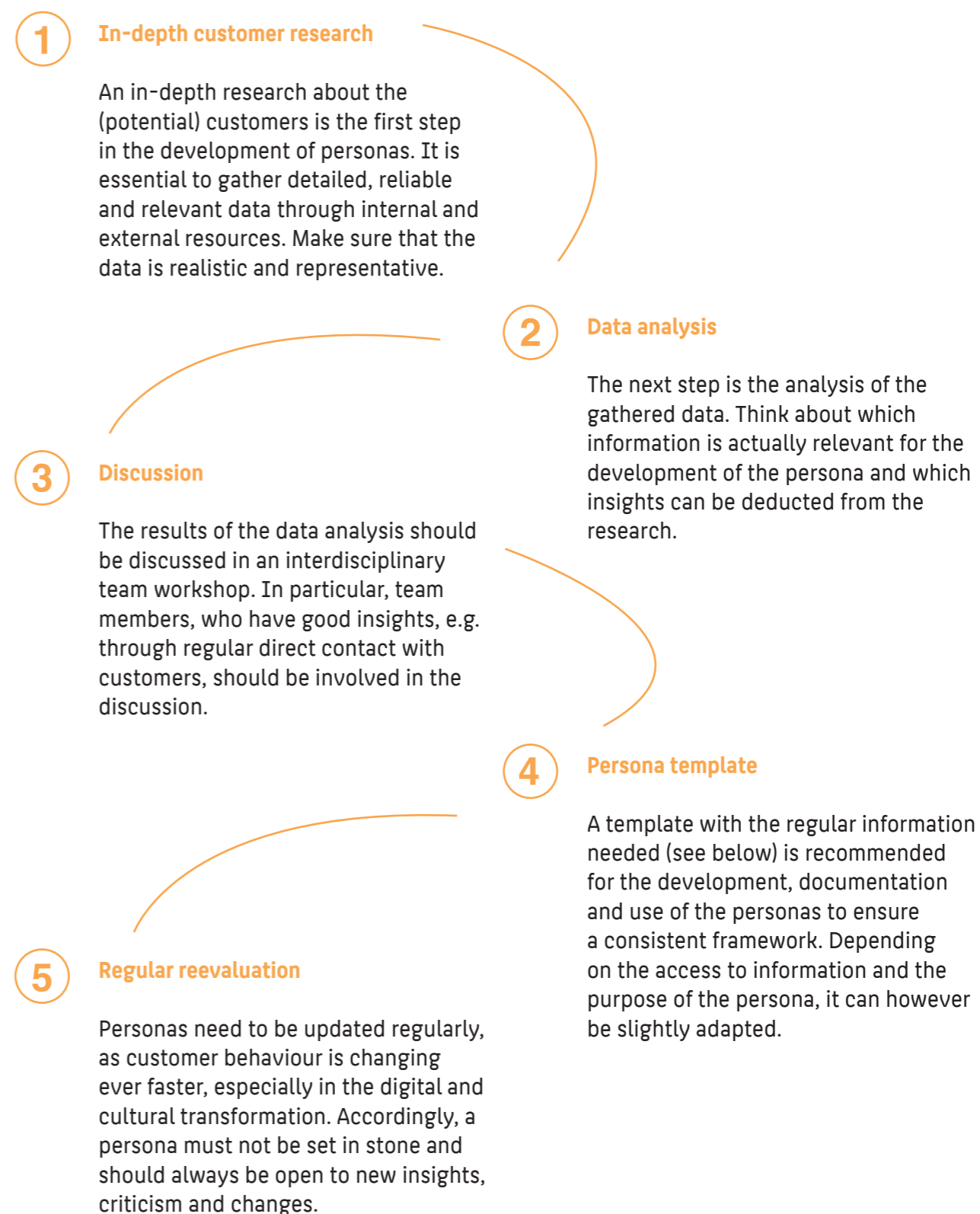
Since personas represent individuals, it is easier to keep the potential buyers in mind when developing marketing measures to target the right people. Personas can be

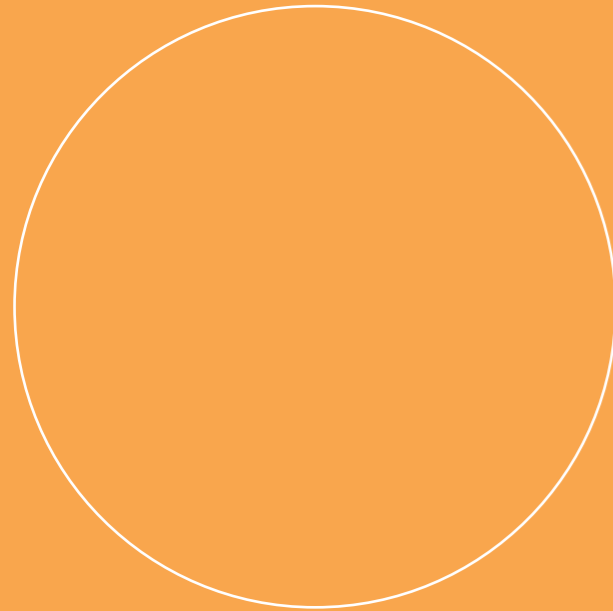
used for various purposes, from product development and sales strategies to brand communication. The use of personas enables effective marketing through a direct, personalised and emotionally appealing approach to the target group.

How to develop a persona

As already mentioned, personas and in particular the description of their needs and motivation must be based on real facts rather than internal estimations, assumptions or objectives. The aim is to capture a representative picture of actual customers and not to create a fictitious image of idealised customers adapted to the existing offer or messages of the business. Try to collect as much reliable, representative data and be as detailed as possible without assuming answers.

You may not have all the information you need, and depending on the specific context for which the persona is used, some aspects may be less relevant than others. It is thus okay to prioritise. Nevertheless, the more insights you get, the better you understand your (potential) customers and the easier it is to target them effectively. As a general rule: keep it short but precise!





Demographics

Name

Age

Family status

Household structure

Location (region, size)

Education

Profession

Income

Psychographics - Lifestyle

Which general psychographic features are relevant regarding my business? How is the customer's lifestyle influencing his purchasing behaviour?

Values

Which values play an important role in the motivation and purchasing behaviour of the customer?

Attitudes

Which attitudes might be influencing the customer's interest in brands/ products and the buying decisions?

Interests & Hobbies

Which interests and hobbies may help understanding the customer and his demand for certain products?

Psychographics - Needs

What are the psychographic factors lying behind the purchasing behaviour? Which needs are driving the customer's decision?

Motivation

What are the underlying reasons behind the goals? What is driving the customer's actions?

Goals

What is the emotional desire for the product? What is the customer looking to achieve from using the product?

Challenges

Which pain points is the customer currently facing? What is preventing him from achieving his goals?

Purchasing behaviour

What does the customer's purchasing process look like? Which preferences are the decisive factors in the buying decision?

Product preferences

e.g. brand orientation, quality focus, aesthetic preferences

Price sensitivity

e.g. willingness to pay, priority of price, purchasing power

Communication channels

e.g. information behaviour, touchpoints with a brand

Buying channels

e.g. preferred buying channels and locations (online & offline)



Quote - Personality

Add a quote that summarises the personality of this customer type. Focus on aspects that are relevant in terms of your business and the user's role as a customer.

Biography

Tell the customer's story. Describe the personal and professional life, highlighting factors that make him the ideal customer of your product. If possible, outline the customer journey and the details that lead to this use case. How did this persona become a customer? Also, characterise the customer's personality with traits and behaviour that are relevant to your brand identity and product offer, and/ or might be influencing his decisions and purchasing behaviour.



Quote - Expectations

Add a quote that expresses the user's ideal customer experience. What matters most to the user and what is the expectation towards the product?



Personas in B2B business

If your organisation is mainly active in the B2B sector, personas can be relevant to you on two levels, both in terms of end customers and business customers.

If you as a producer sell your own designs and end products to retailers or brands selling it under their name, or if you produce for specific brands and are involved in product development, it is important to know the end customers. This also allows you to better develop customised products if the design is not (fully) predetermined by the business partner. In this case, it makes sense to ask your business customers for information about their personas. Argue that this enables you to better tailor your designs to customer needs, simplifying the product development process and increasing the company's success.

The more suitable your products are for the end customer, the more relevant you are for your business partners. Even if you want to acquire new business partners, it can be helpful to research their target group in order to adapt the presentation of your product portfolio accordingly.

Developing a B2C persona can help you to better tailor your B2B offering and increase the satisfaction of your business partners, as they ultimately have a strong interest in including products in their range that are well received by their end customers. If you develop a clear

B2C persona and therefore have a deep understanding of the needs, desires and behaviours of end consumers, you can tailor your offering accordingly. You can use this knowledge to provide your B2B partners with customised products, sales arguments and marketing support that are tailored to the needs of end customers and can therefore be marketed effectively and successfully. This ensures that your B2B partners see you not just as a supplier, but as a strategic partner who helps them to achieve their own sales targets. By organising the collaboration in a way that ultimately increases the success of the B2B partners, you promote trust and strengthen your partnership.

However, you can also develop a buyer persona for your business partners. A B2B persona does not stand for an end consumer, but for a person who acts in a business context and makes decisions for a company. The decision-making process is often more complex, more rational and more strongly characterised by logical arguments. Instead of emotional and personal reasons as with the B2C persona, economic aspects and business objectives, such as product quality, margins and delivery conditions, are the main focus. In this case, the personas are considered in their professional role and not on a personal level. In terms of characteristics, demographic aspects are less relevant than the professional profile, such as the position in the

company, decision-making and budget responsibility, company size and sector. This also means that the lifestyle aspects are not relevant and all needs and purchasing behaviour relate to the business level.

As an example, the buyer's challenge could be to find producers offering certified wool garments, establishing reliable business relationships for crafted products or finding Fair Trade producers who offer flexible production conditions. Their motivation could be to reach a new customer group by expanding their product range and offering handmade and sustainably produced fashion. So understanding what their specific needs are and how they look out for new business partners, is essential for your business to stand out from the competition. The development of B2C personas helps to better understand the needs and basis for decision-making of these professional buyers to develop targeted sales and marketing strategies.

3.3 Target groups and personas in the German market

For a more practical reference, in the following you can find out how a target group analysis and the development of personas can be implemented in detail using the German market as an example.

In general, consumer behaviour and purchasing decision factors such as aesthetic preferences and sustainability attitudes are relevant dimensions that must be taken into account when analysing your target group to derive specific, customised marketing approaches. Ask yourself which aspects could be relevant for your business and your strategic decisions regarding marketing, product design and communication.



Target groups in Germany

In the first step, a random survey with around 400 participants was conducted to examine consumer behaviour with regard to fashion consumption, sustainable consumption and Fair Trade fashion in particular. This provided an overview of potential target groups as well as barriers and drivers for Fair Trade fashion. From these results, possible approaches can be derived to better address existing and potential target groups and meet their needs and demands.

Disclaimer: This survey and the results presented in the following are **not** representative, but **can** provide a first impression of consumers in the German market for fair fashion. The presentation of the results is exemplary and not exhaustive and should therefore not form the basis for your strategic decisions. The personas of potential customers presented below are also examples and should not be regarded as generally applicable.

Awareness and buyers

Generally, nearly 90% of participating consumers know Fair Trade and among those, around 25% almost exclusively or regularly buy Fair Trade fashion products. With a share of 30%, the age group of consumers between 35-44 years has the highest proportion of buyers, followed by the age group from 45-54 (26%) and then the oldest age group from 55-65 (20%). The youngest age group between the age of 16-24 is the one with the lowest proportion of buyers (14%) despite their highest share of Fair Trade awareness (98%). In the individual age groups (with the exception of the oldest) and across all age groups, men make up the majority of buyers with a share of around two thirds. Women show the same proportion of buyers in the age groups from 35-44, 45-54 and 55-65. Based on these results, various target groups can be defined, for example men at the age of 35-44 and women between the age of 35-65. But what are their consumption preferences?



Decision factors for fashion purchases

In the overall view of all participants, the following most important purchasing decision factors for the consumption of fashion products emerge: Fit and cut (with a clear lead over all others), high quality and longevity, comfort, materials and functionality. Women rate materials as more important than comfort and they also don't give as much weight to functionality. For men, functionality but also the design and style are more important than materials. Fair production and social standards as well as ecological aspects and environmentally friendly production only represent a very important factor in the purchasing decision for around a third of participants across the genders.

Among Fair Trade buyers in contrast, high quality and longevity is roughly as highly rated as the fit and cut. Also, fair production and social standards as well as ecological aspects and environmentally friendly production are very important factors when buying fashion products for way more than 50% of buyers and rank in 3rd and 4th place before comfort

and materials. For female buyers, the quality is even slightly more important than the fit. They also stand out by rating a fair production and social standards significantly higher than the average buyer and men in particular. Materials rank in the 4th place, with a larger gap to ecological aspects and environmentally friendly production, as well as comfort which is rated at the same level. For male buyers on the other hand, those two aspects, which also rank on the same level and behind quality and fit, are more important than fair production and social standards. Materials are not among the top aspects, instead functionality is more important to men, ranking equally to social aspects.

Decision factors for Fair Trade fashion purchases

Overall, the most important purchase reasons among buyers are the general aesthetic of Fair Trade fashion and the good conscience resulting from buying these products and supporting the makers. Moreover, buying Fair Trade aligns with their values and should

be a matter of course from their perspective. They want to show solidarity and contribute to a fair economy. They are also convinced by the use of durable, high-quality materials and the story behind the products' manufacturing. For women, getting a good conscience is the number one reason for buying Fair Trade, followed by the high-quality materials, the overall aesthetic, the story behind and also the aspect of the artisanal and handcrafted production. For men instead, the general aesthetic and their value system are the most important reasons, followed by the desire to show solidarity and support, as well as the good conscience associated with buying Fair Trade fashion products.

Conclusions

These results could be relevant to consider both for design but also for marketing purposes. In product development for the German market, it is recommended to design clothing in the appropriate aesthetic and also focus on high quality fit and materials. For communication, generally it might also be worth

highlighting the manufacturing quality of your products instead of only sustainability aspects to address the most important purchase decision factors. However, depending on the gender or age of your target group, the communication should be tailored to their particular motivations and preferences to reach them more effectively. Also in terms of market access and distribution channels, it is advisable to adapt your sales channels to the target groups preferences and sell products through retailers offering multiple brands, as consumers prefer these shops, both online and in-store. You can find more information on target-group specific design and communication for the German market in the corresponding toolkits.



Demographics

Nicole

49

Married, mother of 2 grown-ups

2 people, own house

Small-medium town in a populous region

Vocational training

Nurse

44.000 Euro gross income

Biography

Nicole is a middle-aged woman, living in a small town in her own house with her partner. Being there for her family is her most important value in life, but since her kids moved out to university, she has more time and money available for herself. She likes to use this for her hobbies that include shopping, crafting, gardening, hiking and travelling. Nicole is interested in other cultures, society and politics. Social justice and helping people in need are important to her, hence she also works as a nurse. She believes in individual responsibility for a sustainable lifestyle. Her approach to this is to make a positive contribution through conscious consumption. Nicole got aware of sustainability topics through TV reports, as well as Instagram. However she draws her shopping inspiration mainly from the multi-brand online and offline platforms and shops, where she usually buys her clothes.

Psychographics - Lifestyle

Open-minded, socially-oriented, nature-loving lifestyle

Values

Being there for family, helping people in need, social justice

Attitudes

Conscious consumption is a good way to fulfil individual responsibility for sustainable lifestyle

Interests & Hobbies

Society and politics, travelling, hiking, gardening, crafting, shopping

Psychographics - Needs

Social awareness vs. price sensitivity

Motivation

Supporting people in need and contributing to social justice

Goals

Getting a good conscience for living up to individual responsibility of sustainable lifestyle and consumption by buying handmade products

Challenges

Finding products that fulfil sustainability and quality expectations but are affordable too

Purchasing behaviour

Lower-budget shopper who likes shopping on a regular but not highly frequent basis

Product preferences

Most important buying factors: quality and longevity, fit and cut, materials, fair production and social aspects

Aesthetic preferences: modern, casual, neutral, subtle, timeless

Price sensitivity

Medium available income, rather low willingness to pay for fashion products, willingness to pay fair trade premium of 10%

Communication channels

TV, Instagram, buying inspiration: fashion retailers

Buying channels

Multi-brand online platforms, online shops or offline stores

“

I see it as my individual responsibility to pay attention to sustainable behaviour in my everyday life and I choose to actively make a positive contribution through my consumption. I like shopping but at the same time also try to pay attention to sustainability aspects next to the price, when doing so.

“

I am buying crafted fair trade fashion because it gives me a good conscience to support the makers and I am also convinced by the handmade manufacturing and material quality. Longevity, sustainability and a socially responsible production are important to me, but I need to find products with an attractive price, too.



Demographics

Christian

38

Married, father of 1

3 people, rented flat

Big city

Master's degree

Mechanical engineer, mid level executive

70.000 Euro gross income

Biography

Christian is a well educated professional and young father, living in a big city with his wife and child. In his life, he is striving for a balance of work and life, as well as (financial) safety and enjoyment. However, he is also interested in a sustainable lifestyle, even more since his child was born. In this context, he is particularly paying attention to ecological sustainability and environmental aspects, but fairness is also a principle value for him. He is in a good financial position and is willing to pay higher prices for sustainable products but at the same time is unsure about taking the right buying decisions with regard to sustainability. He mainly shops from multi brand retailers in-store and online and finds inspiration for shopping there, next to social media, where he also gets his information on sustainability topics and conscious consumption.

Psychographics - Lifestyle

Prosperous yet balanced lifestyle driven by hedonism and responsibility

Values

Financial safety, pleasure/enjoyment, social life and relationships, sustainability and fairness

Attitudes

Sees individual responsibility for sustainable lifestyle and consumption, so buying fair trade is a matter of course

Interests & Hobbies

Outdoor activities, running and sports, meeting friends, good food, cooking and eating out

Psychographics - Needs

Consumption of fair, aesthetic fashion vs. lack of knowledge about product sustainability

Motivation

Ethical understanding and value system to act fairly, responsibly and sustainably

Goals

Making a positive contribution to a fair economy through sustainable consumption of aesthetic products

Challenges

Unsure which products are really sustainable too

Purchasing behaviour

Above-average frequent shopper with high willingness to pay for fair fashion products

Product preferences

Most important buying factors: fit and cut, quality and longevity, ecologically friendly production

Aesthetic preferences: timeless and classic, trendy and individual

Price sensitivity

High available income and purchasing power, high willingness to pay for fashion products and fair trade products with a premium of up to 20%

Communication channels

YouTube and Instagram as main communication and information channels, buying inspiration: fashion retailers, social media

Buying channels

Multi-brand offline stores, multi-brand online shops or online platforms



As a family father, I understand the importance of financial safety and sustainability. So, conscious consumption is a matter of course for me, as I want to make a positive contribution to a fair economy with my purchasing decisions, but I am often unsure whether they are really sustainable.



Based on my values, buying handmade sustainable fashion and supporting fair trade is a matter of course for me. As I prefer timeless, yet individual clothing, I also like the overall aesthetic of fair trade fashion. For this I am willing to pay more, but I expect the products to be of long-lasting quality and crafted environmentally friendly and ecologically sustainable.

While it is essential to understand your existing customers and to meet their needs, it might be the case that you are also hoping to target other consumers for business development purposes. If you want to address a particular, desired target group, you need to go through the same process and make sure to gather as much information as possible.

Find out about their lifestyle and consumption behaviour, their purchasing decision factors and expectations to create detailed personas of potential customers in your desired target group. Also focus on the existing gaps between their needs or preferences and your offer. Why are they not yet buying your products? Is there even a realistic chance of this target group being potential customers? What might be influencing your chances of reaching them?



Young target groups in Germany

With a view to future-proof market positioning, some companies are pursuing the goal of addressing younger target groups. For this reason, demands of customers between the age of 16-24 have also been analysed in the same random survey with around 400 participants that analysed potential target groups in Germany.

Disclaimer: This survey and the results presented in the following are **not** representative, but **can** provide a first impression of younger consumers in the German market for fair fashion. The presentation of the results is exemplary and not exhaustive and should therefore not form the basis for your strategic decisions.

Awareness and buyers

Even though people in this age group, members from the so-called generation Z, are generally said to have particular interest in sustainability related topics such as climate protection, they show the lowest proportion of buyers. However, around two thirds generally would be interested in buying Fair Trade fashion products.

Thus, it is important to look at the barriers and drivers of their consumption preferences and behaviour. Why are consumers in this age range not (yet) strongly represented among the buyers?

Decision factors for fashion purchases

Reasons for this are, that the choice of Fair Trade fashion products and designs is too small, that they don't come across the products where they shop or don't know where to buy those instead, but also that they cannot afford the products as they are too expensive for them personally. The majority confirmed that they like to try out new products, including sustainable ones, but tend to buy occasionally if they happen to come across a good offer, where they usually shop. An attractive price however is particularly important to this target group, also for sustainable products.

Accordingly most participants would shop for more Fair Trade fashion products, if the products were more affordable, if the design and style of the products would appeal to them more or there would be a larger

choice of products, or if the products were easier to find and available where they usually shop. As price sensitivity may be more attributable to age and stage of life and the associated income than to the attitudes of the entire generation, and thus be of less relevance in the next few years, it can be worth keeping an eye on this generation. For design and marketing, it would be advisable to do deeper research and consider their preferences regarding aesthetics and sales channels.

4. Sales channels

4.1 Business-to-Business (B2B) sales

If you want to develop your business further, you may want to expand your sales channels by establishing new partnerships. In this section, you will find recommendations on how to proactively acquire new partners and buyers for your business-to-business (B2B) sales.

1 Research potential partners

In the first step, you need to identify potential business partners and buyers. If you are wondering where to find this information, start with researching online. You can access sales networks, marketplaces or professional social media and business platforms to connect with potential partners. Attending trade fairs is also a good way to get to know other companies (such as retailers or brands) and make direct contact with buyers.



Relevant trade fairs

Trade fairs are an ideal opportunity to showcase your products but also to generally stay informed about new developments in the sector, network with other businesses and potentially establish new partnerships. Some trade fairs in Germany, potentially relevant for you, are presented in the following :

The Fair Handeln trade fair is Germany's oldest and most important trade and consumer fair offering a platform for fair and sustainable trade in business, fashion and beyond. Consumers as well as professionals who are interested in development policy and a responsible lifestyle will find information and products here, including handicrafts and fashion.

Bazaar Berlin is an international sales fair for arts and crafts, design, natural goods and fair trade products aimed at end consumers. It has existed for over 60 years and every year around 500 manufacturers and retailers from more than 60 countries present their products.

INNATEX is the world's only international trade fair for sustainable textiles offering a sales and communication platform not only to the traditional clothing sector but also to other textile product groups such as accessories, home textiles and fabrics.

Neonyt Düsseldorf is one of the most relevant B2B events for fashion and sustainability. This platform combines

aesthetics and trends with the core values of sustainability and innovation. It is an order fair, but also a place for knowledge exchange and networking.

For all producers in the home textiles sector, the following two fairs are interesting events:

Ambiente is the leading and most international trade fair for the consumer goods industry, which takes place every year in Frankfurt. It showcases the greatest variety of products in the areas of Dining, Living, Giving and Working, covering all lifestyles and styles, including handmade and sustainable items.

Heimtextil is the largest international trade fair for home and household textiles. As a globally unique trade fair for home and contract textiles and textile design, it showcases the greatest variety of home textiles and presents trends and textile sustainability.

Of course there are more relevant trade fairs in other countries and markets. One example is Source Fashion in London, an international sustainable sourcing show uniting manufacturers from key sourcing regions with high profile retailers, brands and designers. Source Fashion claims to represent a gateway to European retail and beyond with buyers from across the globe attending to establish new, sustainable business relationships with suppliers.



2 Understand their business

Next, you should examine their business, their target market and target group, their brand identity and product range and identify those that align with yours. Figure out what they need to serve their target market and what they might be looking for in potential business partners. Then, tailor your approach and offer accordingly.



So let's say, if we talk about the US market: What kind of designs are working over there? What kind of colours are working over there right now? For the European market, we are trying to work more in the European style, with minimalistic tones. We are trying to use more of those colour fabrics, like the lighter tones, not the very bright ones.¹

¹Own research:
Interview with
Fair Trade artisan
producer

3 Initiate contact

Then, get in touch. Start by introducing yourself and stating the reason for contacting them. When presenting your offer, point out why you think your business approach aligns with theirs and how you can create value for them. Keep in mind that the recipients are likely to receive several of such enquiries on a regular basis, so they are probably only paying a few seconds of attention to your email. This is why you need to stand out from the competition. Highlight the most important aspects and keep your message concise and clear.



Example: Email Template

Dear *(insert name of the contact person, if possible)*,

I hope this email finds you well.

My name is *(insert your name)* and I am responsible for *(insert your role)* at *(insert your company name)*, a fair trade producer for *(insert your sector)*.

As a Fairtrade producer, we are dedicated to ethical production of handmade *(insert your product range)* crafted using traditional techniques by local artisans.

We believe that *(insert name of the business)* aligns perfectly with our values and approach and would therefore like to introduce ourselves to you as a producer.

Our offer includes *(describe your product range, highlighting key features such as materials, manufacturing techniques, certifications etc.)*.

As a producer, we stand out due to *(highlight your UVP and the reason why the business should work with you)*. For this reason, we have received particularly positive feedback from clients who appreciate our dedication to *(insert strengths pointed out by clients)*.

We would love the opportunity to discuss potential opportunities for collaboration.

Please let us know if you would be interested in learning more about our business and our products. We are available at your convenience for further questions or a meeting.

Thank you for considering this partnership opportunity.

We are looking forward to hearing from you.

Yours sincerely,

(insert your name)

(insert your role)

(insert your company name)

4 Share your business material

To promote your company and your offers, you should create a professional portfolio that you can send to potential business partners and customers. Present your company according to your brand identity, explain your history and approach, but also your organisational structure. Showcase your product range including categories, materials and manufacturing processes. Make sure to include detailed descriptions and explain possible variations. Also provide high-quality photos and, if possible (in person), product or fabric samples.



We started developing some things from our end to prove ourselves to the buyers, before their request was submitted. And we are trying to develop as many ideas as possible, before they are requesting us. So if we already have a kind of sample, we share the photos, the garment, the design. They decide themselves for the fabric and the details.²

²Own research:
Interview with
Fair Trade artisan
producer

Most importantly: Continually and consistently emphasise your unique value proposition (UVP) as a business. Potential buyers should not only know what you offer, but also why they should choose you as a partner out of all the offers. Therefore, it is important to proactively communicate your service and production capabilities and highlight distinctive features or exclusive offers. For more information on how to develop a strong UVP, check out the Communications Toolkit.



We try to be very sensitive and responsive to our customers. We try to communicate that an advantage of working with a company, where everything is handmade, is that we have flexibility. We can be responsive or we can do custom design. We can meet our customers part way. So it's more of a partnership, rather than just a transfer of resources or commodities. It's a relationship, where we can together come up with products that we can do and they want.³

³Own research:
Interview with
Fair Trade artisan
producer



About us

- Brand identity
- Background and history
- Company values and culture (e.g. code of conduct)
- External organisational structure (supply chain)
- Internal organisational structure (working conditions incl. wage levels)
- Achievements and references/ testimonials
- Sustainability approach and certifications

Contact us

- Official company name
- Name and role of contact person
- Company address
- Phone
- Email
- Website URL
- Social media profiles

Our products

- Products & services
- Product options (categories, materials, techniques, ...)
- Product/ sample photos
- UVP for business customers

Term and conditions

- Production capacity
- Minimum order quantity
- Production/ delivery time
- Prices and payment terms

When developing your portfolio, also keep in mind what information might be relevant and convincing for potential partners. Focus on these aspects and highlight them clearly.



Faire is an online wholesale marketplace that connects independent retailers and brands around the world. It aims to support small businesses and strengthen regional communities. As part of this mission, Faire offers an online learning hub, where you can find a wide selection of guides and reports ranging from consumer behaviour and trends, wholesale marketing and inventory management to branding and e-commerce.

Rural Handmade is a digital platform connecting producer groups with small business owners. The goal is to empower rural artisan communities by linking them with the global consumer market and supporting them to familiarise with consumer trends and buying behaviour. On their blog, you can find lots of specialised, practical knowledge and advice on topics such as trend research, product development, target group analysis or social media community management.



When developing your portfolio, also keep in mind what information might be relevant and convincing for potential partners. Focus on these aspects and highlight them clearly.

Client requirements

In a random survey of socially and ecologically sustainable fashion companies in Germany, we analysed what to consider for producers.

Disclaimer: This survey and the results presented in the following are **not** representative but can give a first insight into which aspects **potentially** play a role for business partners. The presentation of the results is exemplary and not exhaustive and should therefore not form the basis for your strategic decisions.

- The most important **reasons for the selection of producers** are good working conditions and transparency about the production, high quality of the products, as well as flexibility and adaptability. Check if you can serve your potential business partners' requirements and if so, highlight these aspects.
- Personal sympathy and image of the producers play an important role for many of the surveyed businesses. 75% **initiate contact with new producers** through their professional network. A recommendation is a relevant reason for the choice of producer partners.

This is why networking plays an important role: Try to make contacts via professional platforms. Also make sure to include references and testimonials in your business profile.

- **Required information** from producers include product and order-related facts, but also more general business related details. Convey your business approach, values and UVP but also make sure to provide proof such as certifications. Make sure to clearly deliver the required hard facts and figures.
- For the majority of the surveyed businesses, decent working conditions and a safe working environment, adequate payment for producers and workers as well as quality, durability and timeless design represent the most important factors in their **approach to sustainability**. Point out how you can serve the key factors relevant to your potential partners.

4.2 Business-to-Consumer (B2C) sales

If you consider setting up business-to-consumer (B2C) channels as a way to grow and develop your business, this chapter is for you. In the following, you will find an overview of what you need to consider when introducing direct sales channels.

Before you start ...

There are many reasons speaking in favour of B2C, however it also bears some risks. This chapter attempts to analyse both perspectives so that they can be weighed up individually in each case and strategies to mitigate them effectively can be prepared in advance.

Potentials

Establishing direct sales channels offers several advantages for your business development, above all higher profitability but also the opportunity to strengthen your brand. The various potentials are discussed in more detail in the following.

Independence from buyers

Setting up a B2C business allows you to make decisions without external influence from buyers. This gives you full control over your production and sales including the width and depth of the product range, the designs and quantities, distribution and pricing models. Additionally, as there are no complex supply chains or coordination processes with intermediaries, this guarantees more flexibility and autonomy.

Control over brand presence

Direct sales to consumers also ensures full control over the presentation of the products and the business without third parties exerting any influence. This allows you to develop and present a unique brand identity and steer all communications activities to strengthen it. You can shape the entire customer experience to offer a coherent brand experience that is fully aligned with its own identity, key values and the customers' needs.

Increased customer loyalty

A key advantage of setting up B2C sales channels is the direct contact with the customers, which allows to create personal connections and build strong relationships. It also enables a more personalised approach and improved brand experience through getting direct feedback in real time. This again promotes long-term customer satisfaction and loyalty.

Valuable data insights

Through direct sales channels the company also gets access to valuable customer data, such as purchasing behaviour, preferences or demographic information. This data can be used for targeted marketing strategies and product optimisation to adapt to market requirements more quickly.

Generating higher margins

Most notably, the biggest potential is higher profit. As there are no intermediaries such as wholesalers or retailers, the company can get the whole margin. Without intermediaries, the company also has greater flexibility in pricing.

Risks

While the potentials sound promising and direct sales indeed offers many advantages, the challenges associated with the decision of selling directly to consumers should be well thought through. Here are some potential risks to carefully assess before implementing B2C channels.

High initial investment

Setting up direct sales channels requires considerable investment in infrastructure, logistics, technology, and dedicated staff. The initial costs can be very high, which represents a financial risk, especially for smaller companies that do not have the necessary resources to make these investments.

Market regulations and legal compliance

Producers selling directly to consumers have to consider various regulations and laws, such as fiscal and customs obligations, general terms and conditions or data protection laws, or information duties and marketing guidelines. These regulations can concern many different aspects and often differ between markets, making it difficult to keep an overview.

While these laws create barriers that make it difficult to enter a market in the first place, non-compliance with these regulations can also lead to fines or legal sanctions.

Process-related and logistical infrastructure

Selling directly to consumers also means that you have to manage the entire sales process and associated logistics yourself, from stock management and payment to shipping and possibly handling returns, which is a challenge in itself and requires reliable systems. Setting up the necessary infrastructure and technology for direct sales can be resource-intensive, both financially and in terms of time. The storage, packaging and tracking of orders also requires high capacities and staff resources.

Demand forecast and stock management

Predicting demand and managing inventory can be difficult when selling directly to consumers. This is due to fluctuations in market conditions such as the economic situation, competitive dynamics or consumer preferences. Overestimating demand can lead to excess stock, which may result in storage costs, margin losses and tied-up resources. Underpredicting demand, on the other hand, can lead to supply shortages and missed sales opportunities. Both have an impact on overall profitability.

Customer service and brand reputation

Setting up B2C channels under your own brand identity also bears risks. You are directly responsible for controlling your brand image and meeting all the expectations and demands of today's consumers. Your brand will be held directly responsible for any negative customer experiences such as product defects or poor service, which can damage the brand's reputation. Moreover, direct interaction with the consumer requires a significant investment of time and money in service to ensure customer satisfaction.

Strategic process

Establishing direct sales channels is a complex process that requires strategic planning, high investments and many resources. Therefore, every decision should be well considered and every step carefully planned. It is not a simple or quick process but requires time and perseverance.

For this reason, it is difficult to fully map the entire process with all its details in this toolkit. In the following, however, we would like to provide you with a simplified guide that gives you an overview of what to expect and what to consider when making this decision. Of course, reality often looks different from the strategy, no matter how well the plan was thought out. Who knows better than you that there can always be unexpected challenges when running a business. Nevertheless, if the process of setting up B2C channels is properly thought through and well executed, it can be very rewarding.

1

Determine sales channels and product range

At first you should decide where you want to sell your products, meaning in which markets or countries and also through which specific channels, considering online (webshop, social media, marketplaces) and offline (physical store, markets) options. This decision should be based on an extensive market analysis and target group analysis. It is essential to know your potential customers first and base your decision on realistic data.

Moreover, adapting the product range to the respective sales channel is an important success factor, as they enable different shopping experiences and some products are easier to sell through certain channels. An online shop offers the advantage of being able to present a wide range of products, but it is limited in some aspects such as the transport of certain products or a high risk of returns. For example, designs with unusual shapes, colours or special materials can be better presented and experienced in a physical shop. Each channel requires a strategic adaptation of your product range in order to realise its full potential.

2 Establish shops and infrastructure

The next step is to build the necessary infrastructure for your sales channels and establish appropriate partnerships and systems. For an online shop this includes the website development and design, the shop and payment software, and systems for data management and protection. All of these elements must be user-friendly, smooth and reliable. With a physical store you have to consider interior layout and furnishing including storage. In general, the logistics structure including stock management systems, warehouse administration and shipping providers must be set up. Regardless of which channel you choose, it makes sense to set up a system for customer relationship management to gather and analyse data and create a connection to your customers. Don't forget to take into account the personal resources needed for all these areas.

In the context of the necessary infrastructure, you should collect and structure all your investments and running costs in order to determine a complete cost overview and, based on this, calculate a profitable price calculation for your product range and other services.

3 Manage marketing and communications

You also have to consider the management of your brand identity and control all sorts of marketing and communication measures. This includes the design of your website and points of sale as well as your brand presence on any other touchpoints such as social media channels. It also incorporates aspects such as product photography, packaging and sales material or online marketing measures.

As the name suggests, direct sales also involves the direct interaction with the customers including reliable, fast and friendly service and relationship management. All these brand touchpoints need to be designed, managed and the necessary applications and systems set up in order to create a strong, authentic and trustworthy brand. For more information on this, head over to the Communications toolkit.

4 Monitor and evaluate performance

Last but not least, it is important that you continuously monitor and evaluate your sales to keep track of your performance. This allows you to recognise at an early stage whether adjustments or changes need to be made in your strategy in order to improve your performance. This helps to reduce the risk of failure.



Checklist: Implementing B2C-sales

- Weigh up potentials and risks
- Conduct a market analysis
- Define target groups
- Develop personas
- Determine sales channels
- Select product range
- Set up the (online) shop)
- Implement infrastructure
- Create communications plan
- Monitor performance
- Revise strategy (if needed)



Folksy is a crafts and design marketplace for handmade products focusing on B2C, set up with the intention to offer artists, designers and makers a friendly place to sell their work. In this context, Folksy provides the sellers with an online handbook covering all relevant topics from online marketing and newsletters, social media and product photography to pricing and packaging.

Craft Toolkit is an online-based, practical and interactive tool for business development, mainly aimed at craft makers, artisans and designers. The users work through simple, short exercises in five topic areas from general goal setting, to product development, selling and marketing, managing money, and also sustainability. The answers will be gathered and result in a business plan. On top, the tool comes with an extensive list of resources to dig deeper into the topics.

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