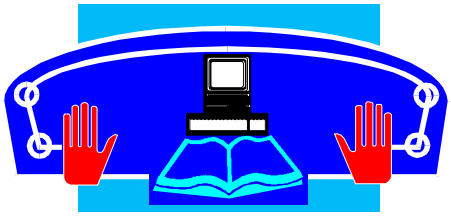

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Eider Down Industry Development In Kangirsuk, Northern Quebec; A Market Study And Development Plan
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Northwest Territories Economic Development and Tourism

April 25, 1984

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ENTERED

REGIONAL SUPERINTENDENT,
ECONOMIC DEVELOPMENT & TOURISM,
BAFFIN REGION.

Eider Down Industry

Attached please find a paper that was written by Peter Poole concerning the Eider Down Industry in northern Quebec.

It turns out that you have in Baffin some Eider Down harvesting areas around Cape Dorset, Pangnirtung and on Savage Islands. While it would never be a significant source of income for your people, it might be worthwhile to bring the idea to their attention. Eider Down sells anywhere between $150 and $400 per pound.

Peter Poole explained to me that if Eider Down was collected in Baffin that it probably should be shipped to Payne Bay for cleaning and distribution. Payne Bay has a cleaning facility for Eider Down that would be difficult and expensive to replicate elsewhere.

In case you are not aware, the people of Lake Harbour travel to the Savage Islands each year to collect eggs. There was an article on this in Canadian Geographic a couple of years ago. There might be some way that egg gathering and down collecting could be tied together.

This information is forwarded for your retention and whatever action you feel is warranted.

B. James Britton,
Deputy Minister.

COMMERCE DIVISION
APR 25 1984

Government of the Northwest Territories, Yellowknife, N.W.T. Canada X1A 2L9 / Telex 034-45528

EIDER DOWN INDUSTRY DEVELOPMENT IN KANGIRSUK, NORTHERN QUEBEC: A MARKET STUDY AND A DEVELOPMENT PLAN

Produced for the
Kativik Regional Government
and the
Community of Kangirsuk

Peter Poole, Ph.D.
March 13: 1984

CONTENTS

LIST OF APPENDICES

LIST OF MAPS

LIST OF TABLES

LIST OF FIGURES

SUMMARY

Objectives: To investigate two markets:

- for clean eider down
- for finished down products

Marketing options will be identified, priorized, and integrated into a phased development program.

GENERAL DOWN INDUSTRY

Prices rose for all down types rapidly during the 1970s but have now fallen from a peak of 2-3 years ago. Current opinion is that prices will settle at present levels or perhaps rise slightly.

Down is generally used for 4 product categories, in order of importance: clothing, comforters, sleeping bags, furniture. For eider down specifically, comforters are the most important product.

Even though the use of down is increasing, the proportion of the insulated products market held by down may be falling. This relative decline is perhaps masked in the current boom conditions.

Nevertheless, down is still the standard, against which the steadily improving synthetics are measured. However, synthetics already provide superior performance to down when wet; it is conceivable that they may one day surpass down in thermal performance. In such a situation, down would more than ever be obliged to rely upon its 'natural' origin and qualities as a. selling point.

EIDER DOWN INDUSTRY

The world supply of eider down is estimated to be about 8-10,000 lbs. A first approximation of the quantity of clean down that could be produced from Eastern Canada is 1,076 lbs - in contrast to current production of 3-400 lbs. However, serious logistical and management problems would have to be overcome before this potential could be realized.

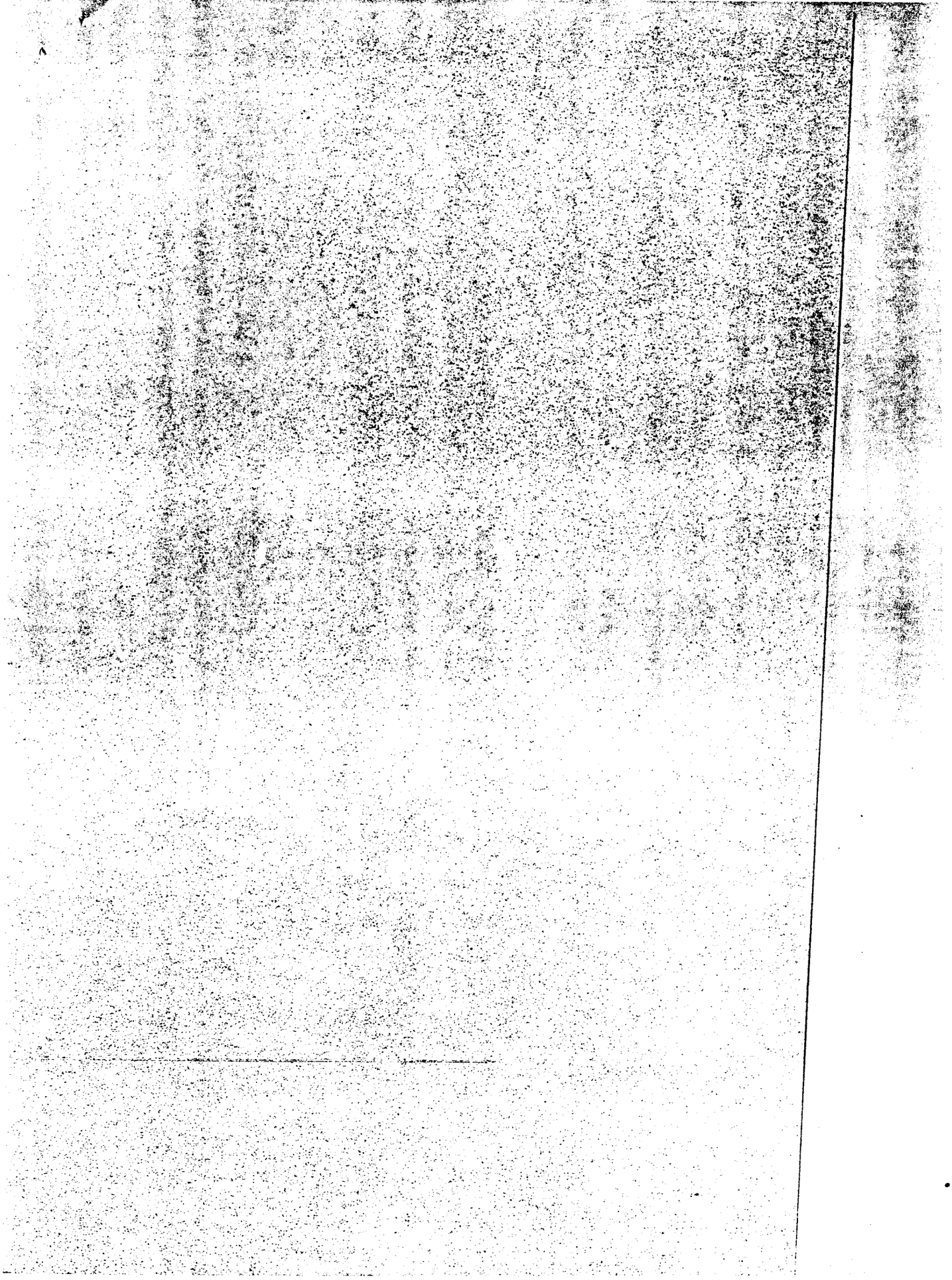
EIDER DOWN INDUSTRY DEVELOPMENT

Eight basic development strategies were identified five involve trade in raw/clean down; three involve the manufacture of down products. These strategies are reviewed individually and then integrated into a phased development schedule. The eight strategies are outlined below.

Selling clean down to North American Wholesalers. The two major Canadian wholesalers inspected samples of Kangirsuk down and expressed interest in buying more. The samples were as good as those from Iceland. The wholesalers would re-sell to Europe as there is virtually no North American market for eider down. The present buying price would be in the range $Can138-$Can163/lb despite a current Icelandic asking price of $Can200/lb. United States companies were contacted by telephone. Three expressed interest in receiving samples (Results in Appendix 1). Sales to Canadian wholesalers would be the least risk/least return strategy, but one buyer said his prices would only be 10% below what Kangirsuk could obtain by selling directly to Germany." One buyer kindly provided a sample of "Icelandic" down for use as a quality standard.

Selling clean down to European wholesalers and manufacturers. 22 German companies were contacted and 15 asked for samples. So far, 6 companies have responded favorably and may be sent information on price and quantity available at any date (See Appendices 2 and 3). While in conversation, a few details were elicited regarding likely price ranges; these varied between $Can104 and $Can166/lb. One recipient of Kangirsuk samples responded by offering 680-700dm/kg ($Can152-157/lb). These contacts have provided a promising base for selling eider down after the 1984 harvest. It is recommended that Kangirsuk do so both in order to develop a position in the European market and to discover the costs and efforts of sale to EEC compared to Canadian wholesalers. Finally, these contacts confirmed the absolute necessity of establishing and maintaining a reputation for quality.

Selling clean down to northern communities and craft centres. Outside Quebec, this demand is low. This is probably the result of unfamiliarity as many craft centres produce cold weather clothing from a variety of local materials. There is undoubtedly scope for cultivating an interest in eider down, but mobilizing a continuing demand may ultimately depend upon Kangirsuk first demonstrating the manufacturing potential. The community may wish to first do this for the benefit of Kangirsuk and craft producers before contributing to such product development elsewhere. A list of northern



craft cent res is provided in Appendix 4.

Kangirsuk 'a's" a down cleanire. Given the potential illust rated in Map 1, there may be considerable scope for Kangirsuk establishing itself as the recogni zed cleaning centre for. "the Arctic region. Map 2. suggests the factors that would inf luence access to-these resources. It is recommended, that an est imate be made of the comparat ive costs and logist ics of collecting f rom these other areas. Since it is unlikely that all resources could be developed simult aneously, this would provide a basis " for a' comparative evaluat ion.

Di spo sing of clean' down through joint ventures with' estabI ished manufacturers. This is in a sense a bridging strategy f rom the, sale of clean down to the manuf acture of down products. Kangirsuk would approach an established manufacturer with a proposal to j ointly develop products for the North American," market. Not only would these provide a means of selling clean down , but it would also provide low risk opportunities' to learn procedures of" product des ign, marketing, and di st ribut ion. Lists of North American manufacturers are given in Appendix 5.

Penetrating established markets 'for eider "down comf orters. This is the most rewarding strategy, but also carries the highest risks as it would involve penetrating established " German markets. "'"A gradual approaches recommended, initiated by the development of products of competitive quality.

Establishing new markets for eider down comforters. If Kangirsuk could produce comforters comparable in price to the eider down parkhas currently made, a North American market might be developed, based on direct marketing. Two comforter manufacturers have expressed interest in using Kangirsuk eider down (See Appendix 5). Such interest could lead to a joint venture. Success in this area could lead to selling comforters in the European market.

Developing new eider down products. A list is provided of the kinds of garments that could be produced from eider down. These fall into two categories: liners or inner garments for boots, mitts, etc; outer garments in which eider down would be combined with waterproof materials. Either finished garments could be produced or kits. A small market for outdoor garments and kits already exists; an advantage to this is that the buyer can specify in advance the 'R' value required and order the appropriate volume of down.

An outline is provided of the steps that should be taken in a program of product development: prototype design,

production and testing, costing of a production process, market research" and' "Development . The importance of accurate market positioning and targeting are stressed as "well as the most significant from the point of. view of economic viability select ing an appropriate channel of" distribution . A small volume producer such as Kangirsuk is well, " placed to- short- circuit convent ional channels and develop direct market ing to customers through catalogues or magazines, , or directly to retail stores

Finally,a phased development. plan is proposed. whi ch integrates the vari ous "strategies in such a way that the least' risk "strategies " (selling" clean down) are implemented first in order to establish a firm basis for later 'undertaking the higher "risk strategies" (developing new products and creating new markets) . Figures 2-5 illustrate these strategies and further details are provided in the accompanying text.

- Figure 2 is a schematic for a comprehensive development program
- Figure 3 suggests a process for gradually increasing the supply of raw down
- Figure 4 details steps for selling clean down
- Figure 5 outlines an eider down product development program

Note is made of sources of support specific to elements of the development program. It is suggested that the chances of obtaining such support will be considerably improved if Kangirsuk manages to develop a-clean down market without financial assistance.

2. RECOMMENDATIONS

1. That from the 1984 harvest, an allocation be prepared for sale to Europe and traded through the contacts established in this study (see 9.3. and Figure 3).

2. That selected North American Wholesalers be also notified of the quantities and terms of sale.

3. That proposals for funding for new product development be submitted to agencies and programs such as those mentioned in section 9.4.

4. That the logistics and costs of collecting raw down from other regional sources (see Map 2) be estimated as a basis for discussing the possibility of supply from the local communities concerned.

3. INTRODUCTION

3.1. Objectives

The objectives of this study are to investigate two principal markets for Kangirsuk eider down:

1. for clean eider down
2. for finished down products

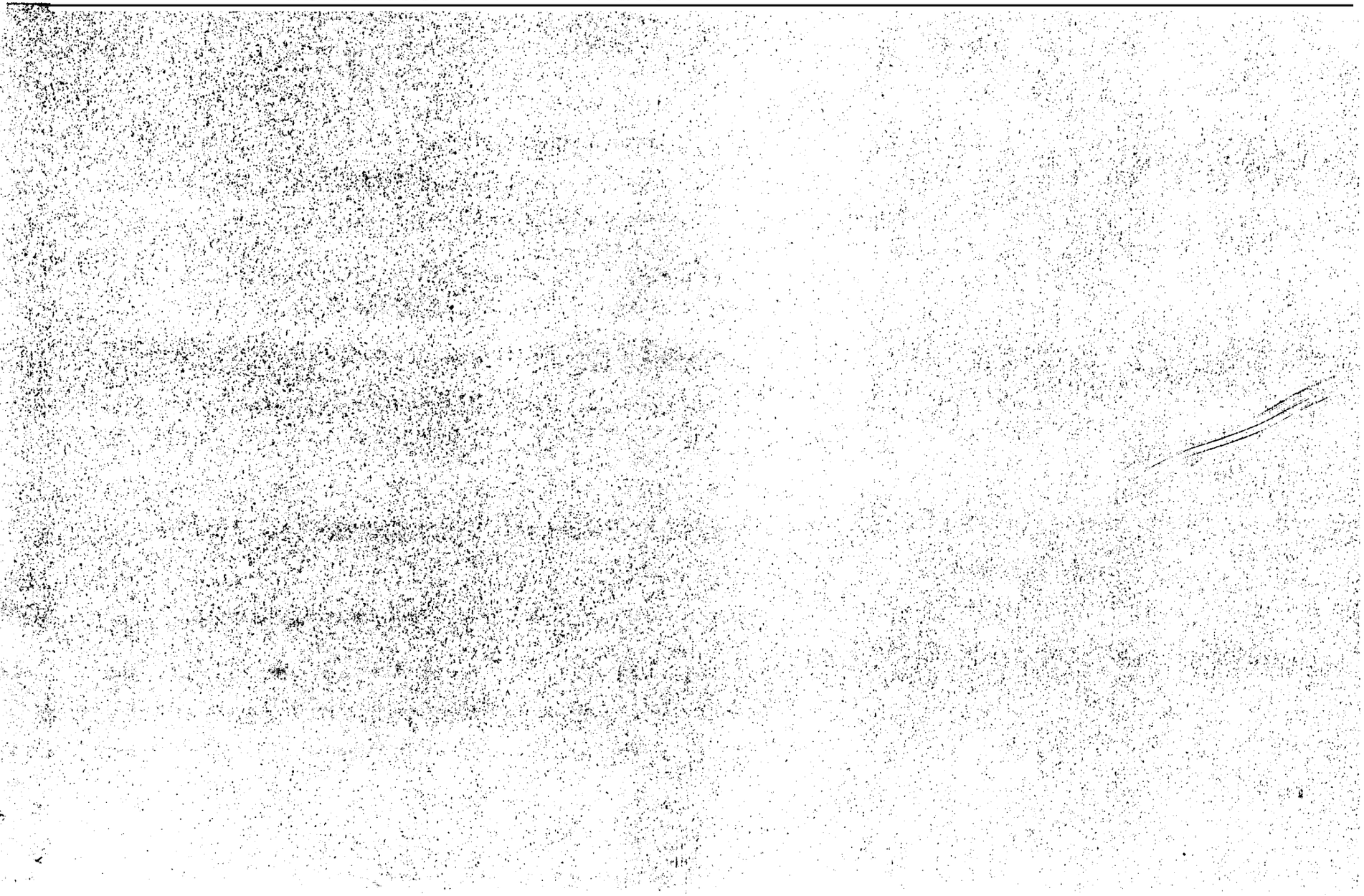
The investigation will cover a variety of marketing alternatives, and will present these in terms of a program which maximizes development opportunities on a progressive and secure basis.

3.2. Background

the down industry at large is highly secretive and the eider down segment all the more so. Secrecy conceals the amounts collected, cleaning processes, and markets established for clean down. In this report, information which is sensitive in this respect is contained in a series of detachable appendices.

For the purposes of this report the down industry will be separated into four segments:

Producers of cleaned down; Kangirsuk
Wholesalers who will buy directly from producers
Manufacturers, who purchase down as needed from wholesalers
Retailers, who sell the finished down product



During a period of "designer markets", when a cloth label on a pair of jeans may be worth $50, it is tempting to pitch a product at the luxury end of the market and adjust production and marketing costs accordingly. This can be very dangerous for a small volume/range producer, who cannot afford big budgets like the major fashion houses. For starting up, it is far more prudent to base prices on actual costs, and, to minimize these as far as possible. To develop markets first by establishing a presence through the sale of raw materials - even if this means lower profits before proceeding to the more risky and exotic phases. The development scenarios provided at the end of this report are designed to follow such a path.

3.3. Organization of this Report

In Part 1, the down industry will first be described in general as it affects the eider down segment. Then attention will be focused on certain aspects of the eider down industry itself : supply, markets, collecting methods and processing.

In part 11, a variety of development strategies will be discussed individually. This will include the results of a clean down market study in West Germany. These strategies range from the fairly straightforward sale of clean down to Canadian wholesalers, to a fairly complicated product development program designed to create a market for down products manufactured in Kangirsuk.

In Part 111, the most promising of these development

stategies are integrated into a phased development program which aims at first establishing a secure trade in clean down and then proceeds to explore the riskier, but more profitable options.

PART 1

THE GENERAL DOWN INDUSTRY

4. THE DOWN INDUSTRY: RECENT HISTORY, CURRENT STATUS, AND TRENDS AS THEY AFFECT EIDER DOWN

4.1. Price Changes Since 1970

The prices for all down types have" risen since 1970, "though they are now far lower than the peak of a few years ago. Price changes have been influenced by the introduction of synthetics, by a general rise in demand for all insulating materials, and by the actions of China as the major world supplier and of Japan as a recent major buyer.

In the early 1970s the producers' selling price of goose down was as low as US$6/lb; goose down was then the most popular filling for sleeping bags. At this time, the price for eider down was between US$60-70/lb.

By the mid-1970s synthetics had begun to displace down in sleeping bags, but the demand for down clothing intensified so much that the price for goose down rose to US$25/lb. Duck down remained at about half the price of goose down.

In the late 1970s the Japanese entered the market and within three months the still-rising down prices doubled - to the point where duck down was fetching US$40/lb. It was during this period that the price of eider down rose to an extreme high of almost US$300/lb by 1981.

Currently, prices have settled back to about US$40/lb for goose down and US$22/lb for duck down. The recent eider down price quoted by Iceland is US$160/lb (Nov. 1983) but both Canadian and German sources reported that they have bought Icelandic eider down for less.

One factor contributing to the recent decline in prices was the release by China, which supplies half the world's goose and duck down, of its inventory, thereby depressing prices and bankrupting many of those who were holding large inventories - as the values of these were suddenly halved.

It seems that China has now adopted a fresh approach and plans to retain much of its down to produce parkhas, five million of which were produced last year, with a further ten million planned for this year. This may have contributed to the view expressed by some of those consulted; that the prices of goose and duck down are expected to rise further in the near future.

It is evident that fluctuations in the prices of eider down have to some extent reflected those for goose and duck down, but even those consulted could not identify the precise operational factors. It does appear that Japanese buyers made a concerted effort to corner the eider down supply and that this drove the prices towards the US$300/lb level. One German source commented that

this encouraged the Icelanders to hold on to their inventory in order to drive the price still higher. But the Japanese then just as suddenly backed off, leaving the Icelanders to suffer a relative loss.

4.2. Down Products

During this period, there does not seem to have been any significant extension of the range of down products. Changes, rather, seem to have resulted from the expansion of new markets for established products. These are of four principal categories.

- Bedding: duvets/comforters and pillows
- Sleeping bags
- Outdoor clothing
- Furniture

Down duvets, or comforters, have been traditional in Europe for a long period. They usually consist of a plain cotton covering, encasing down in sewn tubes or squares.

The North-American bed-covering of equivalent popularity and history is the quilt. These are not made for warmth as much as decoration and current quilting magazines, of which there are a surprising number, do not reveal any interest in combining the decorative surface with anything other than a backing material of cotton or synthetic webbing. However, early in this century, down comforters were considerably more popular than now and there are signs of a possible revival with the use of the term 'sleeping quilts", to stress their warmth as well as decorative quality.

The interest in down-filled clothing has quickened with

the growing popularity of outdoor recreation and the increase in disposable incomes. Garments are based upon patterns developed for high-altitude 'mountaineering, Arctic expeditions, and military uses. The rapid rise in popularity of down vests is a striking example of this. Down clothing comprises both independent outer garments and liners coupled with outer shells of tough wind and water-resistant material.

Down is used as' filling in very expensive furniture - with a sofa using up to sixteen pounds(NYT 1976).

4.3. Trends in Down Utilisation

It is encouraging to 'note that even with competition from 'synthetic insulators, the, consumption of down has been steadily increasing 'over the last twenty years. However, at the same time, the share of the general 'market for insulated products held by down appears to be declining. This relative decline seems to be masked by the rapid expansion of demand for all types of outdoor clothing and camping equipment.

The proportion of down clothing and sleeping bags advertised in the catalogues of the major manufacturers and mail order houses is gradually being overshadowed by that devoted to synthetics. Nevertheless, down is still the acknowledged standard with some manufacturers comparing the thermal properties of new synthetics to those of pure goose down. The synthetics already possess a definite advantage over natural down; they retain their thermal performance when wet. As their thermal capacities improve to the levels represented by down, the advertising for down products can be expected-to emphasise the "natural" origins and qualities of down, rather than its insulating qualities.

However, some trends affect specific directions in down manufacture and consumption and to the extent that they may influence trade in eider down, these are summarized below.

In ski clothing, a trend is away from down in favour of synthetics, as these retain their thermal capabilities when wet and are more amenable to the profiles demanded by current fashion.

For sleeping bags, synthetics are closing in upon down in terms of thermal capacity. This combined with their lower cost and thermal performance when wet, increases their attraction for both recreational and serious expeditionary users.

Considering these trends, down benefits from an increasing popularity of natural materials and fibres in certain segments of the market. This is matched by an apparent resurgence of interest in down comforters - promoted also in their energy saving role. The salient feature here is that such items are down rather than merely thermally efficient in all weathers.

Despite these trends towards synthetics, it is evident that there remains a significant segment within the market for cold weather clothing which places a greater premium upon the natural origin of the insulator than on its performance under extreme circumstances.

To capitalize upon these trends, the design and marketing of eider down items should focus upon the following features and properties.

that eider down is still the most efficient insulating material.

- look for ways of combining eider down with a suitable water-proof material such as Gore-Tex,the approved synthetic, or oil-cloth,a 'natural' material.

- stress the natural origin and harvesting of eider down. Study marketing strategies for cashmere, qiviut and vicuna products.

- emphasize the rarity value. Adopt a "limited edition" approach.

- stress the ways in which eider down is structurally distinct even from other down types.

- develop long-lasting garments to counteract the short-lived image of clothing.

- target the more discriminating market segments.

This subject will be taken up again in later chapters.

5. THE EIDER DOWN INDUSTRY

5.1. Supply of Eider Down

The president of a leading North American down company estimated a world supply of 8-10,000 lbs (3600-4500 kgs), about 50% of which would be supplied by Iceland. Palmer(1976) estimated Iceland's annual production at about 3,5001bs(1588kgs) in 1963. He also estimated Greenland's production at 2201bs(100kgs). No figures were available for the two other major supplier s,' Norway and Russia.

Map 1 shows a recent estimate of harvestable clean down from known eider colonies in eastern Canada (Reed, 1984, in press). These data are also presented in Table 2. Of these estimated harvests, only the St. Lawrence Estuary colonies are regularly collected and it is thought that the present level of harvest is the maximum sustainable quantity (Reed: personal communication) .

Clearly the greatest potential for further expansion lies in Northern Quebec. However, a variety of management and practical problems would have to be overcome before these potentials are realized. Though these are the most informed estimates available, they are still based largely on experience in areas where eider down collection is established, often under quite different conditions (Reed: personal communication) . Nevertheless, these figures provide a very useful framework for long term planning and will be discussed further in Section 7.4.

Table 1

ESTIMATED DOWN HARVEST IN EASTERN CANADA

	Estimated Clean Down Harvest-lbs	% of Total Harvest
Akulivik, Inukjuak, Great Whale, Povungnituk	143	13
Maricourt, Sugluk	110	10
Ungava Bay:		
- East Coast	73	7
- Eider Islands	55	6
- Plover, Payne Islands	44	4
- Gyrfalcon Islands	38	4
Belcher Islands	18	2
TOTAL : NORTHERN QUEBEC	481	46%
Cape Dorset	37	3
Savage Islands	37	3
Pangnirtung	18	2
TOTAL : SOUTH BAFFIN	92	8%
Table Bay, Spotted Island	33	3
Nain	26	2
Northern Labrador	22	2
TOTAL: LABRADOR	81	7%
St.Lawrence Estuary	321	30
Gulf of St. Lawrence	44	4
TOTAL: ST. LAWRENCE ESTUARY	365	34%
East Shore, Nova Scotia	35	3
Grand Manan, New Brunswick	22	2
TOTAL: MARITIMES	57	5%
GRAND TOTAL	1076	100%

In the St Lawrence Estuary, eider down is collected from colonies on both private and crown land. For the colonies on crown land, collectors bid for permitted access under very competitive conditions. Though there are a number of groups collecting, only two possess cleaning facilities. The Society for the Protection of Eider Ducks is a business concern which purchases raw down locally and cleans it for a fee based upon the issue of clean down. The second group, Duvet Nord, is a non-profit organization which invests all the proceeds from eider down collecting, and cleaning in the purchase of wildlife habitat for conservation purposes. There is no information available on the cleaning processes used by these two organizations; however, in 1982, the combined annual production from the St Lawrence Estuary was 471lbs (214kgs)(Reed, 1984, in press). (Note that this exceeds the estimated harvestable quantity, 365lbs, shown in Map 1).

When contacted, organizations along the St. Lawrence Estuary were not disposed to provide any information about their prices or quantities for sale. This is not surprising; it is fairly typical of the secrecy which enshrouds the eider down industry. However, it seems that these groups have established markets for their down and would probably not wish to abandon' these in favour of Kangirsuk. In such circumstances, it would probably be to the long term advantage of Kangirsuk to concentrate upon the under-developed resources of Northern Quebec than to attempt to obtain down from Southern Quebec.

5.2. Principal Eider Down Markets and Products

Traditional markets for eider down are dominated by West Germany, followed by Austria and Switzerland. Though in England the word 'eiderdown' has become the generic term for comforters or duvets, these now usually contain goose or duck down instead.

In the late 1970s, Japan entered the eider down market vigorously but in the view of some down producers may not continue to be as consistent a source of demand as the traditional markets.

It was widely stated to me that comforters, or duvets, **are** the only item that can be economically produced from eider down; in West Germany, **80% of eider down is made into comforters. All those who expressed their views on this also stated that eider down was** "too expensive" **to be used in clothing.**

This view probably reflects the inroads that synthetics have been making in the use of down for clothing. Not only are the synthetics cheaper than down but they retain their thermal properties when wet and **are more hardwearing. Moreover, they are continually being improved under conditions of intense competition affecting the producers of outdoor clothing and their suppliers of artificial insulating materials. If clothing made from goose or duck down is suffering from this competition, it is no wonder that eider down is felt to be far too expensive.**

Also to the disadvantage of eider down is the fact that the market for outdoor clothing has become highly susceptible to changes in fashion, particularly in ski clothing, the dominant sector. In such a market,

consumers may be unwilling to invest large sums in garments that may not remain in vogue for too long. Comforters, on the other hand, are not as sensitive to changes in fashion and this may help to explain the extraordinary prices charged for these items by comparison with their goose down equivalents.

For example, a king-sized eider down comforter in Harrods, London, was priced at Can$3,5000, yet it was unlikely to have contained more than 2.5 lbs of down - worth about Can$400. The down was encased in plain cotton with a simple tubular quilting. The prices for down comforters in West Germany were in the same range. In Toronto, I was shown, in a Japanese catalogue, a comforter of hand-painted silk which was priced at about Can$7,500. The cost of the covering would partially account for this higher price but also, according to one German source, the Japaneses are inclined to use double the amount of eider down to that used in European comforters.

Given the extra skill and time involved in making clothing as opposed to comforters, it is not surprising that manufacturers would avoid making eider down clothing since retail prices would probably reach 3-4 times those of comparable goose down clothing. This suggests that if Kangirsuk were to attempt-to make and sell clothing more widely it should continue to be done on a direct maker to buyer basis so as to, reduce distribution and mark-up costs as far as possible.

Despite this general view within the industry, Kangirsuk has managed to produce and sell eider down clothing locally and should use this success as a base for further development, particularly in its maker to buyer aspect.

On the other hand, current retail prices set for comforters are so high that Kangirsuk might be able to sell directly to retail stores at a wholesale price which provided an attractive return on the cleaned down content. However, in considering this prospect, one should ask why it is that the Icelanders do not market finished eider down comforters? Since they do produce woollen garments from local raw materials, one would have expected them to attempt to manufacture eider down items - particularly since Iceland dominates the supply of the raw material.

The question of eider down clothing compared with comforters may be stated in a slightly different manner. It is not that eider down is too expensive for clothing; it is that eider down clothing does not project the same image vis-a-vis goose down clothing that eider down comforters have with respect to goose down comforters. This, in turn, may be because there has never been a tradition of eider down clothing as there has been with eider down comforters.

One should not conclude from this that the creation of a comparable image for eider down clothing is an impossible task. Rather, I suspect that it is one which existing manufacturers do not bother with simply because of the small volume of eider down clothing that would be available if such an image creation process were to succeed.

Stores selling down items assume that they are addressing a critical clientele and go to considerable length to provide hard data on the qualities and thermal properties of the various down types. In the Bijenkorf, the major Amsterdam department store, an elaborate set-up of rotating plexiglass cylinders is used to display the

various combinations and qualities of goose and duck down and feathers contained in a range of comforters offered for sale. Customers are invited to take part in this critical appreciation of down type, thermal properties, etc., to participate in the 'down mystique'. Table 2 shows the prices set for high quality goose down comforters.

Table 2

PRICES OF GOOSE DOWN COMFORTERS IN AN AMSTERDAM STORE

Dimensions cms.	Weight of Down ozs.	Price Can$
140 x 200	15	250
200 x 200	21	362
240 x 200	28	445

In several European stores selling mountaineering, trekking, and camping equipment, customers are also exposed to such comparative evaluations of down types and synthetics, in both clothing and sleeping bags. In conversation, the staff of two of these stores stated that they often found strong inclinations towards the natural insulators over the synthetics even when synthetics appear to have an edge - either in price or thermal performance.

Two such stores in Amsterdam, Carl Denig and Demmenie Sport, sell down to those wishing to make their own sleeping bags. The manager of Carl Denig told me he had recently sold a kilogram (2.2 lbs) of eider down to someone wishing to make two sleeping bags. He had paid Can$165/lb for this down but had found it of very low quality, requiring considerable cleaning before re-sale.

The following points summarize the discussion on the market for eider down products.

Two major markets: a traditional, stable market in West Germany, Austria, and Switzerland; a new, unpredictable market in Japan.

The main product is comforters; industry sources stated that eider down is "too expensive for clothing.

The price differential between eider and goose down comforters is extremely high - about 7:1. A similar price ratio for clothing would probably be unacceptable.

However, Kangirsuk has established a local, though limited, market in eider down clothing where such a differential is not evident as the garments are sold on a maker to buyer basis.

The main selling points for eider down appear to be rarity and prestige rather than superior thermal performance - though that is an essential element.

Customers who still favour goose and duck down over synthetics display a critical appreciation of thermal performance and a preference for natural materials that might be mobilized in favour of eider down as the best insulator of all - as long as price differentials were narrowed.

The current rise in North American demand for outdoor recreational clothing creates a receptive climate for the introduction of eider down products providing one does not attempt to compete head on with synthetic manufacturers.

To compete with established goose/duck down and synthetic garments, eider down products should stress longevity and be designed to follow 'enduring' rather than 'current' fashions.

5.3. Eider Down Collection

The down collection procedures that have evolved in Iceland are not wholly applicable to conditions in Northern Quebec. The Anguniagaq Wildlife Management Corporation and the Makivik Research Department are jointly working with Kangirsuk in developing the most appropriate and efficient methods. These include the timing of collection, the consideration of predator control measures and the effectiveness of nest shelters.

From the point of view of this study, as a local eider down industry grows, it may be necessary at some point to decide how much should be paid to those who collect the down as opposed to those who clean it.

The Makivik Research Department has provided rough estimates of the cost and effort involved in collecting down from selected sites, taking into account gasoline consumption, distance, travel time, density and abundance of nests. The results vary so much that a fixed cost for down collection would be an unrealistic objective.

One alternative might be to establish regular down collection itineraries, involving predictable transport costs and time and pay those embarking upon such trips fixed rates(assuming a certain return of raw down) - modified in cases of weather delays, etc. Such an approach would ensure that down is always collected at the optimum moment.

Such a methodical approach may not seem appropriate at this early stage of development of the eider down industry but, if in the future Kangirsuk successfully develops an export in eider down products, its continued viability will ultimately depend upon a secure and regular supply of raw down.

The importance of establishing some idea of collection costs may become clear if the community is one day faced with the alternatives of either collecting down from a distant, but locally accessible colony or buying raw down outright from another source. It would also be necessary when determining what to charge other raw down producers for cleaning down.

5.4. Eider Down Processing

Two methods of cleaning raw down have been developed in Kangirsuk: machine and loom.

The machine used is modelled upon a down cleaning apparatus imported from Iceland and later destroyed in a fire. This machine apparently breaks down frequently. A second machine was also imported from Iceland and sent to Cape Dorset, but was not used and is now stored in Montreal.

The loom method pre-dates the cleaning machine. It is simple, though labour-intensive and does not break down.

In Kangirsuk, the loom is preferred because of its reliability and because it produces better quality down, with a springier and more resistant quality. However, in spite of this apparent superiority, other considerations may affect the decision of which technique to employ - particularly if the community elects to sell clean down to wholesalers or manufacturers.

Eider down shares with other down types three main problems over the long term:

- bacterial decomposition
- mildew
- moths

Though goose down can be sanitized through washing, eider down cannot, and the initial phase of the machine cleaning method, 8 hours of heat treatment at 120C, is required to prevent bacterial decomposition in the future. this tends to make the individual down clusters brittle and creates "down dust". Though regrettable, most manufacturers may accept this loss of quality in return for prevention of its decomposition.

Measures to counteract mildew and moths do not effect the choice of down cleaning method and require only careful attention to storage conditions and the selection of suitably impermeable materials, to moisture and moths, in the manufacture of down articles.

To ascertain the opinions of down wholesalers and manufacturers , seventeen companies in North America and Germany have been asked to compare samples of machine and loom cleaned down and provide an opinion which takes into account the absence of heat treatment in the case of loom cleaned down. The results are given in Appendix 3.

PART 2

EIDER DOWN INDUSTRY DEVELOPMENT

6. THE RANGE OF DEVELOPMENT STRATEGIES

6.1. Introduction

In this chapter, the wide range of development strategies and options open to Kangirsuk will be briefly introduced; In chapters 7 & 8, they will be discussed in greater detail.

These options fall roughly into two categories: 1)trade in raw and clean eider down; 2)trade in down products. Part 2 of the report should provide a basis for planning a development program whigh incorporates these options in the most effective sequence. Following is a summary introduction of eight development strategies.

6.2. Trade in Raw and Clean Down

To North American Wholesalers: A secure market may be developed with North American wholesalers for probably the lowest price, but with the least effort. These wholesalers are likely to re-sell that down to European manufacturers or wholesalers. (See section 7.1) .

To European Wholesalers and Manufacturers: A market may be developed directly with European wholesalers *or* manufacturers which would yield a higher price but which would also require greater effort and costs; shipment, tariffs, etc. Also, Kangirsuk would be attempting to penetrate a market dominated by Iceland and this competition would entail greater costs. (See section 7.2.) .

To Northern Craft Centres and Communities: Clean down may be supplied to other communities and craft centres across Northern Canada for use in producing craft objects. As a down cleaning service, Kangirsuk may simply act as a down cleaning operation receiving raw down from other localities and cleaning it at a fixed rate. (See section 7.3.) .

By Acting as a Down Cleaning Centre: Either by purchasing raw down from other sources or by cleaning and returning down to these sources for a set fee - based upon the amount of clean down produced. (See section 7.4.'

As a Joint Venture with Single Manufacturers: Joint ventures may be established with producers of down articles in which Kangirsuk supplies the down and the partner the manufacturing capability in, for example, a combined effort to establish a new product on the market. (See section 7.5.) .

6.3. The Manufacture and Marketing of Eider Down Products

Penetration of Established Eider Down Comforter Markets:

This would be difficult but obviously rewarding (see 5.2.). However, Kangirsuk would probably have to either sell to distributors at lower prices or establish some form of direct marketing system. (See section 8.1.) .

Developing a New Market for Eider Down Comforters: This might be attempted in North America where the market for goose down comforters appears to be expanding. In North America, direct marketing channels are established and accepted to a greater extent than in Europe. (See section 8.2 .).

Developing New Down Products: Kangirsuk has proven that eider down can be sold, although on a limited scale. This experience could provide a basis for further product development and market expansion. (See section 8.3.).

6.4. An Integrated Development Program

These eight development strategies obviously require various levels and types of expertise, effort, and financial investment. None of them are exclusive of the rest and they all could play a role in a development program. Some strategies carry greater risks - but promise higher returns. A sound development program should commence with the lower risk strategies and, once a firm foundation is established, should proceed to explore the higher risk options.

In the following chapters, these strategies are examined in greater detail. Following that, a phased development program is suggested as a basis for community consideration.

7. TRADE IN RAW AND CLEAN EIDER DOWN

7.1. Selling Clean Down to North American Wholesalers

The North American market for raw and clean down is dominated by wholesalers, who by and large re-sell down to European manufacturers. For practical purposes, there are no North American eider down manufacturers as the market for eider down products is virtually non-existent. One Canadian wholesaler puts the 1982 Canadian consumption at 91bs, an amount he sold to a yachtsman who wanted eider down comforters for his guests.

In Canada, there are two dominant down wholesalers, one of them a branch of a company based in the United States(see Appendix 1). Executives of both companies examined samples of machine and loom cleaned down from Kangirsuk and were extremely helpful both in their comments on the samples and the general information they supplied about the down industry.

Both companies thought the samples compared favorably in quality with clean down from Iceland. They were asked to choose a sample as a basis for possible further trade; one preferred the machine cleaned down, the other retained the loom cleaned sample.

One manufacturer was kind enough to exchange a sample of Icelandic eider down which he had on hand. This has been forwarded to Kangirsuk to be kept as a quality standard.

Both wholesalers were willing to buy Kangirsuk down immediately, though they were not prepared to quote

a price until a confirmed quantity was offered. Nevertheless, I gained the impression that the price would be in the range Can$138-163. By comparison, Icelandic asking price of the day was Can$200/lb.

Acknowledging that he would probably re-sell Kangirsuk down to a European company at a later date, one company executive recognized that a higher price could be obtained by selling directly to Europe. However, he suggested that the additional costs and effort entailed may not be compensated for by the extra revenue and stated that his prices would only be about 10% less than could be obtained by direct selling to European companies.

He suggested we take note that what may be stated to be the current price of eider down is usually the asking price proposed by Icelandic producers through regular commodity market channels. This is not necessarily the amount received. In support of this he said that he had recently sold a quantity of Icelandic down to a European company for Can$150/lb, compared with the current Icelandic asking price of Can$200/lb.

Asked how they felt eider down prices might go in the future, the general opinion was that they will not return to the extraordinarily high level of a few years ago. It was also thought that they are unlikely to decline much below present levels; in fact, they might rise slightly - though not extravagantly.

7.2. Selling Clean Down to EuroDean Wholesalers and Manufacturers

While in Europe, I contacted 22 West German companies by telephone. Of these, 10 were wholesalers, 10 manufacturers, and 2 doubled as both. With one or two exceptions, the down buyers of these companies were far less forthcoming with general information than their Canadian counterparts. As a rule, they were interested only in the prospect of an immediate purchase and, for this, insisted on three pieces of information:

quantity available
price asked
a sample

I stated that Kangirsuk is not immediately in a position to sell a given quantity but is engaged in developing a market and would value their comments on samples - with a view to stating price and volume at a later date. Altogether, 15 companies were responsive enough to this approach to make it worth while dispatching samples to them. These were divided into: 7 wholesalers, 6 manufacturers, and the 2 wholesaler/manufacturers . A list of these companies and the names of their buyers is attached as Appendix 2.

Each company was sent samples of both loom and machine cleaned down. They were asked to review the quality, state their preference and comment on the absence of heat treatment in the loom cleaned sample. The responses of the West German buyers are contained in Appendix 3.

In spite of their general reticence, a few buyers were prepared to discuss the eider down trade in general and their views largely coincided with those provided by North American companies.

Eider down is almost exclusively used for the manufacture of comforters. In thermal terms, the best goose down provides 70-80% of the warmth of eider down for the same thickness. Equivalent thermal performance can be attained simply by making goose down comforters 20-30% thicker than eider down comforters.

Though eider down comforters are only 20-30% better in thermal terms, they tend to be 6-8 times more expensive. The rarity and prestige value of eider down accounts for this price differential more than its superior thermal efficiency.

My conversations with the West German buyers underscored the absolutely critical importance of attaining, and maintaining an acceptable quality of cleaned down. One manufacturer told me that he had bought, sight unseen, eider down from Newfoundland and had found it of inferior quality – requiring further laborious cleaning. On no account he said, would he contemplate further purchases from this source.

Buyers were understandably reluctant to quote prices until a bargaining situation developed. However, a few referred to prices they had recently paid. It may be assumed that these tended to be slightly lower than might be negotiable in an actual bargaining situation - just as the Icelandic asking prices tend to be higher than those actually negotiated.

The figures I could obtain ranged between 500 marks/kg (Can$104/lb) as a producer's price to a wholesaler, and 800 marks/kg(Can$166/lb) as a wholesaler selling price to a manufacturer. However, one manufacturer remarked that if he were to buy directly from a producer, he would expect to negotiate a price somewhere between

these two levels. This sugges
expect to obtain between Can$1
directly to the West *German* ma.
with the Can$150/lb price recei
Canadian wholesaler on the same
wholesaler said he had recentl
for Can$131/lb.

The German buyers confirmed the
Japanese entry into the eider dc
to an unrealistically high level
that some Icelanders "got too gr
inventor back in the expectation
prices: however, they suffered w
more normal levels.

I was unable to obtain consistent
role of the West German eider dowr
to the Japanese. One manufacturer
supplied most of the comforters so
that they usually used double the
to that used in Europe. Another bu
claimed to supply the Japanes mark
The Japanese demand seemed to be re
feelings, as a welcome but an unpre
The Japanese seem to have acquired
sudden attempts to corner such commc
followed by equall sudden withdra wa
1970s, they had a similar effect upo
polar bear skins when it was decided
world market *for* tying fishin flies

7.3. **Selling Clean Down to Northern** Commun
Centres

At present, there appears to be only a

for any down types from northern craft centres. However, many of these centres do produce cold weather clothing and Kangirsuk could conceivably create a demand by developing and proposing ways in which eider down could be used in craft production. The following few examples come to mind.

Igloolik produces caribou skin liners or inserts for kamiks. These use the full fur of caribou hide and are therefore quite thick - 1 to 1 1/2 inches. An eider down liner could be a successful alternative, and , could also be used by itself as an indoor warm legging.

Along similar lines, many craft centres produce mittens which could use eider down liners as an alternative to duffle. Of course, the eider down parkhas already produced in Kangirsuk could serve as a model for other craft centres.

Northern Quebec apart, there does not at present appear to be a general demand for eider down, perhaps resulting from a generally low awareness.

Kangirsuk will probably have to make a strategic decision in this respect: whether to make a special effort to generate a demand for clean down from northern craft centres - by promoting possibilities such as those mentioned above, or whether to take advantage of such opportunities within Kangirsuk itself. This decision will no doubt be influenced by the local capacity to use all local down in craft production. A list of craft centres is provided in Appendix 4.

7*4* Kangirsuk as a Down Cleaning Centre

Under this development strategy, Kangirsuk would provide

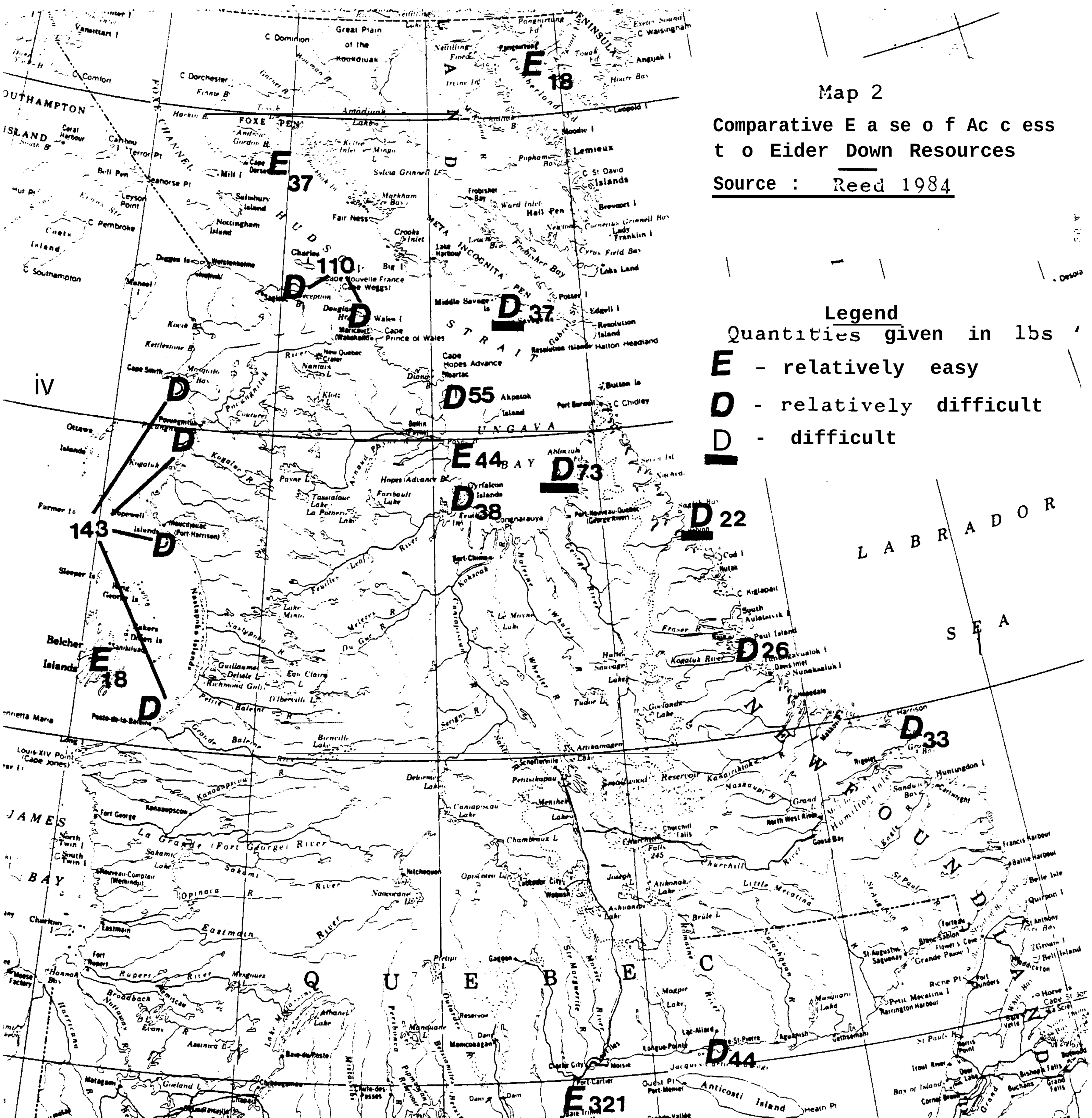
a service for other producers, by returning clean down for re-sale and manufacturing. (See Map 2).

Since Kangirsuk itself will be in the business of selling both clean down and eider down products, the community might eventually wish to purchase raw down from other sources rather than return it. This will, of course, depend upon how successful Kangirsuk becomes and therefore to what extent local supplies of raw down become insufficient for local manufacturing.

In *1981*, 800-1,000lbs of raw Canadian eider down were shipped to Iceland for cleaning. For this, a special tariff remission was granted on the basis that there are no facilities within Canada for cleaning eider down. (Government of Canada, 1981). Clearly, Kangirsuk would benefit by informing Agriculture Canada that such a capacity does exist.

Unfortunately, no information was provided on what Icelandic Cooperatives charge for cleaning eider down. However, the executive of one Canadian down company told me that he believes Iceland's total production costs for clean down to be in the range Can$100/lb. I would imagine that the cleaning component of this cost is considerably higher than the collecting component - especially since Iceland's collecting effort is considerably lower than Kangirsuk's.

In Section 5.5., it was suggested that Kangirsuk develop a means of estimating the costs of down collection - however variable and contingent these may be. This would be required in estimating the cleaning cost components of total down production costs and would be a useful indicator in deciding what to charge for a down cleaning service.



Map 2
Comparative Ease of Access to Eider Down Resources
Source : Reed 1984
Legend
Quantities given in lbs
E - relatively easy
D - relatively difficult
D - difficult
E 18
E 37
110
D
D
D 37
D 55
E 44
D 73
D 38
D 22
D 26
D 33
D 44
E 321
E 35
143
D
D
D
D
E 18
D
iv
HUDSON STRAIT
UNGAVA BAY
LABRADOR SEA
NEWFOUNDLAND
QUEBEC
JAMES BAY
GULF OF ST LAWRENCE
PRINCE EDWARD ISLAND
NEW BRUNSWICK
OCEA

In determining such charges the principal factor is the ratio in weight between raw and clean down - which will vary considerably but is often put at about 4:1. Second to that is the cost of shipment and packaging, and of import/export costs if the down originates in the United States.

From what I can gather, those who do clean down usually base their charges on the clean down produced rather than the raw down sent. This applies to machine rather than loom cleaning.

In conclusion, Kangirsuk should certainly make a serious effort to become an established down cleaning centre. Once charges have been decided upon, contacts could be opened with producers in the areas shown in Map 2.

7.5. Disposing of Clean Down Through Joint Ventures With Established Manufacturers

This development strategy is linked to strategies based upon product development and manufacture. It might be regarded as a short term process - a means for Kangirsuk to gain experience in the down manufacturing and marketing beyond the present northern craft marketing concept.

Under this strategy, Kangirsuk would approach an established manufacturer - who doesn't use eider down at present but might be interested in expanding his product line to include eider down articles. This would be limited to North American, preferably to Canada, and could be attempted either with an outdoor clothing or a bedding manufacturer.

In recent years, the manufacture of outdoor clothing has

become a high growth area in North America, one of intensive competition between young and innovative companies. A list of some of these companies is provided in Appendix 5, together with illustrations of some of their products in Appendix 6.

A less expansive but still growing North American business is the manufacture of down comforters and pillows, and in this area several other companies have recently expanded in the market. Examples of these are also listed in Appendix 5.

Essentially, joint venture with a clothing or bedding manufacturer could be regarded as a means of selling clean down, as that would be Kangirsuk's principal contribution to the enterprise. But several additional advantages could accrue to Kangirsuk in terms of long range development of a down manufacturing capability. These include the following.

- learning techniques 04 direct marketing through catalogues, magazines, etc.
  learning the economics and techniques of manufacturing through association with established enterprises.
  For outdoor clothing, finding ways to overcome the most serous liability of eider down, thermal failure when wet, through combining it with such new breathing yet waterproof materials as gore-tex, or older materials such as oiled cotton.
  learning to develop products outside the traditional context of Arctic-craft production.

Such learning experiences would be an invaluable preparation for Kangirsuk eventually entering such down product markets as an independent manufacturer.

8. MANUFACTURE AND MARKETING OF EIDER DOWN PRODUCTS

8.1. Penetrating Established Markets for Eider Down Comforters

In Europe, plain cotton-covered king-sized comforters priced at Can$3,500 may contain less than Can$400 worth of clean down; perhaps no more than a total of Can$600 in labour and materials.

The German market is notoriously difficult to penetrate; precisely because of the high prices, competition is intensive, and buyers are in a strong position to bid down suppliers' prices. If the eider down comforter market in Europe was obviously expanding, suppliers would be in a better bargaining position, but there is no evidence of this.

This situation calls for a gradual approach: the development of competitive products, accompanied by a positioning in the West German market through the sale of high quality clean down and a careful exploration of future marketing prospects.

8.2. Establishing New Markets for Eider Down Comforters

The most suitable area for such an effort would be North America. Though the present demand for eider products of any kind is imperceptible, this should not be regarded as completely disadvantageous ; in fact, such a situation provides certain advantages not evident in the more mature markets. Some of these are that: Kangirsuk can set prices without regard to existing levels, can avoid an existing distribution/ retailing system and can use direct marketing techniques to lower prices well beneath European and Japanese levels.

Using a value of Can$150/lb, a regular double eider down comforter would contain about Can$300 of down. To this may be added the cost of 8 sq.yds of covering material and the labour entailed in making a comforter. Using figures provided by a comforter manufacturer (see Appendix 5) as a guide, the production costs of a comforter would approximate:

eider down:	$300	- does not include
down-proof shell:	~ $50	capital costs
labour/machinery:	$50	

To this should be added the costs of direct marketing. These are discussed in section 8.6. However, even with a 100% profit margin, the final cost would be considerably lower than that asked for equivalent comforters in European retail outlets.

It was suggested in section 7.5. that such a marketing effort might be undertaken as a joint venture with an established comforter manufacturer. This would mean lower profits to Kangirsuk but the community would benefit in return both from working with an established concern and from sharing the risks and costs entailed in attempting to create new markets.

8.3. Developing New Eider Down Products

This, again, is a subject that has already been alluded to in the section(7.5.) on joint ventures. An earlier section(5.2) summarized the major products and categories that used all types of down:

- comforters and pillows
- clothing
- sleeping bags
- furniture

The use of eider down in furniture would indeed be

prohibitive and there would be little scope for using its thermal properties. Down manufacturers inform me that eider down is simply too soft and light for pillows.

Therefore, taking the established product lines for goose and duck down as a guide, manufacture from eider down could be attempted for the following items:

- parkhas
- vests
- balaclavas and face masks
- detachable hoods
- hat linings
- boot liners
- boots
- mitten liners
- mittens
- trousers
- liners to wind pants
- sleeping bags

In developing alternative products with eider down, two major design/functional objectives should be pursued. The first is to ensure that the eider down is not exposed to rain unless shielded by a waterproof covering. The second is to provide distinction from the regular down products by establishing and advertising the superior thermal performance of eider down.

If a program of product design and development is started, Kangirsuk may wish to consider producing kits as well as finished articles. A precedent has been set for this by some of the most successful outdoor clothing

ucturers. Even kits for the
garments, anoraks, and parkhas ha
marketed by these companies. Slee
suitable to this approach as the bu
thermal performance he requires and
appropriate quantity of eider down.

Figure 1 was produced by the Feather a
as part of a promotional campaign and i
research conducted at the University of
testing procedure is relatively simple an
conducted by the Makivik Research Laborato
provide evidence of eider down thermal peri
comparison with other materials. As an alte
National Research Council may assist with te
research in areas in which it has expertise.

8.4 Production and Marketing Methods and Strategies

The complete marketing process comprises a sequen
of interrelated steps and a marketing campaign mus
be planned carefully in advance - with strategic
decisions all taken before any specific actions are
taken. These steps are summarized below.

Product development
- research and design
- prototype manufacture
- prototype testing

Planning of Manufacturing Process
- skills and equipment needed
- materials supply and cost
- estimates of production time

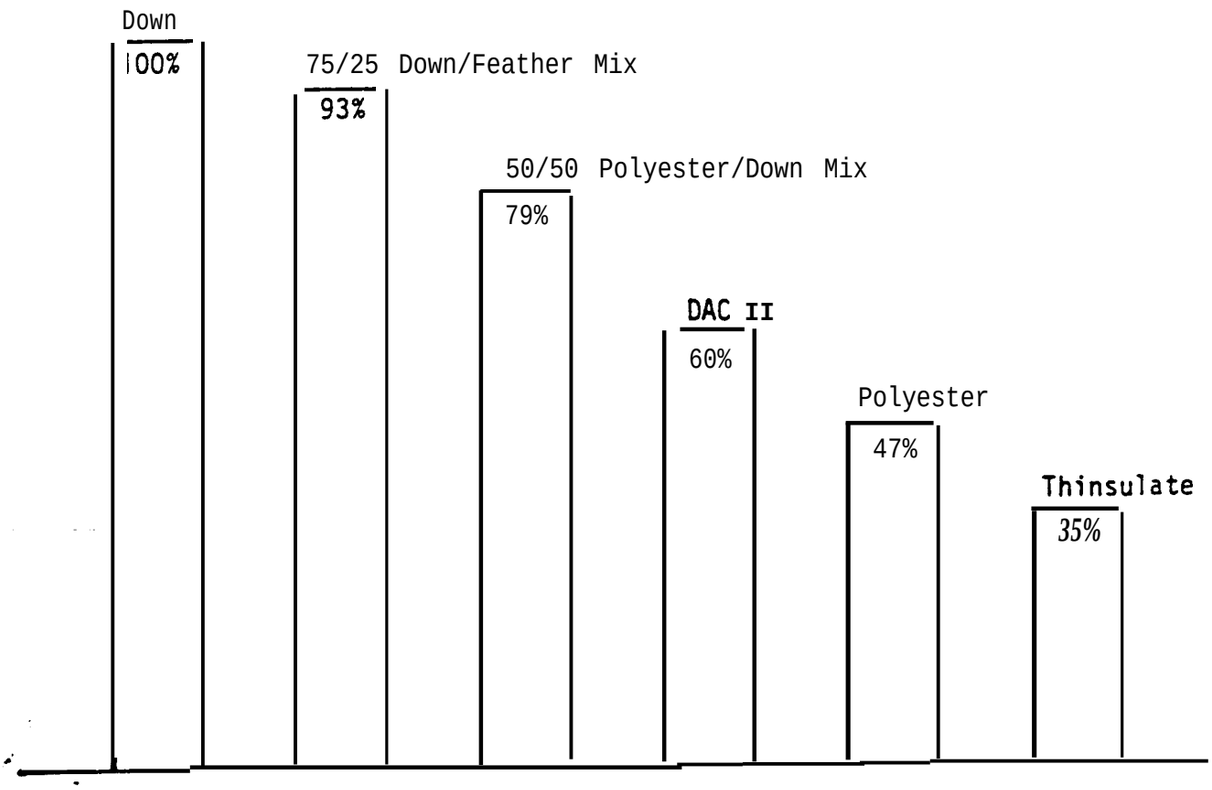
Figure 1

Thermal Resistance of Five Fibers Compared to the Same Weight of Down

	Weight* as Tested (g)	Thickness as Tested (in)	"R" Value $^{o}f \cdot ft \cdot hr \cdot Btu^{-1}$	Prorated Values for 18g (in)	R	R Value as % of Down
Thinsulate	22.34	.752	2.75	.606	2.22	35%
DAC II	**18.40**	**1.744**	**3.84**	**1.706**	**3.75**	**60%**
Polyester	16.92	1.494	2.78	1.589	2.95	47%
Down	18.01	2.201	6.27	2.200	6.27	100%
75/25 Down/Feathers	18.03	1.975	5.83	1.972	5.82	93%
50/50 Polyester/Down	18.00	1.998	4.98	1.998	4.98	79%

* Avg. weight of 2 one foot square samples.

Table 2 - Tested and calculated properties of the samples.



Source: University of Manitoba 1980

estimates of production costs
decision on product price

Planning Market ing Campaign

positioning product
targeting customer
selecting channel of distribution
developing promotional material
estimates of marketing costs
check legal, tariff, tax, etc., market access factors

Commencing Production and Marketing

limited production run
test marketing and advertising
evaluation
full-scale production

8.5. Planning a Production Process

Once a prototype has been successfully designed and tested, estimates of production costs for specific volumes should be made, as a basis for planning a marketing campaign. It may be tempting to avoid this process and simply state a price equivalent to, or slightly below that of competitive products. But though the final price may be very close to those of competitors, it is very important to be aware of the actual production costs for at some time it may become necessary to reduce prices if demand falls off. Even if, in Kangirsuk, labour costs are difficult to pin down precisely, the costs of imported materials and of equipment acquisition and operation, should be accurately entered into the estimates of production costs.

8.6. Selecting a Marketing Process

First decisions entail positioning of the product and targeting a group of consumers. Usually rough ideas will already have been formulated during the product development phase. At this point they should be determined more precisely as a basis for designing a marketing campaign.

Positioning entails deciding whether the product will have a mass appeal and be comparatively cheap or whether it will be an expensive luxury item. Since the supply of eider down would never be sufficient to satisfy a wide popular demand, products should be positioned towards the upper end of the market. In Europe, eider down comforters are positioned very high on the market; in North America, eider down, as a novel item, should perhaps be placed somewhat lower - about the upper end of the middle range, along with, for example, the better quality outdoor clothing.

Targeting entails the identification of specific groups at that market position. This will provide the marketing campaign with a more exact focus and lead to the selection of suitable channels of distribution. Below is a list of suggested target groups(not in any order of preference). These target groups are listed with the prospect of eider down clothing in mind.

Craft Shops Clientele
Northern Tourists and Travelers
Wilderness recreation: backpacking, camping
Sports hunters
Sports fishermen
Skiers

aviators
Mountaineers
General Arctic working clothing
Military/Government
Nature enthusiasts
Sailing and boating
Equestrian

Four principal channels of distribution may be appropriate for Kangirsuk products:

Through wholesale distributors and craft organizations
Direct to retail outlets
Direct marketing through catalogue sales
Direct marketing through magazines "

Two other methods might be considered in special circumstances :

Direct marketing through purchasing mailing lists
Selling under contract to government procurement agencies

When marketing through a wholesale distributor the mark-up sequence works strongly to the disadvantage of the producer, particularly if he works on a limited production basis. The combined mark-up may be less for government sponsored or cooperative craft distribution systems since these may receive subsidies. Even non-profit organizations require some mark-up to cover their overhead. Table 4 shows a typical mark-up sequence for a craft item sold at a considerable distance from its place of origin.

Table 3

Typical Mark-Up Sequence for Craft Items

Price to Producer	$100
Transport to Wholesaler 5%	105
Wholesaler's margin 30%	136
Agentfs fee 10%	150
Transport to retail store 5%	157
Retailerts mark-up 150%	392
Sales tax 10%	$431

A similar sequence for craft items from developing countries marketed in Europe reaches 452 pesos from a producer price of 100 pesos(Dembitzer 1983). As a general rule, the smaller the volume produced the better the producer is able to develop short-cuts to this mark-up sequence. The simplest of these is to sell directly to a retail outlet, though even then the producer is unlikely to obtain more than 35% of the final retail price.

Direct marketing through catalogue sales improves the position of the producer still further but still entails certain costs - depending upon the approach taken.

A small volume producer may be obliged to depend upon insertions in a larger catalogue.In effect, the mail order house circulating the catalogue will act as a retailer or distributor for the producer. In some cases mail order houses actually commission products from manufacturers and label them with the house brand.

Obviously this will introduce another form of mark-up but these may not be as heavy as retail stores since mail order houses tend to have lower overheads.

The producers of a catalogue which specializes in

northern crafts sometimes offer pages in their catalogue 'to small independent producers. This can be a very useful test-marketing device as well as a very cost-effective way of marketing. To illustrate the variety and scope of direct marketing through catalogues, representative examples are provided in Appendix 6. The illustrations in this appendix are also selected to show the wide range and variety of styles of outdoor clothing and comforters.

Direct marketing through magazines can also be advantageous to producers, as the costs are almost entirely confined to those of producing copy, placing advertisements, and shipping the goods. Furthermore, the amount of response provides a more immediate measure of the appeal of a product than when it is shipped to retail outlets.

Advertising copy for eider down products should lay stress on its special or unique qualities, with the emphasis varying according to a magazine's readership. In Appendix 7, a number of advertisements for down and other products have been selected to represent various kinds of appeal. For the connoisseur of the technical, scientific detail on thermal performance, etc. For those desiring distinction, the rarity and prestige is stressed. For those preferring natural materials, details are given on the origin. Eider down lends itself to all of these interpretations.

PART III

A DEVELOPMENT PLAN FOR A KANGIRSUK EIDER DOWN INDUSTRY

9. ELEMENTS OF A DEVELOPMENT PROCESS

9.1. Introduction

Figure 2 provides an overall view of the entire eider down industry. It is divided into three main sectors, all of which could be developed in parallel.

Sector 1: Raw Down Supply is directed towards maximizing the supply of raw down to Kangirsuk and provides a stock for three purposes;

- return of clean down for a fee
- sale of clean down
- manufacture of down products

Sector 2: Sale of Clean Down can be put into action immediately through the channels established during this study, to three main destinations;

- North American wholesalers
- European wholesalers
- Craft Centres

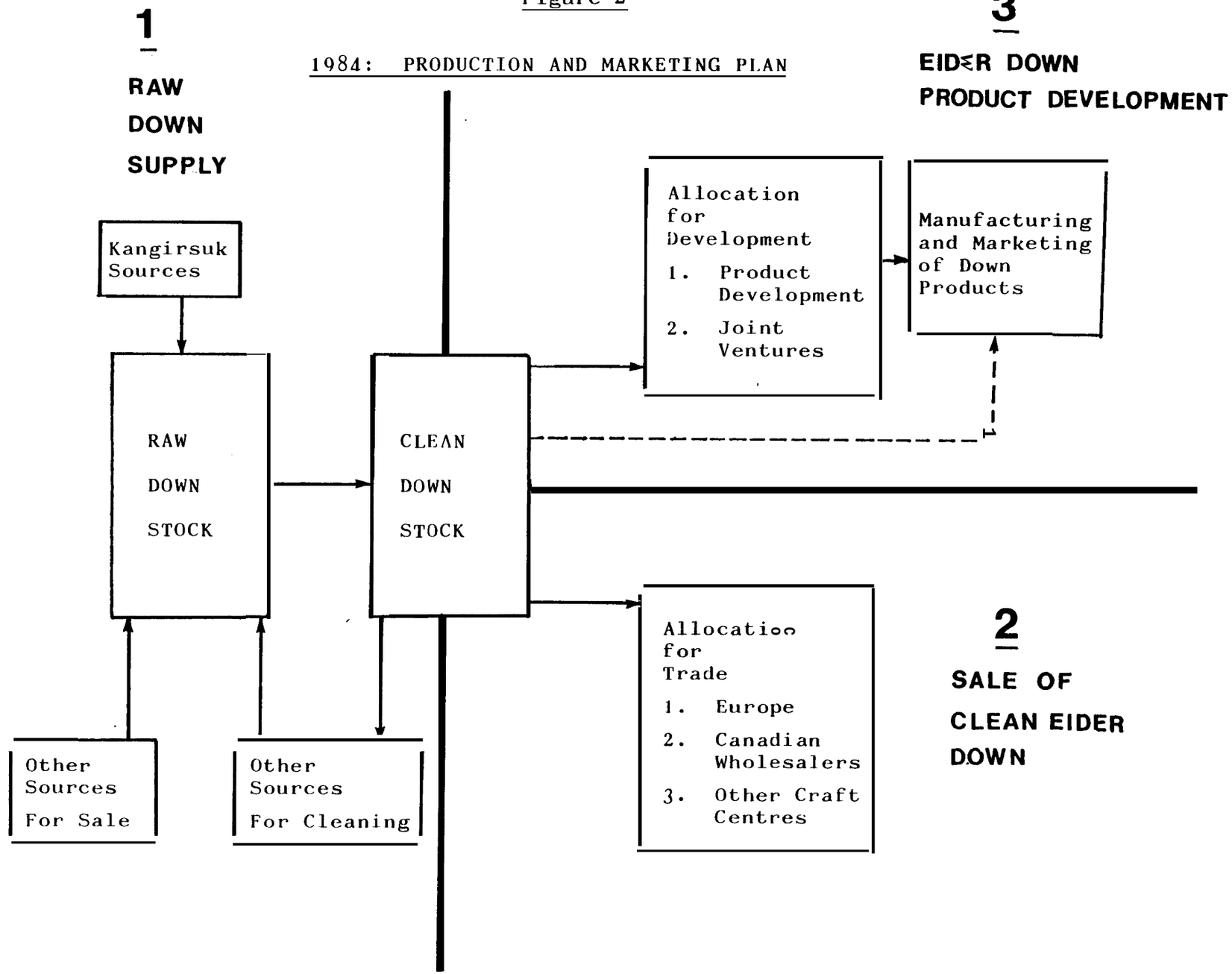
Sector 3: Product Development is directed towards designing, testing, and marketing down items in three main areas;

- Developing new products for North American markets
- Developing the North American comforter market
- Penetrating established comforter markets

The development plan outlined here is based upon the following long term objectives;

Figure 2

1984: PRODUCTION AND MARKETING PLAN



1. Establishing a firm and regular market for clean down from Kangirsuk

2. Gradually developing the manufacture and marketing of down products

3* As manufacture and marketing increases, the quantities of clean down sold will be gradually reduced

4* These processes should be accompanied by a steady increase in the supply of raw down from the more remote sources

The establishment of markets for clean down will have two advantages. First, it will provide a firm economic base in the 'least-risk' area of the eider down industry. Second, it will considerably enhance Kangirsuk's chances of obtaining funds for eider down product development.

In the following sections, the three main development sectors are discussed in greater detail.

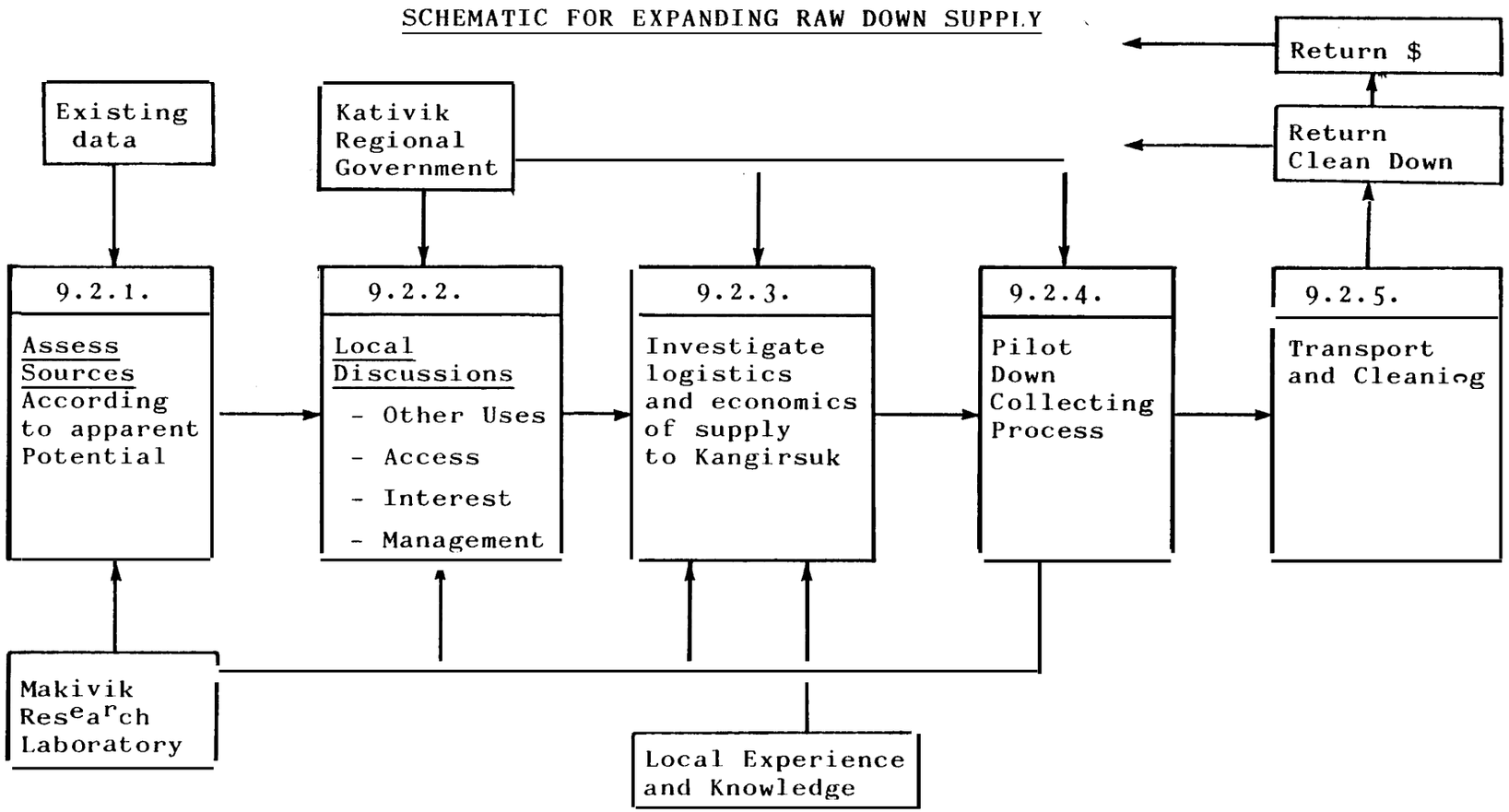
9.2. Raw Down Supply

Figure 3 illustrates the stages involved in increasing the supply of raw down to Kangirsuk. These are discussed below under the numbered headings.

9.2.1. Assess Sources According to Ap.parent Potential

The data presented in Maps 1 and 2, together with the information gathered by the Makivik Research Laboratory

Figure 3


SCHEMATIC FOR EXPANDING RAW DOWN SUPPLY
Return $
Existing data
Kativik Regional Government
Return Clean Down
9.2.1.
Assess Sources According to apparent Potential
9.2.2.
Local Discussions
- Other Uses
- Access
- Interest
- Management
9.2.3.
Investigate logistics and economics of supply to Kangirsuk
9.2.4.
Pilot Down Collecting Process
9.2.5.
Transport and Cleaning
Makivik Research Laboratory
Local Experience and Knowledge

should provide a basis for a first assessment of known resources leading to a decision on which areas sho e approached first. This assumes that a g pproach is more appropriate than attempti elop all potential sources simultan

9.2.2. Local Discu s

These woul pr e a basis for refining the assessment of p ntial and would concentrate mainly on management issues, possibility of conflicting use and local interest in supplying raw down, either for sale or for cleaning and return.

9.2.3. Investigate Logistics and Economics

Positive results to stage 9.2.2. would lead to a practical assessment of the costs and effort required to harvest local sources. This could lead to an agreement over the organization and costs of collecting and supply to Kangirsuk.

9.2.4. Pilot Down Collecting Process

Hunters in some communities are already experienced in collecting eider down. Nevertheless the staff at the Makivik Research Laboratory are steadily improving the techniques and an initial experimental approach would lead to the highest yields with the minimum disturbance.

9.2.5. Transport and Cleaning

Given the weight of down, transport costs would be

comparatively insignificant in relation to cleaning costs. It was mentioned in sections 5.4. and 7.4. that Kangirsuk would be advised to estimate the costs of cleaning, by loom and by machine, in order to arrive at a realistic fee for this service or a purchaser price for raw down.

9.3. Trade in Clean Down

Figure4 provides a schematic for this development. As reported in sections 7.1. and 7.2., samples from Kangirsuk have been assessed by the buyers of major down companies in North America and Europe and the eider down is considered to be of good quality – comparable to that received from Iceland. Details are provided in Appendices 1 and 2.

The contacts have been established and sales could commence as soon as a specific quantity, of a uniform quality, becomes available. The stages for accomplishing this are given below.

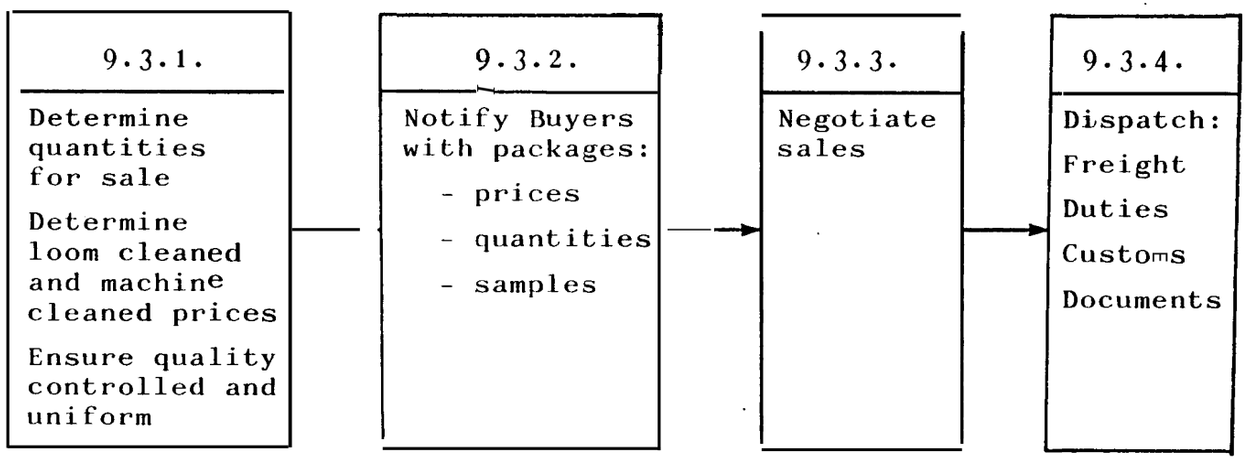
9.3.1. Determine Quantities for Sale

It would be advisable, if possible, to estimate in advance the amount of down that will be for sale and decide how much will be machine cleaned and how much loom cleaned. The letters from German buyers in Appendix 3 do not give a clear indication about which type should predominate. Some buyers ask for the prices for both; some prefer loom(hand), others the machine.

To test this market, the amount allocated for trade

Figure 4

SCHEMATIC FOR SELLING CLEAN DOWN



could be cleaned 50% on the loom, 50% by machine. Potential buyers will then respond according to quality and price. For this Kangirsuk should set separate prices for loom and machine cleaned down.

When entering the market, it is essential to earn a reputation for quality. To do SO, it would be advisable to accumulate the clean down in one place and ensure a uniform quality before taking samples. To assist in this, a sample of Icelandic down has been obtained.

9.3.2. Notify Buyers: Quantities, Prices, Samples

After checking the current prices of eider down from other sources, sample packages could be dispatched to potential purchasers. The responses to these will provide a basis for more detailed negotiations.

Of the fifteen German companies that received samples, only six have replied to date. Though these six companies would probably provide a sufficient market, I would advise, for the first year at least, sending packages to all fifteen companies, as well as the two Canadian companies listed in Appendix 1.

9.3.3. Negotiate Sales

For the first year or so, this is bound to be a learning process and, to make an initial break into the market, Kangirsuk may have to come in 10-20% below the Icelandic asking price.

9.3.4. Freight, Duties, Customs, Documents

AS mentioned above, one Canadian wholesaler stated that he would buy for only about 10% below the price he would later obtain in Europe. Kangirsuk may find this a worthwhile alternative considering the effort and complications involved in selling small quantities to the European Common Market.

For the first year or so, I would advise testing both markets before taking this decision.

9.4. Down Product Development

Kangirsuk has already established a small local market for eider down parkhas and overpants. This provides a sound basis for expanding the product range and markets along the lines suggested in Chapters 6-8.

As a product development programme, Kangirsuk is yell placed to apply for support from sources such as as the Native Economic Development Fund or the Eskimo Loan Fund. In addition there are specific programs and services under Federal Government Departments and other organizations. For example:

- Fashion/Canada, a non-profit corporation, administers the Fashion Design Assistance Program, in the national and international markets.
- Design Canada (Industry, Trade, and Commerce) provides incentives, training, and advice in new design and product development.

The Enterprise Development Program (ITC) provides up to 75% of costs for high-risk innovative design projects.

The National Research Council provides services in testing new products, e.g. thermal performance of eider down, and has a textile research division.

External Affairs provides services to assist Canadian businesses in penetrating foreign' markets.

In Figure 5the schematic illustrates the stages in a product development process. A time span has not been entered here but Kangirsuk should expect this to be a gradual process, taking perhaps Z-4 years to exhaust all the possibilities.

The process outlined here is perhaps more elaborate than the effort that has been spent so far in developing the local market for eider down parkhas, but such an intensive effort as this would be essential in attempting to enter the highly competitive markets for down comforters and outdoor clothing. Details on the numbered stages are provided below.

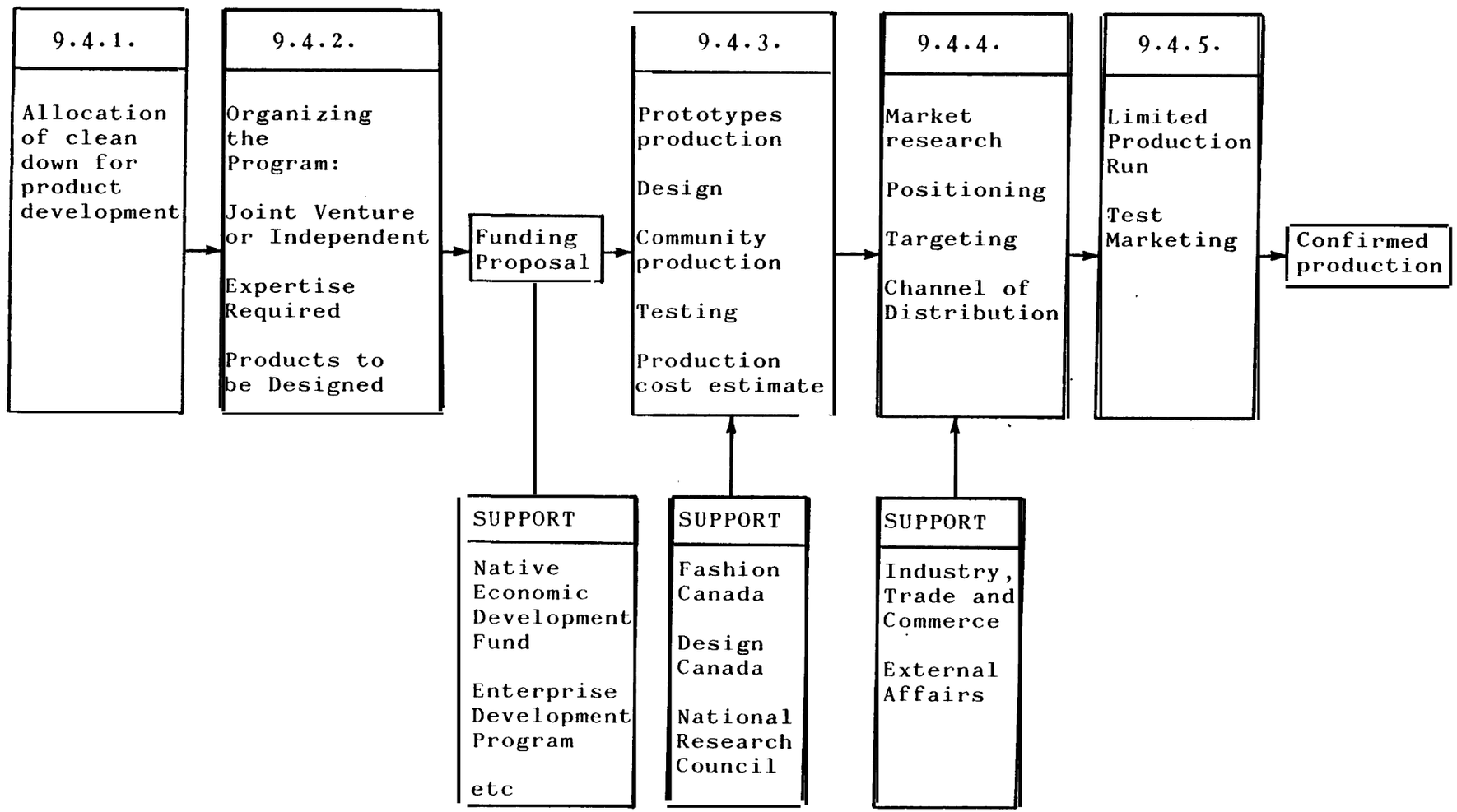
9.4.1."Allocation of Clean Down for Product Development

Eventually, several examples of successful prototypes would be required for test marketing, exhibition at craft/trade fairs, etc. Therefore the amount required for one item should perhaps be multiplied by six.

Based on the rough quantities - 2 lbs for a regular

Figure 5

SCHEMATIC FOR A PRODUCT DEVELOPMENT PROGRAM



comforter, 1 lb for a jacket, 1 lb for other items, an allocation of 25 lbs should be sufficient to develop a first series of products.

If applying for support under the Enterprise Development Program this down could be submitted as Kangirsuk's proportion (25%) of development costs. Valued at $200/lb (current Icelandic asking price) or $5,000, the community would be in a position to request a further $15,000 from this program.

In April 1984, a new directory of government programs to small business will be published. No doubt, this would yield other funding opportunities.

9.4.2. Organizing the Product Development Program

At this stage Kangirsuk should decide whether to undertake an independent program or whether to attempt to develop a joint venture with an established manufacturer (see section 7.5.). Since the preparation of an application for funding would not necessarily require this decision to be made, it could perhaps be deferred until the program is underway.

Decisions are required about the products to be designed. I would suggest at the outset, no more than .5-6 items: comforter, parkha, vest, and small items such as boot or mitt liners.

These decisions would lead to the preparation of a development schedule and a proposal for funding.

*9*4.3.* Prototype Production

It is essential that the manufacturing process be on a community scale and the design will take this into account. The prototypes would themselves be produced within the community.

However, the physical testing may require more elaborate facilities, especially if there are industry standards to be conformed to. The National Research Council provides such facilities and services for Canadian designers.

Once a prototype performs satisfactorily, an estimate should be made of eventual production costs and effort. This provides a basis for setting prices and conducting market research.

9.4.4. Market Research

The initial choice of products to develop will be guided by preliminary market research. At this stage, with the product design and production costs confirmed, more specific research can be undertaken along the lines discussed in Section 8.4.

This would lead to a decision upon the most appropriate channel of distribution and the formulation of a test marketing plan.

9.4.5. Limited Production Run and Test Marketing

Success in the design and research phases will lead to investment in a limited production run of items which will then be made available on the market

through the selected channel of distribution. The results of this will indicate the worth of the product development program.

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