MBA
Internet Marketing

Recreation Equipment, Inc.
E-Marketing Analysis

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1. INTRODUCTION

Recreational Equipment Inc. (REI) is a privately held retail store chain that specializes in outdoor sporting goods. It started in 1938 in Seattle, Washington as a cooperative launched by a group of outdoor enthusiasts who, not being able to procure locally the equipment needed to indulge in their passion, decided to import the necessary goods from Europe. Initially dealing primarily in equipment for alpinists, REI expanded its offering over the years to include equipment for winter sports, camping, and paddling sports, as well as outdoor apparel and associated gear.

Since the founding members of the cooperative were dispersed around the greater Seattle area, REI instituted from the beginning a mail-order catalogue to distribute their products (in addition to having a small store in a gasoline service station in Seattle). From this experience, REI developed a core competency in mail-order catalogue sales, which now accounts for a significant portion of REI’s sales. Currently, REI produces 4 catalogues per year (one per season) that are sent out to all REI members (over 2 million people). Each catalogue offers a large selection of goods tailored to its specific season. In addition, small catalogues or pamphlets are produced to promote sales and other special events.

To become a member of the cooperative, a nominal one-time fee is required. The advantages of membership include, in addition to receiving free the print catalogues, a yearly dividend on all eligible purchases. The dividend is typically on the order of 10% of the amount purchased for that year, although the exact percentage depends on REI’s financial performance for the given year. Members can apply their dividend towards purchases through the on-line, in-store, catalogue, phone, or fax channels. In addition, members can convert their dividend to cash at any REI store, or can request a check for their dividend amount either on-line or by phone.

REI launched its web site in 1996, choosing not an IT guru, but a longtime REI insider, Matt Hyde, to lead the effort. Although Hyde had no formal IT experience or IT education (he is a geologist by training), he was an early adopter of web technology and had an excellent knowledge of REI customers from his years of retail experience at REI. From the start, instead of being viewed as a pilot project, the web site was considered an integral part of the business and was held to concrete financial and performance goals. For example, the development of the web site was done entirely in-house. The fulfillment strategy leveraged REI’s competence in catalogue sales by using REI’s new distribution center that was designed to handle both catalogue and store fulfillment.

From the start, the web site was seen as an additional sales channel to compliment the current catalogue, store, and telephone channels, and in this respect was considered a natural evolution of the business. Unlike some other click-and-mortar retailers that spun off their web business as independent companies in order to raise capital (such as Barnes and Noble), REI kept its web business fully integrated because the REI brand was seen as covering all possible channels of distribution, and customers expected the same level of service from each (note that this decision was made easier by the fact that the web site operated in the black after two years of operation, and therefore was not a cash drain on the traditional business). One outcome of this policy was that, from the outset, all purchases made by members through the on-line channel qualified for dividends.

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a Your author worked at REI from 1983 to 1988 as a sales associate in the Seattle store in the ski, camping, and clothing departments.

b Typically, REI returns 85% of its pre-tax profits to its members.
2. ENVIRONMENT

The U.S. economy is growing at a rate of 3.8% (GDP), and the 2004 U.S. inflation rate was at −0.1% as measured by the Consumer Price Index and −0.7% as measured by the Producer Price Index. The U.S. unemployment is at 5.4%, and per capita disposable income is almost $30,000.

However, in digesting the macro-economic data, one must take into account some demographic facts. For one, there is a clear correlation between higher income and education, and participation in outdoor recreation activities. For example, those with a college degree or higher have a higher rate of participation in outdoor recreation activities than those with a high school degree or less (5.9 activities versus 3.7 activities), and the mean household income for participants in outdoor recreation activities is $59,000, versus $46,000 for non-participants. A more troubling demographic trend for REI is that the long-time growth in outdoor recreation participation has ceased, and is even declining in some activities.

Socially, the country is sharply divided between conservative views that emphasize religion and business, and liberal views that emphasize social justice and environmentalism. REI appeals more strongly to the latter type, although the distinction is by no means rigid.

Technologically, REI is well equipped, with such things as state-of-the-art distribution centers, electronic inventory control, and IT infrastructure, but these factors do not constitute REI’s core competency. In addition, REI’s customers are technically proficient, with over 70% of them having access to the Internet in 1996, a figure that likely has increased since then.

In summary, the economy is growing at a respectable rate, unemployment is low, and the REI customer base is drawn from the more affluent segments of society. REI is also well positioned with regard to current social trends that emphasize health and respect for the environment. Thus, the business and social environment for REI is positive.

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6 Unless otherwise noted, all economic data was taken from U.S. government sources.
3. STRATEGIC POSITION

3.1 SPACE ANALYSIS

To develop a macro strategy for REI we use the Strategic Positioning and Action Evaluation (SPACE) tool. Briefly stated, this tool allows one to position a company in a two-dimensional space that is divided into four quadrants. The positive horizontal and vertical axes indicate the company’s industry attractiveness and financial strength, respectively, while the negative horizontal and vertical axes indicate the competitive advantage and environmental stability, respectively. For each axis, larger scores are indicative of a more favorable situation for the company (this means that on the negative axes −1 is preferred over −6). The maximum score is 6 and −1 for the positive and negative axes, respectively and 1 and −6 are the minimum scores for the respective axes. For each axis, the final score results from averaging over a number of factors, which are given in the appendix, along with the reasoning for each score.

The result of the space analysis for REI is given below. It indicates that REI enjoys a positioning that places it squarely in the aggressive SPACE quadrant. The traditional business strategy counseled for a company in this quadrant is one of expansion, protecting one’s position, and avoiding complacency. The strategy of expansion has been followed by REI for the last 15 years, as it has expanded the number of REI stores from a handful in Washington State, to over 60 stores nationwide. The establishment of the Internet site REI.com is also an expression of this expansionist strategy.

![REI Space Analysis Diagram]

*Figure 1: REI SPACE ANALYSIS. The point at (0.83, 1.25) is the overall SPACE position.*
3.2 **Core Competencies**

To understand REI’s core competencies and how they are exploited to achieve a competitive advantage, we consider the 5-forces model developed by Porter, and how each force relates to the 4 P’s (product, price, promotion, and place). In the Table 1, we show the strategies that REI uses to address each of Porter’s forces as it regards each of the 4 P’s. In italic are strategies that, in the opinion of your author, REI does not leverage sufficiently.

**Table 1: Porter’s 5 Forces and the Strategies REI Uses to Address Each Force for Each of the 4 P’s. In Italics are Strategies that REI Does Not Leverage Sufficiently.**

<table>
<thead>
<tr>
<th></th>
<th>Product</th>
<th>Price</th>
<th>Promotion</th>
<th>Place</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Threat of New Entrants</strong></td>
<td>• Niche Products • Customer-Centric Strategy • <em>Product Bundling</em></td>
<td>• Price Discrimination • Value-Added Services</td>
<td>• Customer-Centric • Brand Appeal • Affiliates</td>
<td>• Integration of On- and Off-line Business</td>
</tr>
<tr>
<td><strong>Rivalries Among Existing Firms</strong></td>
<td>• Niche Products • Customer-Centric Strategy • <em>Product Bundling</em></td>
<td>• Price Discrimination • Value-Added Services</td>
<td>• Customer-Centric • Brand Appeal</td>
<td>• Integration of On- and Off-line Business • Strategic Alliances</td>
</tr>
<tr>
<td><strong>Threat of Substitutes</strong></td>
<td>• Niche Products • Customer-Centric Strategy • <em>Product Bundling</em></td>
<td>• Price Discrimination • Value-Added Services</td>
<td>• Customer-Centric • Brand Appeal</td>
<td></td>
</tr>
<tr>
<td><strong>Bargaining Power of Suppliers</strong></td>
<td></td>
<td>• Value-Added Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Bargaining Power of Customers</strong></td>
<td>• Customer-Centric Strategy</td>
<td>• Value-Added Services</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

REI’s strategy has evolved into one of differentiation combined with market segmentation. In response to the market forces REI does not choose cost leadership. For differentiation REI embraces an extremely customer-centric strategy as regards product selection and promotion (this is a natural outgrowth of REI’s roots as a consumer cooperative). REI focuses on niche products, both as regards the overall retail industry and as regards the outdoors sporting goods retail industry in particular. REI’s product selection is vast and extremely varied, and it offers niche products in most every category of the business, from winter to summer sports, from family to hard-core extreme sports.

Thus REI’s core competencies are customer service and product selection. These aspects of its culture, as is detailed below, are reflected in REI.com.
4. PLACE

4.1 BUSINESS MODEL

REI.com implements primarily a B2C, third wave business model, with a minor contribution from a small B2B component in the model. The business model moved into the third wave category in 2001, when it installed an IBM WebSphere software platform that allows it to integrate its web applications with its back-end fulfillment system.\(^5\) Most importantly, however, is the fact that the business model leverages a close collaboration with the traditional store and catalogue business to create synergies that benefit both the on- and off-line units, as will be discussed further below.

4.1.1 B2C E-Tailer

The B2C E-Tailer component of the business model dominates, and results from the natural on-line extension of a traditional brick-and-mortar (and catalogue) retail store. This component is divided into five main tabbed interfaces:

1. REI.com
2. REI-Outlet.com
3. REI Adventures
4. Stores & Events
5. Gift Registry

The REI.com tabbed interface gives the traditional entry point into the site, and is shown in the screen-shot below.

![Figure 2: REI.com home page (source: www.rei.com).](image-url)
Under the REI-Outlet tabbed interface goods are offered at discount prices. This is an extension of the REI “Attic” found in the brick-and-mortar stores (the REI Attic contains discounted goods from all departments). The REI-Outlet.com tabbed interface has the same layout as the REI.com tabbed interface, but uses a different color scheme, as shown below. Although its URL is http://www.rei.com/outlet/index.html, REI-Outlet.com also owns the domain name REI-Outlet.com. Also, the table of contents (on the left edge of the display) presents different items compared to REI.com.

![REI-Outlet.com Tabbed Interface](image)

**Figure 3:** REI-Outlet.com Tabbed Interface (Source: www.rei.com).

REI-Adventures does not own its own domain name, but must be accessed through the main site REI.com. As with REI-Outlet.com, REI-Adventures has its own table of contents and color scheme. A screen shot is shown below.
The Stores & Events tabbed interface allows customers to find the physical stores nearest them, and advertises promotional events. The table of contents is the same as for REI.com.
The final tabbed interface is the Gift Registry, and is shown below. The table of contents is identical to that of the REI.com tabbed interface.

![Gift Registry Tabbed Interface](source: www.rei.com)

Together, these 5 tabbed interfaces provide customers a variety of ways to shop. The tabbed interfaces reflect the divisions of the physical stores, where one can find not only the regular sporting goods, but also the Attic, an adventure travel agency, a gift registry, and a community relations department detailing the local events in which REI is involved or which REI is promoting. In the product table of contents one finds goods categorized not only according to activities (skiing, climbing, pets, travel...), but also by brand, or by price. For REI-Adventures, the table of contents allows customers to choose trips by location, by activity, by date, or according to a specialized category (heli-skiing, family, etc.).

The interfaces we have seen thus far can be considered first-wave in nature, since they constitute essentially brochure-ware that is pushing content out to the consumer. However, the first-wave view is not entirely accurate since the there are many synergies developed between the REI’s on-line business and its traditional businesses (store and catalogue). These synergies, which will be discussed at length in a later section, include allowing customers to locate their nearest store, allowing consumers to sign up for membership, explaining the membership advantages, allowing consumers to order a free REI catalogue subscription, allowing consumers to conduct extensive research on items of interest, and offering the customer to opt for in-store pick up of their purchases if they wish to avoid paying the shipping fee.

To further facilitate the on-line shopping experience, there is a search facility that is highly visible at the top of all its web pages. In addition, the site keeps a shopping cart for its customers, and offers them (both members and non-members) the option to open personal accounts.

This aspect of the site is more second-wave in nature since it presents some interaction capabilities. By signing up for personal accounts, consumers are giving REI valuable demographic information that allows REI to extensively track its customers’ shopping habits. Consumers are also capable of tracking their orders by logging into their personal account. Another second-wave characteristic of
the site is the customer profiling capacity that allows the site to suggest items that might be of interest to particular customers, based on information such as their purchasing history and their current purchase.

4.1.2 B2B E-Tailer

REI.com also implements a B2B E-Tailer model, called Corporate Sales. This is the junior partner with respect to the B2C part of the site, as the only link to it from the home page is near the bottom of the table of contents. Corporate Sales falls under the REI.com tabbed interface, but differs in that it displays a different table of contents. A screen shot of the Corporate Sales entry point is shown below.

The selection of products offered in the B2B section of the site is much reduced compared to the B2C section (6 categories for B2B versus 24 for B2C).

4.2 Channel issues

4.2.1 Channel conflict

Does REI.com cannibalize sales from REI’s physical stores and its catalogue? This is a fundamental question faced by many businesses that establish an on-line presence in addition to a physical presence, and is an example of channel conflict. Research on this question does not lend credence to this fear. In fact, it has been found that establishing an Internet presence can actually drive off-line sales. For example, net-influenced sales (sales driven by Internet based research by consumers) represented three times the revenue of direct on-line sales in 2003. This ratio is expected to double by 2007.6
REI is no exception to this trend. Although catalogue sales dropped slightly after REI.com was launched, REI discovered that their on-line customers spent 22% more in their physical stores (in addition to their on-line expenditures) compared to REI’s strictly off-line customers. Hyde admits that they were worried about cannibalizing off-line sales, but decided that

“If we’re not [on-line], they’ll shop somewhere else. If we don’t cannibalize, someone else will.”

Another potential source of conflict arises with employees of the physical stores, who may resent the addition of another sales channel. However, the employees of the physical REI stores, not being compensated on a commission basis, are not hostile to the Internet site. In fact, REI placed numerous Intranet kiosks in their stores with the aim of allowing customers to conduct product research on-line and of promoting the REI Internet site. The kiosks quickly became extremely popular with employees, who found them a very useful as a knowledge management tool. For example, employees (or customers, for that matter) use the kiosks for obtaining, and printing out if desired, such things as price lists for a category of products, technical specifications for products, inventory information, or recommendations on equipment for a cold weather kayak trip. Of course, customers use the kiosks as well, so much so that total revenue from kiosk sales equals that of an average REI store.

Another integrative tactic used by REI was to web-enable their cash registers starting in 1999. Employees are able to order directly from the registers, and receive the same 30% discount as for off-line purchases. The items are delivered to the store, avoiding shipping fees for the employee. This tactic has encouraged use of the system by the less Internet savvy employees, encouraging their acceptance and use of the kiosks.

4.2.2 Channel differentiation

Although REI CEO Denis Madsen claims that shoppers view the Internet channel as just another outlet for REI products and services, there are fundamental differences between these channels compared to the more traditional channels. These differences are related to the product selection and the richness of information available.

There are 78,000 items available on the REI.com site, which is twice as many goods as are available at the Seattle flagship store. Hence by shopping on-line customers are more likely to find items that may not be kept in store inventories, such as extreme sizes (XXS or XXL) or specialty items. However, the accompanying product information provided on-line is much more limited than that available in a store, despite some innovative efforts to the contrary. This fact is a manifestation of the traditional richness versus reach tradeoff that is well known in knowledge management circles. The tradeoff essentially states that it is not possible to transfer rich, tacit knowledge to many people simultaneously. To do so, one is obliged to reduce one’s “reach” – i.e. work with smaller numbers of people.

To address the issue of educating and informing the customer on-line, the web site contains an entry in the home page table of contents entitled “How to Chose Gear”, under which one finds a link labeled “Expert Advice”. This link connects the customer to a page containing information about upcoming clinics and seminars on relevant topics, and proposes advice in the following categories:

1. Camping/Hiking
2. Climbing
3. Cycling

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REI has also discovered that some customers are not comfortable buying on-line. While they will use REI.com to research their purchase, the actual purchase will be placed by phone with the catalogue division.
4. Paddling
5. Snow Sports
6. Cross Training
7. Travel

Each of these sections is further broken down into the following sections:

1. How to Choose: A collection of articles describing different equipment for the given categories. For example, the Camping/Hiking category contains 30 entries in the How to Choose segment, from backpacking clothing to tents to GPS receivers.
2. Skills and Knowledge: A collection of articles describing the skills and knowledge desired to get the maximum benefit from the chosen sport. Again for the Camping/Hiking category, some examples of such articles include backcountry health topics, planning a menu, and soft-shell technology.
3. Gear Checklist: This section proposes checklists of items needed for certain activities. Included with the checklists are links so that the customer may easily locate items if they need to purchase them. For Camping/Hiking, REI.com proposes checklists for 7 different activities, including adventure travel, snow camping, and day hiking.
4. Gear Care and Repair: In this section customers can find articles describing how to maintain their equipment. Examples for Camping/Hiking include caring for sleeping bags, Vibram soles, tents, and Gore-Tex.
5. Quick Tips: This last section offers advice to the uninitiated to facilitate their outdoor experience. For Camping/Hiking customers find tips for what to do before leaving home for a camping trip, tips about trailhead security, and how to pack and organize food on camping trips.

While this system may enable the transfer of explicit knowledge to customers, tacit knowledge (that typically gained through experience) is more difficult to transfer. For this, personal interaction is more effective, and the site does not propose anything to address this issue. This constitutes a fundamental difference between the Internet channel (as well as the catalogue channel) and the physical, in-store channel.

In addition, for products that are typically difficult to fit, such as shoes or boots, customer feedback is displayed. This allows potential customers to benefit from the experience of a large community of users. For shoes, one may find, for example, that a certain brand size relatively large, or are good for wide feet.

4.3 E-LOCATIONS

The REI.com web site occupies valuable real estate in the Internet world. It is well ranked by search engines, has a significant affiliate network, and uses multiple partners. In addition, since it owns the domain REI.com, the URL is easily deduced from the brand name REI, which is extremely well known in outdoor sporting goods circles.

4.3.1 Search Engines

Judging from the results, REI.com’s search engine optimization strategy is quite successful. The table below shows the rankings for several typical keyword searches using a selection of popular search engines.
TABLE 2: RANKING OF REI.COM FOR SELECTED SEARCH ENGINES AND KEYWORDS.

<table>
<thead>
<tr>
<th>Keyword</th>
<th>Rank</th>
<th>Margin Ad</th>
<th>Total number of web pages found</th>
</tr>
</thead>
<tbody>
<tr>
<td>rei</td>
<td>1</td>
<td>yes</td>
<td>3,170,000</td>
</tr>
<tr>
<td>outdoor sports</td>
<td>14</td>
<td>no</td>
<td>31,700,000</td>
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<tr>
<td>ski store</td>
<td>47</td>
<td>no</td>
<td>9,710,000</td>
</tr>
<tr>
<td>hiking store</td>
<td>1</td>
<td>no</td>
<td>8,400,000</td>
</tr>
<tr>
<td>bike store</td>
<td>&gt;100</td>
<td>no</td>
<td>4,550,000</td>
</tr>
<tr>
<td>paddling</td>
<td>84</td>
<td>no</td>
<td>2,660,000</td>
</tr>
<tr>
<td>camping</td>
<td>1</td>
<td>no</td>
<td>32,000,000</td>
</tr>
<tr>
<td>climbing</td>
<td>17</td>
<td>no</td>
<td>22,500,000</td>
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</table>

<table>
<thead>
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<th>Keyword</th>
<th>Rank</th>
<th>Sponsored Match</th>
<th>Margin Ad</th>
<th>Total number of web pages found</th>
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<tbody>
<tr>
<td>rei</td>
<td>1</td>
<td>yes</td>
<td>yes</td>
<td>7,280,000</td>
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<tr>
<td>outdoor sports</td>
<td>8</td>
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<td>no</td>
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<td>6</td>
<td>no</td>
<td>0</td>
<td>44,100,000</td>
</tr>
<tr>
<td>climbing</td>
<td>86</td>
<td>no</td>
<td>0</td>
<td>20,000,000</td>
</tr>
</tbody>
</table>

With Google’s search engine, REI.com ranks #1 for the keywords “rei”, “camping”, and “hiking store” (quotes not included in search). For the keywords “outdoor sports” and “climbing”, the ranking is 14 and 17, respectively, which places REI.com on the second page of Google results. In addition, REI.com has placed a margin advertisement for the keyword “rei”. For other keywords, such as “ski store”, “bike store”, and “paddling”, REI.com’s ranking is significantly lower, reflecting REI’s emphasis and background as primarily a climbing and camping store.

For the Yahoo search engine, REI.com appears on the first page of the search results for 4 of the 8 keywords, and on the second page for a further two keywords. For AltaVista, REI.com is located on the first page of results 6 times out of 8, and on the second page once. Curiously, for these two search engines, using the keyword “climbing”, REI.com is not ranked highly enough to be found by most Internet users.
In addition to the high rankings (both sponsored and non-sponsored) REI.com achieves for the keyword searches, REI.com has placed numerous margin links or advertisements with the search engine companies. Although this survey is admittedly lacking rigor, it is sufficient to show that REI.com search engine optimization policy has garnered high visibility for the site, making it easy to find via the search engine channel.

4.3.2 Portals and Affiliates

REI.com is visible through several portal and affiliate sites, including affiliate.com, shopping.com, findatoz.com, and bizrate.com. This list is not necessarily exhaustive, but contains only the list that your author was able to locate with minimal effort.

Bizrate.com is a shopping portal that brings together a host of e-tailers and allows users to give feedback regarding their experience shopping with these e-tailers. A keyword search in bizrate.com for “rei” yielded 99 results, all from REI.com. In the handful of links that your author followed, REI.com received the highest rating in all categories (would shop again, on time delivery, customer support, and product met expectations), as shown for one example in the screenshot below.

![BizRate.com Portal Screenshot]

A quick tour through shopping.com yielded over 2,820 products from REI.com and (surprisingly) only 13 items from REI-Outlet.com. This may be reflective of a strategic management decision to emphasize the full-price retail channel (REI.com) as opposed to the discount channel (REI-Outlet.com). Both REI.com and REI-Outlet.com received excellent reviews, with 95% of the 20 reviewers for REI.com indicating they would shop there again, with that figure rising to 100% for the 12 REI-Outlet.com reviewers, as shown in the screenshot below.*

* We note here that there is no guarantee of the authenticity of the reviews. It is not unknown for companies to review themselves in order to increase their overall ratings. However, we note that virtually all the reviews for REI.com and REI-Outlet were quite positive. Considering that people with negative experiences are more likely to contribute reviews, this indicates a high probability that the reviews for REI.com and REI-Outlet.com are authentic.
The full text of a selection of reviewers is given in the appendix.

The portals findatoz.com and affiliate.com simply give links to the sites REI.com and REI-Outlet.com (for findatoz.com). Of concern for REI is the fact that a competitor’s link also appears in the site affiliate.com when one searches for the keyword “rei”, as shown in the screenshot below.

![Competitor's link displayed with REI's link.](image)

The competitor advertises cheaper prices on similar products as REI, which is a particular concern since some have accused REI of standing for “Really Expensive Items”.

REI also runs an affiliate program. By filling out an on-line application form, interested parties can apply to become affiliates of REI. If accepted, they may post a link to REI.com and/or REI-Outlet.com on their web site or in their newsletter, and receive a 5% commission on all sales originating from their site. The affiliate program is important enough for REI to have a link to it on the main table of contents of REI.com.

### 4.3.3 Partners

REI has established partnerships with several organizations that have a web presence. These include Canadian Mountain Holidays (CMH), the HERA Foundation, a nonprofit organization raising funds for research on ovarian cancer, and Danskin, a store dealing in fitness, dance, and yoga apparel for women and girls. Again, as with the affiliates and portals, this list of partners is not necessarily exhaustive, but only represents the partners that your author has found to date.
The partners all subscribe to similar values as REI – environmental awareness, health and fitness, and social equality. In this respect these partners add value to the REI brand. CMH, for example, has been awarded the National and Alberta Parks Canada Sustainable Tourism Award.

There is a synergy created between REI and the three partners listed above. For CMH, REI offers a large, targeted customer base of outdoor enthusiasts. In return, REI-Adventures adds an attractive tourism offering to its portfolio, and REI retail may benefit from the purchases these clients make in preparation for their trips. For the HERA Foundation, REI sponsors a “Climb for Life”, as shown in the screen shot below. With Danskin, it’s a women’s triathlon that is the offered. In both cases, REI benefits not only from positive advertising in the form of word-of-mouth and possibly viral marketing, but also improves its brand image, which is important for any organization that lays claims to environmental and social causes. In addition, for the triathlon, participants are invited to come to a local REI store to hear a seminar given by a renowned female triathlete (and perhaps to make a few purchases while they are in the store).

4.4 SITE DESIGN

Since 2001, REI has used IBM’s Linux-based Web sphere platform for its web site. The design of the REI Internet site emphasizes practicality and de-emphasizes technological wizardry. There are no flash animations, no mouse ripple effects, no 3D views, etc. When your author loaded the page using a 1024 k ADSL modem, the header appeared very rapidly (on the order of 3 seconds) and the entire page loaded in less than 10 seconds. Using a 56 k dial-up modem, it took 17 seconds for the header to appear, and 45 seconds for the entire page to load. The ADSL numbers are comfortably below the 20-second and 40-second time limit espoused by e-marketing specialists for load-up time for initial content and entire page. The numbers for the dial up modem are pushing the limit, however, and may be of some concern to REI.com. However, considering the demographics of their customer base, which is upper income and education level, it is probable that a significant part of their client base is equipped with connections above the 56 k speed.

The site offers basic text and images (and there is a text-only option available), arranged to facilitate the location of products and navigation through the site. To this end, there is a vertical table of contents on the left that is present on all pages. Each item on the table of contents opens into a submenu with a mouse click. There are many ways to find a given page or product, be it by using...
the search facility, searching by product category (e.g. ski gear), or by brand name. To measure the navigability of the site, your author performed a small test in which a search for random products was undertaken and the number of clicks needed to find the product was recorded. The results are shown below:

**TABLE 3: This table shows the number of mouse clicks required to locate certain items, and whether or not the item was in stock.**

<table>
<thead>
<tr>
<th>Item</th>
<th>No. Of Clicks</th>
<th>Availability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salomon X-Scream Skis</td>
<td>5</td>
<td>No</td>
</tr>
<tr>
<td>Canoe</td>
<td>2</td>
<td>Yes</td>
</tr>
<tr>
<td>3-Person Tent</td>
<td>3</td>
<td>Yes</td>
</tr>
<tr>
<td>Leatherman Knife</td>
<td>2</td>
<td>Yes</td>
</tr>
<tr>
<td>Climbing Rope</td>
<td>3</td>
<td>Yes</td>
</tr>
<tr>
<td>Women’s Summer Hat</td>
<td>3</td>
<td>Yes</td>
</tr>
<tr>
<td>Baby Bike Seat</td>
<td>3</td>
<td>Yes</td>
</tr>
<tr>
<td>Silk Underwear</td>
<td>5</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>3.25</strong></td>
<td></td>
</tr>
</tbody>
</table>

The average number of mouse clicks found in this admittedly brief survey was 3.25, and the maximum number of clicks was 5. Both are below the threshold of 6 clicks at which many users disconnect.

The home page metadata betrays a solid understanding of how search engines work. The metadata tags from the home page are reproduced here for convenience:

```
<title>Outdoor Gear and Clothing for Hiking, Camping and More — REI.com</title>
<meta name="description" content="REI is the world’s premier outdoor gear store. Find everything you need for autumn adventures right here. We offer a tremendous selection of equipment and clothing for camping and hiking, skiing, snowboarding, snowshoeing and many more outdoor activities. All products sold by REI are backed by a 100-percent guarantee.">
<meta name="keywords" content="Outdoor gear, equipment, camping, hiking, family camping, biking, cycling, paddling, tents, fleece, jackets, backpacks, packs, backpack, back pack, hiking boots, GPS units, adventure travel, The North Face, Patagonia, Columbia Sportswear, Sierra Designs, Merrell, Keen, Garmin, REI, REI.com, REI-Outlet.com">
```

The title field contains a broad description of their business, emphasizing the main sporting activities that REI deals with, and mentions that REI sells both clothing as well as equipment.

The description tag elaborates on this theme, specifying certain popular sports such as skiing, hiking, snowboarding, or camping. It also mentions the guarantee. Curiously, the description alludes to “autumn adventures” – perhaps they are already preparing for the autumn adventure travel season?

The keywords tags do not repeat words, and cover not only the sports involved in more detail and with homonyms (biking and cycling, or again packs and backpacks…), but include some of the top brands in the business as well.
5. PRODUCT

5.1 INTERNET COMPATIBILITY

REI’s products include 5 of the top 10 e-shopping categories. These are listed in Table 3, which shows each product category along with rank it enjoyed among e-shoppers for the year 2000.

**Table 4: REI’s Product Offering and the Corresponding E-Shopping Rank for 2000.**

<table>
<thead>
<tr>
<th>E-Shopping Rank</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Travel &amp; Entertainment</td>
</tr>
<tr>
<td>3</td>
<td>Books &amp; Music</td>
</tr>
<tr>
<td>8</td>
<td>Clothing &amp; Footwear</td>
</tr>
<tr>
<td>9</td>
<td>Sporting Goods</td>
</tr>
<tr>
<td>10</td>
<td>Consumer Electronics</td>
</tr>
</tbody>
</table>

As we can see from this table, REI’s product offering fits well with the medium of the Internet (as did REI’s competencies in catalogue sales and distribution, see §1). A weakness of REI’s product offering may be found in the fact that REI’s core products – outdoor clothing and sporting goods, rank only 8 and 9, respectively, on the list. Traditional database products such as travel and books, which make up a smaller percent of REI’s total sales, are some of the highest selling categories on the Internet. Obviously, the reverse situation would be better for REI.com.

A slightly more rigorous approach to judging the product compatibility with the Internet medium is the Electronic Selling (ES) Test. Your author applied this test to the different product categories, as given on REI.com’s home page table of contents. The results are shown below in Table 4.

**Table 5: Electronic Selling Test for REI.com’s Product Categories.**

<table>
<thead>
<tr>
<th>Product Characteristics</th>
<th>Hiking</th>
<th>Climbing</th>
<th>Cycling</th>
<th>Kayak &amp; Canoe</th>
<th>Outdoor Fitness</th>
<th>Triathlon</th>
<th>Luggage &amp; Travel</th>
<th>GPS &amp; Electronic</th>
<th>Watches &amp; Sunglasses</th>
<th>Books &amp; Maps</th>
<th>Car Racks</th>
<th>Pets, Toys</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hiking</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td>4</td>
<td>4</td>
<td>6</td>
<td>8</td>
<td>10</td>
<td>5</td>
<td>8</td>
<td>10</td>
<td>7</td>
<td>6.9</td>
</tr>
<tr>
<td>Climbing</td>
<td>6</td>
<td>5</td>
<td>7</td>
<td>5</td>
<td>5</td>
<td>6</td>
<td>8</td>
<td>9</td>
<td>5</td>
<td>9</td>
<td>9</td>
<td>9</td>
<td>6.9</td>
</tr>
<tr>
<td>Cycling</td>
<td>20</td>
<td>28</td>
<td>24</td>
<td>15</td>
<td>17</td>
<td>26</td>
<td>10</td>
<td>28</td>
<td>15</td>
<td>30</td>
<td>15</td>
<td>15</td>
<td>20.3</td>
</tr>
<tr>
<td>Total Score</td>
<td>32</td>
<td>40</td>
<td>39</td>
<td>24</td>
<td>26</td>
<td>38</td>
<td>26</td>
<td>47</td>
<td>25</td>
<td>47</td>
<td>34</td>
<td>31</td>
<td>34.1</td>
</tr>
</tbody>
</table>

The result is a score of 34 out of a maximum of 50, which is a relatively high score. Of course, scoring for each product category is highly subjective, even if following the guidelines for the test. However, even given this caveat, it is safe to say that the results support the conclusion that REI’s product line is well suited for selling through the Internet channel.

Even given the promising indicators just discussed, it is apparent that some of REI’s products are not ideally suited for selling over the Internet. Foremost among these are products that typically need to be tried-on or fitted. Examples include boots (especially ski boots, which are notoriously troublesome to fit properly) and specialty clothing whose function requires a proper fit, such as ski or climbing pants. REI.com has addressed this problem using tactics such as offering extensive product information on their web page, providing size-conversion charts for each manufacturer (to convert from UK, French or other non-U.S. sizing standards to U.S. standard sizes), providing links.

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\(^6\) We assume our reader is familiar with this tool.
to company articles about how to select sizes, and a link to REI.com’s explanatory page regarding its 100% guarantee.

The screen shot below shows the layout of the web page for purchasing a pair of Salomon ski boots.

Figure 12: Screenshot Showing Page for Purchasing Ski Boots (Source: www.rei.com).

The information is easily visible and should serve to minimize customer's misgivings about purchasing such an item through the Internet. However, the link relating to the 100% guarantee is mixed in with other, less important links. It should be given a more prominent place, perhaps adjacent to the image of the boot itself. The reasoning behind this advice is that customer confidence rises remarkably if they understand that some form of insurance such as a guarantee mitigates their risk of mistake, and this is likely to increase the probability of making a sale. The following quote from iBoost Journal,\textsuperscript{15} illustrates the point nicely:

“Clearly state on your website that you guarantee customer satisfaction with your products/services, or you will refund their money in full with no questions asked.”

5.2 Bundling

REI.com’s product bundling strategy is misleading. For a significant part of March and April, an apparent product bundle consisting of a tent, a pair of sleeping bags, and a backpack (see Figure 1) has appeared on the REI.com home page. However, after further research, one finds that the apparent bundle is in fact not a bundle at all, but simply a grouping of related items. In other words, the customer receives no discount for purchasing simultaneously all the items in this apparent bundle. This is misleading and damaging to the REI brand, which should reassure the customer that the retailer is honest and forthright, not sneaky and underhanded.

No evidence of real product bundling (where the consumer receives a price discount if he/she buys the bundle) is found. As mentioned in §3.2, the lack of product bundling is an oversight on the part
of REI’s management. Product bundling constitutes an attractive promotional tactic to boost sales, and serves to differentiate the merchant from competitors.

5.3 **FINANCIAL SERVICES**

REI offers an REI Visa to its members through U.S. Bank. Consumers are invited by REI.com to apply on-line for this credit card, which brings several advantages to the consumer, as well as to REI. The consumer receives a 1% dividend on all purchases made with the card, all REI non-sale purchases qualify for a full dividend,\(^b\) and the card-owner becomes eligible for exclusive card-owner offers. In return, REI increases its customer retention and share-of-wallet.

\[\text{FIGURE 13: REI CREDIT CARD (SOURCE: WWW.REI.COM).}\]

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\(^b\) Normally credit card purchases receive a smaller dividend since part of the dividend is used to cover the credit card fee charged to REI by the card-holder’s bank.
6. PRICE

The REI brand implies, among other things, quality. The relatively high prices of REI.com reflect this. However, mixed in with this pricing strategy is a low price point component, reflected in the dynamic pricing and in the REI-Outlet.com channel.

The dynamic pricing model used by REI.com involves primarily seasonal pricing. The REI store (and catalogue) channels have a long tradition of seasonal sales that occur at the turn of each season. The Internet pricing reflects these sales and allows REI, for example, to liquidate stock more easily once a season is terminated. On the Internet, as in the store, purchases of sale items (any price ending in the numeral 3) are not eligible for dividends for REI members, but are still covered by the 100% guarantee.

REI-Outlet.com represents a discount outlet where all items are offered at a discounted price point, while still maintaining the 100% guarantee. This section of the site does not follow the seasonal sales prices of REI.com, since its products are offered at permanently discounted prices. However, prices do decrease monotonically as products reach the end of their life cycle.

REI.com faces competition on-line from, among others, Calibex.com. This company has a sponsored link placed in Yahoo.com that appears with search results for the keyword “rei”, and advertises lower prices compared to REI.com. However, the competition is not serious for the moment, since Calibex.com can only muster one single item to entice the customer. This cannot seriously compete against REI.com’s 78,000 items.
7. PROMOTION

7.1 BRAND

REI.com uses a variety of promotional tactics, both off-line and on, to attract and retain customers. Its most powerful tool is the REI brand, which carries a strong message of quality and fairness. The quality aspect of the brand refers to the products carried by REI, while the fairness stems from REI’s support for socially and environmentally responsible causes. The 100% guarantee that covers all of REI’s products further strengthens the REI brand image in terms of both quality and fairness. The brand message is a powerful and synergistic promotional tool for REI, since the quality aspect brings customers into stores (or the web site), and the fairness aspect retains them.

The image of fairness that is associated with the REI brand increases the consumer’s confidence when dealing with REI. This is especially important for the on-line channel, which still presents a significant barrier to purchasing for some consumers who view on-line shopping with suspicion. The reasons for this cautiousness vary; for example, they may be reluctant to give out credit card information on-line, or they may not feel comfortable paying for an item without physically seeing and touching it. The reputation of REI as a responsible and fair business, as well as their 100% no-questions-asked return policy, is a powerful ally in closing sales with such customers.

To promote the message of fairness, REI engages in a host of initiatives. Its work policies have enabled it to be listed by Fortune Magazine among the top 100 U.S. companies for whom to work in 2005 – and this for 8 years running! It operates the REI Gives program, which gives grants for protecting and restoring the environment as well as stewardship awards to non-profit organizations that support environmental causes. The program also is involved in numerous community service and youth programs designed to educate people about environmental issues, as well as to support the local environment around each store. Other collaborations, such as those with the HERA Foundation to fight ovarian cancer that was mentioned above, further enhance the message that REI is a fair and trustworthy company.

The quality aspect of the REI brand is due to the up-market product selection, and to the REI-branded gear as well. The branded gear is targeted at the medium price point, and offers good value-for-money. Judging from some of the awards REI-branded gear has garnered, the quality is quite high. For instance, the REI Taku jacket, shown below, captured the 2005 Outside Magazine Gear of the Year Award.

![REI Taku Jacket](source: www.rei.com)

**Figure 14:** REI Taku Jacket Gear of the Year Notice (Source: www.rei.com).

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Footnote: See §7 for a discussion of REI’s support for social causes.
7.2 **On-line Promotion**

Of course, REI.com does not depend solely on its brand for promotion of its on-line business. They are engaged in numerous other promotional tactics, both off-line and on. On-line promotional efforts include sweepstakes, gift cards (including e-gift cards), opt-in email newsletters (termed “Gearmail”), on-line coupons, and free-shipping offers.

REI.com runs various sweepstakes to entice customers to use some of its various web-based services, such as Gearmail or the gift-registry. For instance, customers creating a new gift registry or adding items to an existing registry are entered into a sweepstakes for a chance to win a $2,500 shopping spree at REI. Signing up for Gearmail is encouraged by offering customers a 10% discount on their next REI purchase as a reward for opening a new Gearmail account. A negative aspect to the Gearmail program is the fact that, when making a purchase, consumers are obliged to opt-out of the Gearmail program by un-checking a small, obscure box in a web form. This practice detracts from REI’s reputation of fairness and honesty and should, in your author’s view, be altered to an opt-in policy.

On-line coupons are offered on a limited-time basis to REI members. As shown below, if the customer is not a member of REI, he or she is invited to sign up for a membership on-line, and the offer is further sweetened by allowing the customer to use the on-line coupon immediately after signing up for an REI membership.

![Figure 15: REI.com On-line Coupon (Source: www.rei.com)](image)

Gift cards are also offered on-line, and may come in the form of physical gift cards, or e-gift cards that can be emailed to a consumer. The physical gift cards can be ordered on-line and are shipped to the consumer via first-class mail so that they arrive within 3 to 7 business days. The cards are credit card sized, and can be initialized with between $5 and $500. As a running balance is kept, the gift card may be used over several purchases. The consumer may check the amount remaining on their gift card on-line, and may use their gift card for purchases either on-line, in the store, or by phone. E-gift cards are similar to physical gift cards, but are sent by email to the recipient and can be redeemed on-line, by phone, or printed out and used at any REI store.

Another promotional tactic is free shipping, which is offered on a limited-time basis for selected items. For example, there is currently an offer for free shipping to any U.S. destination for Sierra Designs tents and sleeping bags. Also, as of June 2003, consumers may elect to have their goods shipped to an REI store of their choice where they may be picked up, in which case the shipping is free. Since it eliminates a possible barrier to closing a sale, this tactic is an excellent way of promoting on-line sales. The free store delivery tactic also differentiates REI from its competitors, many of whom also offer free shipping to a store, because REI offers in addition a much broader selection of products than is available from its competitors. As an added bonus, statistics show that consumers spend an average of $90 in the store when they come to pick up their on-line (or catalogue) orders.16
7.3 **OFF-LINE PROMOTION**

Unlike Barnes & Noble, who sought to clearly separate their on-line business from their brick and mortar business, REI integrated the on-line effort into the traditional business from the start. For example, in line with this view of channel distinction, Barnes & Noble did not give customers access to Barnesandnoble.com in their stores. In contrast, Internet kiosks giving access to REI.com appeared in REI stores in 1997, one year after the launching of web site. As mentioned in §3.2.1, the kiosks quickly became very popular not only among customers, but among store employees as well. In fact, the popularity of the kiosks is such that it is sometimes difficult to find one that is free, raising concerns that the number of kiosks installed is insufficient to meet the demand.\(^1\) REI stores also have numerous posters and announcements that promote their on-line channel.

The REI catalogue also promotes the use of the on-line channel. It exploits the fact that the on-line channel is more dynamic by steering consumers to the site for information that is likely to evolve and therefore more likely to become outdated if hard-coded in the catalogue. For instance, information about special events or seasonal items is more likely to be current if acquired through the on-line channel. In addition, consumers are encouraged to consult REI.com for more detailed information regarding the products offered in the catalogue, or for more choice (REI.com offers a much greater selection than the catalogue).

Another off-line promotional tactic used by REI involves its dividend notices, which are sent out annually to its over 2 million members. The customers are invited to redeem the notices on-line, and simple instructions for so doing are presented on the notice. This constitutes a powerful incentive to visit REI.com, as it is likely to be more convenient to redeem the notice, either by purchasing goods or by requesting a check, on-line compared to off. We note that this may lead to a cannibalization effect because it reduces the need to visit an REI store to redeem the notice (of course, the customer is still visiting an REI channel). Apparently, REI has decided that the benefits of full integration outweigh such cannibalizing effects.

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\(^1\) This statement is supported by your author’s personal experience shopping at REI in Seattle, and by his conversations with store employees.
8. PEOPLE

As frequently alluded to above, REI.com affects both the employees and the customers of REI in a myriad of ways. Section 4.2.1 describes how the work habits of employees have altered since the introduction in stores of Internet kiosks gave them easy access to REI.com in the workplace. The site has affected the relationship between REI and its customers as well. Customers gained a new channel through which they could access REI’s services, and REI gained not only more business but also a valuable tool for gathering information regarding the shopping habits of its customers.

The on-line channel allows REI to target information to specific customers, making the information more relevant and therefore giving it more impact. For example, as discussed in the section on promotion, REI.com offers an opt-in email service, called Gearmail, that informs its clients about events, sales, and member news. The Gearmail program allows customers to select the topic(s) in which they are interested, making the information they receive more personalized, and also enriching REI’s database with accurate data on their customers’ interests. Since the customer has elected to receive the email, and since it is personalized to their interests, they are more likely to read it and act on it than if it were an unsolicited email.

Consumers also find a rich source of information about outdoor gear and clothing in REI.com, which offers over 45,000 pages of tips on everything from fly fishing to ice climbing to family camping. This is especially attractive for people who are not familiar with outdoor activities and for whom the sales environment in a store may be intimidating. Even for those who are accomplished in one sport find it useful to consult the site to research purchases for another activity in which they are novices.

The consumer is not completely passive in the on-line environment of REI.com. Feedback forms are provided when purchases are made, and REI.com encourages consumers to email in feedback in the “Contact Us” section of their web site. The site claims to be able to answer most emails within 1 business day – a claim that was tested by your author on Sunday the 24th of April 2005 as follows: Using REI.com’s feedback form an email was sent at 6:47:07 PST (without giving an REI member number, which is an optional entry) with the following text:

I'm doing a study of your web site for my MBA degree, and I'm just testing your comment system. I'm testing to see how long it takes you to get back to me!

cheers, Brett

The personalized answer arrived some 6.5 minutes later at 6:53:33 (on a Sunday!) with the following text:

Subject: REI's Lightning Quick Email Response (#8834-24509615-1527)

Hello,

Thanks for the email.

I hope your study is a success. I would like to think that REI is one of the best companies at response time out there.

Please let us know if we can be of further assistance.

Rob S.
REI Online Customer Service

The ability to give feedback and receive personalized responses empowers customers, enhancing the element of trust felt towards REI.
The on-line environment also has the capacity to offer consumers personalized accounts. In these accounts, consumers can store relevant information such as shipping and billing addresses, credit card information, email addresses, etc. If consumers sign-in to their account when shopping with REI.com, their electronic shopping cart is stored on the server, and can be retrieved at a later date, even if consumers sign in from different computers or erase all cookies on their own computer.

REI.com collects significant information regarding its customers shopping habits through its web site. In this practice, REI has, in its membership program, a significant advantage over traditional companies. The fact that 85% of REI’s in-store customers are members, and have given out personal information in order to become members, and that this information has been used responsibly for such things as mailing out dividend notices and catalogues, and has not been sold to third parties, has built up trust between the consumer and REI. This trust makes it easier for REI to solicit information from their customers on-line.¹⁸
9. SYNERGY

REI.com creates many synergies with the store and catalogue branches of REI. The web site drives customers to the stores, and the store drives traffic to the web site. Evidence of the synergy created was discovered by an in-house survey, which found that dual-channel shoppers spent 114% more than single channel-shoppers, and tri-channel shoppers spent a further 48% more than dual-channel shoppers.19

The synergy developed grows in many ways out of REI’s roots as a catalogue business and as a consumer cooperative. The competency necessary to run an efficient catalogue sales operation gave REI an advantage in designing a fulfillment system for its Internet-based sales channel, and gave REI a reputation for reliable deliveries. The membership system for the cooperative made customers feel at ease with sharing personal (and financial) information with REI, an important point for getting Internet-wary consumers to buy online, and giving REI an advantage in collecting valuable customer shopping data on-line.

Many examples of the synergies created are littered throughout the preceding sections, so we will only highlight a few here to underline the point. Consider, for example, the multi-channel gift registry. This allows customers to set up and monitor a personal gift registry either on-line, over the phone, or via an in-store Internet kiosk. REI employs the innovative tactic of providing portable scanners in their stores to allow customers to easily identify and add items they find in the store to their gift registry, enhancing the synergy between the sales channels. All modifications to the gift registry are updated in real-time to ensure that the registries contain accurate information. Furthermore, customers using gift registries can notify their friends and family by email, introducing more consumers to REI and REI.com, and creating a viral marketing campaign as well. The Vice-President of Multi-Channel Programs, Joan Broughton, is quoted as saying:

“Registries created online bring customers into REI stores to shop. Store-created registries generate demand online. And, as REI customers create registries, they can notify friends and family via e-mail, in many cases introducing new customers to REI.”

The gift registry program accumulated 6,000 registries in its first two months of operation.

Another tactic employed by REI.com that results in strong synergies being created is the policy of allowing on-line customers the possibility of having their product shipped to a given REI store with no shipping fee. The consumer may then pick up the items at any convenient date. This program enhances on-line sales by removing the barrier represented by the shipping fee. It also draws customers to its brick and mortar stores, where they spend more money – on average an additional $90. These add-on sales in the stores due to the free shipping program accounted for $8 million in total store sales in 2004 – a 1% increase compared to the previous years. This program has become extremely popular and currently 40% of the REI.com’s orders are shipped to an REI store.

The list of synergies goes on, including such things as on-line product research, which eases entry into the sales environment for novices who may be intimidated by the sales environment in stores. Research has found that a significant percentage of purchases made off-line are researched on-line. Another example of synergy is the fact that on-line purchases may be returned to a store. This enhances customer trust, reduces another barrier to closing an on-line sale, and drives customers to the stores, allowing REI to make the most of a negative situation by attracting further sales.
10. CONCLUSION

REI.com was launched in 1996 and has been profitable since 1998. It experienced rapid growth and currently draws over 2 million customers per month. Forbes Magazine recognized REI.com as the top Internet site for outdoor gear in 2000, and Smartbusinessmag.com\(^k\) placed REI.com seventh in their 2001 list of the top 50 U.S. companies to have successfully expanded and enhanced their business using the Internet.

From the beginning, REI viewed its on-line venture as an integral part of its business, and gave it definite goals and budgets. This view is reflected in their choice to lead the venture, Matt Hyde, who was not an Internet guru, but was a seasoned retailer with an excellent knowledge of REI’s business.\(^l\) Instead of pitting the on-line business against the traditional business, they took a holistic view and sought to use each to reinforce the other. The strategy paid off, and REI.com has become one of the few retailing Internet success stories.

\(^{k}\) Note that this accolade may be viewed with suspicion, since Smartbusinessmag.com has since gone out of business!

\(^{l}\) Hyde learned fast, and was named one of the on-line’s sectors’ top 25 executives in 2000.
11. APPENDIX

11.1 SPACE ANALYSIS

The following table shows the individual factors that were taken into consideration in constructing the SPACE diagram. For each factor, the reasoning is briefly explained at the right.

TABLE 6: SPACE ANALYSIS FACTORS.

<table>
<thead>
<tr>
<th>Environmental Stability Factor</th>
<th>Weighting</th>
<th>Reasoning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demand Stability</td>
<td>-3</td>
<td>The demand for outdoor gear has stopped growing, but the largest market segment is for families with children, promising continued stability in demand.</td>
</tr>
<tr>
<td>Political Stability</td>
<td>-1</td>
<td>The political situation in the USA is stable.</td>
</tr>
<tr>
<td>Ecological Outlook</td>
<td>-1</td>
<td>The ecological outlook in the USA is stable.</td>
</tr>
<tr>
<td>Price-Levels</td>
<td>-1</td>
<td>Price levels for REI's products demand high margins and are stable.</td>
</tr>
<tr>
<td>Technological Stability</td>
<td>-4</td>
<td>Technology is always changing, and REI needs to keep abreast in this area.</td>
</tr>
<tr>
<td>Cost of Labor</td>
<td>-3</td>
<td>Cost of labor in the USA is high, but employment laws provide flexibility.</td>
</tr>
<tr>
<td>Regulation</td>
<td>-1</td>
<td>Regulation is high, but stable, and REI is not in a highly regulated industry.</td>
</tr>
<tr>
<td>Competitive Intensity</td>
<td>-4</td>
<td>Competitive intensity is no higher than average.</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>-2.25</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Competitive Advantage Factor</th>
<th>Weighting</th>
<th>Reasoning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Share</td>
<td>-1</td>
<td>REI enjoys a leading market share in its segment.</td>
</tr>
<tr>
<td>Quality of Service</td>
<td>-1</td>
<td>REI is renowned for its excellent service.</td>
</tr>
<tr>
<td>Labor Productivity</td>
<td>-3</td>
<td>No specific information obtained – hence assumed to be average.</td>
</tr>
<tr>
<td>Customer Loyalty</td>
<td>-2</td>
<td>With its membership program and its high service quality, REI commands high customer loyalty.</td>
</tr>
<tr>
<td>Innovation Ability</td>
<td>-2</td>
<td>REI is a strong innovator. Witness the portable scanners that allow customers to update their on-line gift registry while shopping in a REI store.</td>
</tr>
<tr>
<td>Logistics</td>
<td>-2</td>
<td>REI has developed a strong competency in logistics. They have integrated the store, on-line, and catalogue delivery system, and have integrated their web applications with their fulfillment systems.</td>
</tr>
<tr>
<td>Technology</td>
<td>-3</td>
<td>REI uses advanced technology, but it is the same technology that is available on the open market.</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>-2.00</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Industry Attractiveness Factor</th>
<th>Weighting</th>
<th>Reasoning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry Profitability</td>
<td>4</td>
<td>REI's profit margin was only 2.8% for 2004.</td>
</tr>
<tr>
<td>Market Growth / Size</td>
<td>1</td>
<td>REI operates in a relatively small market segment, outdoor recreation equipment and clothing, and the market shows signs of softening.</td>
</tr>
<tr>
<td>Barriers to Entry</td>
<td>2</td>
<td>Barriers to entry are relatively low. Capital costs for starting a new retail outlets are comparatively low compared to other industries (e.g. pharmaceuticals).</td>
</tr>
</tbody>
</table>
REI differentiates itself well using its membership program and its high level of service as well as its expansive product selection.

REI adds value through its excellent service offerings (travel, advice, events, repairs, 100% guarantee, etc).

The threat of substitutes in the outdoor retail industry is average compared to other industries.

REI uses its resources with average efficiency.

<table>
<thead>
<tr>
<th>Financial Strength Factor</th>
<th>Weighting</th>
<th>Scoring</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROS</td>
<td>2</td>
<td>2.80% - this is not particularly good.</td>
</tr>
<tr>
<td>ROI</td>
<td>3</td>
<td>8.90% - average.</td>
</tr>
<tr>
<td>Liquidity</td>
<td>4</td>
<td>130% - slightly better than average.</td>
</tr>
<tr>
<td>Leverage</td>
<td>5</td>
<td>0.19573 – REI has relatively little debt – good.</td>
</tr>
<tr>
<td>Cash Flow</td>
<td>4</td>
<td>REI has a positive cash flow per share.</td>
</tr>
<tr>
<td>Profitability</td>
<td>3</td>
<td>REI’s profitability is average.</td>
</tr>
</tbody>
</table>

| 3.50 |

11.2 Reviews for REI.com

The following selection of comments was taken from the site Shopping.com. The URL of the comments for REI.com is http://www.shopping.com/xMR-store+rei~MRD-24534~S-1. For REI-Outlet.com the URL is http://www.shopping.com/xMR-rei+outlet~MRD-24546~S-1.

<table>
<thead>
<tr>
<th>Author</th>
<th>Date</th>
<th>Rating</th>
<th>On-Time Delivery</th>
<th>Customer Service</th>
<th>Shop Again?</th>
</tr>
</thead>
<tbody>
<tr>
<td>billywinks</td>
<td>2/11/2005</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Review:

I’ve been a member for a couple of years, and have usually found the customer service on-line and at the stores to be excellent. On-line, the delivery speed is also good, although it will take two days for the order to be processed. Once shipped, I got my merchandise within a day. Order accuracy was perfect and I was able to return some shoes to the store without any problems. Also, if you live near a store, it’s nice that they will ship there for free and let you pick it up, though I have never tried this myself.

<table>
<thead>
<tr>
<th>Author</th>
<th>Date</th>
<th>Rating</th>
<th>On-Time Delivery</th>
<th>Customer Service</th>
<th>Shop Again?</th>
</tr>
</thead>
<tbody>
<tr>
<td>2buzy</td>
<td>2/11/2005</td>
<td>90%</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Review:

Full Review

I like the quality of the REI merchandise as well as the membership rebates. I have placed multiple orders, without a single problem.
SHOPPING

First off, I will mention that the prices at REI can be high BUT so is the quality. I don't mind paying a higher price for gear I know will last year after year. I don't buy things such as food, books, maps, socks etc. from them as I know I can find the same items elsewhere for a lot less. They do hold sales and occasionally put out an online coupon.

When you click on a category, you are taken to that page which list all the different subcategories. For example when you click on Camping & Hiking you will get a list of 24 subcategories. Now here's an odd thing, when you click on one of the subcategories(say FOOD) you then get another list which is good as it helps speed up your search BUT the odd part is that ALL of the subcategories show up as well. So, even though you are taken to the FOOD choices, you can still review any of the other subcategories simply by moving up or down the page.

Once you find a product you are interested in, you can click on either the products name or picture to get more information. You can sort the different choices by • Brand or by • Price. You can also Compare Items.

To purchase an item, you first choose the color/size info (if needed), put in the quantity you need and click on the ADD TO SHOPPING CART button. You can then continue shopping or head to checkout.

Once you are ready to checkout you need to give all the regular billing and mailing information. After picking a password, you will be able to have this information on file and save time on future orders. If you are an REI member, you will need to put in your number to have this purchase qualify for your rebate.

After ordering, you will get a detailed order confirmation email. You are able to track your order at their site IF you are having it mailed to an address in the US. IF you are mailing outside of the US OR picking your order up at a store, you cannot track your order.

REI charges sales tax on all orders shipped to an address that is in a state which charges sales tax AND has REI stores located. Therefore, we are charged sales tax in Washington State.

SHIPPING

All orders picked up at the store are FREE. I have had orders both delivered to my house and picked them up at my local stores. In both circumstances, my orders have never taken more than a week.

~~ *~ *~ ~ 2BUZY'S FINAL THOUGHTS ON THIS SITE ~ *~ *~ *~ ~

There are a lot of things I like about the REL.com Their site is easy to navigate, they have a great selection, offer top of the line quality, have both decent shipping rates AND a store pickup option and prompt delivery. I also like the fact you can look up local events - clinics, hikes etc. - from their site.

The only negative things I can mention is their high prices, the fact you can't earn a rebate on sale items, and that some of pages are slow to load.

That all being said, I would recommend REL.com to anyone looking for high quality outdoor gear. I am giving them 4.5 stars.
Review:

Had a very hard to find item. Shipped on time and sure made a nice Christmas gift for my daughter. I will use again for sure.

Review:

Full Review

[Review's note: When I initially wrote this review, I made the incorrect assumption that it was supposed to cover REI's entire operation, not just their internet online sales. My bad. However, a review on both the brick and mortar (B&M) stores and online sales should be useful to most readers. Indeed, the quality of service and products from REI's online sales is similar to their B&M stores. REI's dividend policy (see below) is also identical for both operations. Navigating REI.com is easy and most product descriptions are good. My only complaint is that I was recently shopping for mittens and the particular ones I wanted were not listed with ski gloves and mittens. A keyword search provided the location of the item I wanted. This is only a minor gripe, however, because I have found similar categorization problems with other top online mail order enterprises.]

It use to be that traditional sporting goods stores, especially those located in, or near, areas where camping, backpacking, skiing, climbing, cycling, etc. are widely enjoyed, had a good selection of recreational equipment. Over the years, unfortunately, some local chains that offered such product lines have been bought out by national sporting good stores. The national chains often concentrate on team sports equipment and offer a token selection of individual sports and outdoors gear. I’ve also found that the “big box” sporting goods store staffs are frequently unknowledgeable about their product lines or you simply cannot find anyone to ask a question.

REI is a national chain with qualities of the local sporting good stores I remember. Their staff know, and are enthusiastic about, their product line since they often are avid participants in the sports that use the same gear they sell. I don’t know if it is company policy, but their employees seem more friendly and respectful than other outdoor equipment retailers regardless of the customer’s knowledge of, or skills in, a particular sport.

REI’s strongest product lines continue to be their backpacking and camping gear. The cycling department appears to have improved in recent years since they sell a wider variety of bikes from a bunch of different manufactures. But their own Novara brand still offers a lot of value.

That’s also true of REI brand clothing – its frequently equal to, or better than, the brand names and looks great. However, I also like the brand name clothing they sell. If you lead an active lifestyle and are looking for clothes to match, REI is the place to find unique items you will not see in department stores or at your local mall. I am a big fan of their Alf sweaters.

Most of their products are available online. In fact, that may be the only place to find them if your local store is out of a particular item. If you order through their web site, you can avoid shipping costs by sending the item to your local store and picking up there. The quality and service of REI’s online sales are on a par with best in the business – L.L. Bean and Lands End.
If you shop at REI, it is worth joining their Co-op to receive the 10 percent dividend on all the products you buy, except for sale items. However, you only receive an 8 percent dividend if you use a non-REI credit card. The full 10 percent is credited to members who pay in cash, by check or who use the REI Visa card.

The dividend helps you rationalize buying gear at full price. But it is also worth waiting for REI sales when unsold items become real bargains. Sales are held periodically throughout the year.

My only criticism of REI is they no longer sell alpine ski equipment at my local stores. I understand this was a business decision because they could not compete with our local specialty ski shops. That’s a pity since it was far easier to get bargains on great equipment at REI and their staff were more often more pleasant to deal with than their counterparts at the specialty ski shops.

Bottom line: The reciprocal loyalty between REI and its customer/members makes it the best place to buy recreational equipment and clothing.

<table>
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</tr>
</thead>
<tbody>
<tr>
<td>sierras49</td>
<td>3/25/2004</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Review:

Shopping for a backpack I had lots of help from store personnel that were more interested in my needs than in selling a product. When I mentioned that I had a REI backpack for 2 years that was a style I didn't like they told me to bring it back. I was given a refund toward the new pack with no problems! I have also had excellent online service from REI and ordered things to pick up in the store with no shipping charge.

<table>
<thead>
<tr>
<th>Author</th>
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<th>Shop Again?</th>
</tr>
</thead>
<tbody>
<tr>
<td>jps246</td>
<td>12/2/2003</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Review:

**Full Review**

REI, or Recreational Equipment, Inc., is one of the most well known stores in the outdoor recreational world. Based in Washington on the west coast, REI has both brick and mortar stores throughout the country and an online presence at REI.com.

*Just a warning, I’m extending myself out into unknown Epinions review territory here – never before have I ventured into the “online store” category.*

**What’s REI all about?**

Back in 1938, REI was formed as a cooperative between a group of climbers who were looking to obtain quality outdoor gear at reasonable prices. Many decades later, REI has grown significantly, but remains at its base, a place where people who enjoy the outdoors can get quality gear at fair prices.

REI itself is a generous company, donating money to various outdoor causes. This includes various grant programs for outdoor activities, money and volunteer support for trail maintenance, environmental rehabilitation and more. REI has supported all of these causes for years and is (at least in my eyes) genuinely concerned and committed to helping with these causes. I feel good about purchasing items at REI, my money is helping out with causes that I believe in.
The other difference at REI is that you can join the co-op program and become a member of REI. Membership is open to anyone and costs $15 to join initially. This is a one-time fee that you will not be required to pay for again. The only requirement of the membership is that you make at least one purchase each year. Once a member, you earn roughly 10% on each purchase (excluding tax, sales items and shipping) towards your yearly dividend. So if you purchase $100 worth of gear over a year, in January, you’ll get a dividend check of $10 to use at REI. Pretty nifty – and a good deal if you purchase a lot at REI. However, should you not want to become a member, it is not required to shop at REI.

**How’s REI.com?**

Both REI’s brick and mortar stores and REI.com have an extensive selection of outdoor gear, both REI branded and from other suppliers including the North Face, Patagonia, Sierra Designs and Marmot to name just a few. The gear includes everything that you may need to equip yourself for a short day hike to everything you would need to mount a mountain climbing expedition.

When shopping on REI.com – the selection is even greater – as you can find just about any type of outdoor gear that you are looking for. REI.com stocks hiking, camping, bicycling, paddling, skiing (cross country and alpine), and climbing gear just to name some of the areas covered.

The organization of REI is clean and simple. Stock is broken down into the various activity areas (such as hiking or skiing) and then further broken down by gear function or type. Most items include a picture (I have yet to run across something without a picture online) and a short description. Size, color and price information is clearly shown, along with any sale information.

When you find an item that you wish to purchase, you choose the size and color (if it’s applicable) and then click on the “add to basket” button. You will be brought to your basket that shows everything that you have marked for purchase so far. At this point, you can either check out or return to shopping.

And this is my one complaint with REI.com (and with many other online shopping sites), when you click on “return to shopping” you are brought back to the homepage, not to the page you were shopping on. So what I do is when I am on the basket page, I just back-click to the page where I was – it’s easier than navigating back to the page. If you are planning on shopping for other types of items, then going back to the homepage isn’t such a bad thing.

When you’re done shopping, you proceed to the checkout section of the site. Checkout is a fairly straightforward process and allows you to either log-in as an existing user, create a new user account, or checkout without creating an account. You are able to enter coupon codes in the process (REI is always sending out email coupons to members) and enter your REI membership number (if you are a member) at this point. Make sure you enter your number if you have one, otherwise your purchases won’t go towards your dividend.

When you are finished with your purchase, REI.com sends you an email with your invoice and with tracking information for your purchase. You can return to REI.com to check on the status of your order. However, generally, even with basic shipping, orders are filled right away and your package will arrive in a few days. On my last online purchase, I received my package 4 days after I ordered it.

Should your order be incorrect, return information is included in the package. REI also offers online customer support and telephone support.

I have shopped at REI.com many times and have never encountered a problem with the accuracy of my order.
Should I shop at REI?

If you are an outdoors person who needs outdoor gear, not many other places rival REI.com for selection and quality. In my mind, the only store that comes close is EMS (Eastern Mountain Equipment), an east coast outdoor gear store. However, with both a brick and mortar REI in Natick, Massachusetts and REI.com available anywhere, I do most of my outdoor gear shopping at REI because, among other things, I want to get a big dividend at the end of the year.

You can't go wrong with REI, selection, price and quality are all there. REI even runs some great sales throughout the year and members will often be given special opportunities on sales that are not available to the general public. So if you need some gear, go and check out REI.

<table>
<thead>
<tr>
<th>Author</th>
<th>Date</th>
<th>Rating</th>
<th>On-Time Delivery</th>
<th>Customer Service</th>
<th>Shop Again?</th>
</tr>
</thead>
<tbody>
<tr>
<td>carletonj</td>
<td>3/16/2002</td>
<td>20%</td>
<td>60%</td>
<td>40%</td>
<td>No</td>
</tr>
</tbody>
</table>

Review:

REI.com has declined from it's prime of 4 years ago. The online store has less selection, worse prices(excepting sales), and poorer shipping policies than specialty climbing retailer like mgear.com, gearexpress.com, bentgate.com, or even altrec.com. Even if your looking for backpacking gear there are better places to go. As for their 10% rebate - if you live in a state with an REI(most people do) - between sales tax and shipping you've accounted for that 10% rebate. In short - go elsewhere with your outdoor dollar.

<table>
<thead>
<tr>
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<th>Customer Service</th>
<th>Shop Again?</th>
</tr>
</thead>
<tbody>
<tr>
<td>brucehwalker</td>
<td>1/24/2002</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Review:

have never had a bad experience at REI or with any of their equipment. Tents are easy to put up, and built to last. I have a backpack that I got in 1987 and the zipper failed. I sent it back and they replaced the zipper! I was so impressed they didn't throw it away and send me a new one. Way cool!

11.3 REVIEWS FOR REI-OUTLET.COM

<table>
<thead>
<tr>
<th>Author</th>
<th>Date</th>
<th>Rating</th>
<th>On-Time Delivery</th>
<th>Customer Service</th>
<th>Shop Again?</th>
</tr>
</thead>
<tbody>
<tr>
<td>mracrook</td>
<td>10/3/2003</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Review:

Very good service most of the time. On one occasion they messed things up, sending a heart rate monitor to MA instead of CA. Charged my card twice (which should not have happened). Eventually got the item, and a 20% off coupon for my troubles. No problems otherwise with over 10 purchases. I also like free shipping using the store pickup.

<table>
<thead>
<tr>
<th>Author</th>
<th>Date</th>
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<th>On-Time Delivery</th>
<th>Customer Service</th>
<th>Shop Again?</th>
</tr>
</thead>
<tbody>
<tr>
<td>omule_dt1</td>
<td>11/3/2002</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>Yes</td>
</tr>
</tbody>
</table>
Review:

Excelent retailer. Good prices, on-time delivery friendly staff. The product was at least 20% cheaper than anywhere else. I payed for regular shipping and they used UPS 3 day select.

<table>
<thead>
<tr>
<th>Author</th>
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<tr>
<td>carletonj</td>
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<td>80%</td>
<td>100%</td>
<td>60%</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Review:

The Rei Outlet is the only way, and reason to buy from the Outdoor Behemoth that is Rei. If you watch regularly you can discover some amazing deals! Just act quickly because those things will be gone immediately. Their customer service is pretty good, and their shipping policy I find to be better than the regular Rei (funny, since they often come from the same warehouse)

<table>
<thead>
<tr>
<th>Author</th>
<th>Date</th>
<th>Rating</th>
<th>On-Time Delivery</th>
<th>Customer Service</th>
<th>Shop Again?</th>
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<td>100%</td>
<td>100%</td>
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</table>

Review:

I purchased a sports travel bag from REI. The ease of ordering and on time delivery were great, but quite frankly, it was exactly what I expected from this brand name store.

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Review:

Shopping in REI stores is a pleasure, and their online store matches that experience. It is joy to browse through the merchandize that was well displayed and easy to find. I often find shopping for apparel online hard, but with the excellent images and information I was happy to buy. When the fleece jacket arrived, it was just as expected. I'll go back gladly.

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<thead>
<tr>
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Review:

REI.com online is alot like the offline store: lots of great merchandise, organized well, and surrounded by helpful advice on what to choose. I read their buying guide and ordered a snowboard from them and it was a great experience. It came really well packaged and pretty much on time. I'd definitely buy from them again.

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</table>
i like this store cause it offer the best prices and services that exactly what i need. it's customer service qualities are really good and same as what i expected. overall this is a good store to purchase ur sport wear.

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Review:

I generally do not buy online but REI Outlet is terrific. They have a great selection. Tons of sale items. Customer support is excellent and delivery time was accurate. They also have a very good return policy. This is a "must try" store.

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<td>80%</td>
<td>80%</td>
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</table>

Review:

I've purchased two items from this online store and have been pleasantly surprised. My typical experience with cataloguers has been impersonal, but REI was not like that. I felt that their customer service was attentive and helpful. I would purchase from this merchant again.

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Review:

My husband recently went online shopping for a tent and a sleeping bag. He found what he wanted at rei.com outlet. One of the best features was that he could forward to my email address exactly what he wanted by clicking on a feature at their web page. I easily ordered what he wanted and it came via UPS 5 days later. My only complaint was that they couldn't find a box to fit the tent, so their packers took it out of its box, then packed it with the sleeping bag. However, they did include the original tent box, just opened and folded so it would fit in the shipping box. Needless to say, his Christmas shopping is done!

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Review:

**Full Review**

REI-Outlet.com is my first stop whenever we need (or want) outdoor gear or clothing. I've found some great bargains there, as well as been stymied more than once in my search for specific items.

REI Outlet is a genuine outlet--stocked with overstocks and remaindered items from the main REI stores (on-line and real-world). Because of that, you will find there, . . . whatever happens to be in stock. But because this is REI, they will still stand behind their products, so you can always make returns, and you never get stuck with a lemon.
Using the site

In my opinion, the best way to use a store like this is to have a mental list of things you might like or need, maybe not this year, but next. . . then browse the site regularly looking for the 30-60%-off deals. For some items, you are nearly certain to find what you want the first time (I found a gore-tex jacket for my husband at a deep discount, and was able to select among several good candidates all in his rather average size). Other things may show up only occasionally or not at all. REI Outlet.com makes this easy with their "Bargain Sleuth" feature. You enter a list of the items you would like, and they will email you if they become available.

Getting around the site is easy. I find their layout logical and appreciate that if you ask to see, for example, women's waterproof/breathable jackets, you will see the entire collection, sorted by brand or price.

Customer Service

I have no complaints about either the site itself (getting around) nor REI customer service. They are prompt with their shipping, and charge reasonable rates. Returns are never a problem.

REI is a co-op, which means that although anyone can shop there, members get certain special deals--members-only sales, for example--and a dividend at the end of each year, based on what you spend there (usually 10%, or a bit less for credit-card purchases). Membership costs a one-time fee of $15.

A caveat

REI has built its reputation and customer base in part by providing not only quality goods, but especially a range of practical and affordable goods. In particular, they periodically run sales where you can get basic gear and clothing very cheaply. The catch is, that stuff is seldom up to the standards of the more expensive gear. Nothing hidden: you'll just notice the design isn't as good, the details are skimpy. Some of this gear ends up at REI Outlet.com after the big sales. Pay attention to the product descriptions, and be aware of just what you are getting.

I also have noticed that although they very nicely tell you if the item you are looking at is a closeout, overstock, or second, they do not indicate the nature of the flaws in seconds. Presumably all items are in a usable condition, and of course the guarantee holds, so you aren't risking too much, but I wish they'd say more.

On the whole, I find that REI, and the Outlet version, is a great source for outdoor gear and clothing. There are places with lower prices, but as a member of REI I get a 10% rebate, which does make them competitive. I appreciate that I know what I'm getting and have the REI guarantee behind the products.

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<tr>
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Review:
Full Review
REI-Outlet.com is the liquidation branch of REI.com. Selling a decent variety of sporting goods at breakneck prices is what REI-Outlet is. Prices are near unbeatable at the outlet site... however, if you can find what you're looking for is the main problem.

Selection
The REI-outlet will not contain every item that many sporting goods, camping store, or outdoors store offers... it just carries stock that really needs to go... and go fast! It easy to browse through the small selections of goods on the site to see if you can find anything that you want. In many ways, it feels like you're shopping at a brick and mortar outlet center or even overstock.com! If you can find something that you want or need, the price is significantly less than just about any retail store you can find the same item in! New items are constantly being added, but items that are sold out are usually permanently out of stock!

Even if you find the item you want, your desired size may be a problem. You may often find that the size is already out of stock on the product page... which is rather frustrating.

Prices
REI-Outlet strongest point is how cheap it is! Items are frequently discounted at least 30%... most of the items are discounted 40-60%. A few items go as far as 75%. These prices compare only to sites like Overstock.com and Eastbay.com as well as huge clearance sales in B&M stores and e-tailers. A pair of Nike all weather sport clogs that cost $59.95 outside cost me $29.95 before S&H.

Shipping and Handling

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<th>Order Cost</th>
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<tbody>
<tr>
<td>0-$75</td>
<td>$5.99 $15.99 $19.99</td>
</tr>
<tr>
<td>$75.01-$125</td>
<td>$6.99 $16.99 $20.99</td>
</tr>
<tr>
<td>$125.01 and over</td>
<td>$7.99 $17.99 $21.99</td>
</tr>
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</table>

That's REI-outlet shipping costs... a little higher than overstock.com but comparable to eastbay.com.

Customer Service
I haven't had to deal with them since I have already viewed the purchased items at a store or through a friend or family member. Otherwise, REI-Outlet sends email confirming the order. They do not send an email when the order ships however!

Is REI-Outlet.com better than Overstock.com or Eastbay.com then?
No... they are all comparable to each other and carry slightly different stock made by different manufacturers. All three places sell excellent brand names for great prices. Overstock.com does have the lowest shipping however with $3.95 for any order. Overstock.com outdoor goods come through the older and defunct GEAR.com site that overstock.com brought out a little more than a year ago.

The one thing that REI-Outlet is better at is the goods in climbing gear that can be found and purchased. It easily beats out the stock at overstock.com and Eastbay.com.

**Overall**

I think REI-Outlet is a great place to shop if you know what you want and what you're settle for. Prices are very low for most of the stocked items. All the items I've purchased have been in good to excellent overall condition. However, I would still keep other sites in mind since there is a good chance that you won't find what you want since all the stock is really overstock or closeouts.

By the way, ebates.com has a 2% rebate to this site! Check out my ebates.com review!
12. BIBLIOGRAPHY


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11 Gartner Group/HP, date unknown. See slide 10 of em04sess2mmix.ppt.

12 Gartner Group/HP, date unknown. See slide 10 of em04sess2mmix.ppt.


14 See slides 16 – 26 of em04sesspropri.ppt.


