

North Asia
Centre of
Asia-Pacific Excellence



BLUNT Umbrellas:
QUALITY, DISTRIBUTION AND INTELLECTUAL
PROPERTY PROTECTION IN NORTH ASIA

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THE COMPANY

BLUNT Umbrellas are high-performance umbrellas that are made to last, a 'must-have companion for day-long downpours.'

Made to withstand winds of over 100km/h, the Blunt has been recognized for its innovative design, winning several product design awards. The company behind it, Madeblunt Limited, is a New Zealand company founded by engineer Greig Brebner and Scott Kington in 2006. It started with a lightbulb moment in 1999 one rainy day as Brebner was walking down a busy London street: it occurred to him that there was a need for a better umbrella that would give users a better experience and prevented commuters from being stabbed in the eye. This inspired Brebner to set up his R&D facility on the floor of his London flat. With a new design in mind, Brebner returned to New Zealand and continued to develop his umbrella frame, alongside work at his father's plastics factory.

BLUNT Umbrellas were launched onto the market in 2009. Almost a decade later and now with a range of models, BLUNT Umbrellas are currently available across the United States, Asia and Europe. In New Zealand, Brebner said that the com-

pany has been 'much more successful than we ever thought it would be. We're eating up around 10 percent of portable umbrellas imported into New Zealand which is actually quite phenomenal given our price point.'

Leveraging partnerships with distributors, start-ups such as TILE, and marketing collaborations with renowned brands such as Karen Walker and Flox has contributed to healthy growth. Nearly 1 million umbrellas have been sold worldwide since entering the market. BLUNT Umbrellas's successful sales growth is a result of innovation, tenacity, courage and collaboration, with a focus on less traditional retail channels such as online channels. 'We have seriously just scratched the surface of a large, potentially global market so the next few years are looking very positive and very exciting.'

This case study focuses on BLUNT Umbrellas challenges and strategy in North Asia, particularly Japan, Taiwan and China, where the BLUNT Umbrellas are made.

THE CHALLENGES

As BLUNT Umbrellas turned its vision of fundamentally redesigning the umbrella for the first time in nearly a century, it experienced a number of challenges relating to manufacturing, distributing and marketing its product, as well as protecting its innovative intellectual property.

Manufacturing and Quality Control

BLUNT Umbrellas are manufactured in China. At first, BLUNT explored the idea of manufacturing its umbrellas here in New Zealand. The company soon realized that even as a niche player, their projected volumes demanded a bigger set up than they would have been capable of here in New Zealand. So the team made an initial visit to China to meet manufacturers for their high-end product, and made contract arrangements for them to be manufactured on behalf. Unfortunately, when the first container load of umbrellas arrived, they found 50 percent of them were poor-quality rejects. This is no longer the case. Blunt umbrella's are now manufactured to the highest quality standards, but achieving this outcome required a change of strategy for the firm.

Design counterfeiting

The hallmark of BLUNT Umbrellas is the design and the Blunt technology which sees a uniquely tensioned canopy with a flatter, aerodynamic profile eliminating any sharp edges and weak points. The revolutionary design is what gives the Blunt umbrella the capacity to withstand strong winds of over 100km/h. 'Not often does a product come along that makes so much sense in a product category that has been based around one traditional and effectively flawed design for decades. Traditional umbrellas seem to have a built-in obsolescence. We have designed and built that out of the equation', says Kington.

The company's successful design innovation

created a significant threat of intellectual property theft, as unscrupulous players were willing to copy BLUNT's innovation. The team sees this as at least potentially a perennial problem. 'We have seen some copies', they acknowledged, which pushed them to ensure speed to market, continual innovation and ongoing efforts to protect key markets. The team also realised that they could not entirely stop others from copying their designs and in countries such as China intellectual property (IP) rights were very difficult to protect. Not only is the country known to have weak enforcement of its intellectual property laws, it was sometimes that case, said Brebner, that 'everything is lost in translation.'

Different distributors with different approaches

Realizing their ambitious plans for BLUNT Umbrellas to be sold worldwide turned out to be a challenge. 'Umbrella distributors around the world wouldn't touch us because our business model was too expensive', says Brebner. They turned to Japan, as the Japanese were known to have appreciation for better things and on the surface it felt like it was a good market for the company's high-end product. Japan became the first Asian market for BLUNT Umbrellas. However, the first appointed distributor was a traditional, slow-moving Japanese distributor did not relate to the goals the company hoped to achieve.

Taiwan on the other hand, was an interesting country. Known to be as a very entrepreneurial market where product customization was common, the challenges of managing the distributor relationship differed from their Japanese counterpart. The distributor has been very active in innovating for different customers, which resulted in 'a hodge-podge in terms of what the offering is', says Brebner. As a result, the target customer is not clearly defined and the numerous requests for variations and

customizations led to small factory runs and a lot of extra work for the design team driving margins down. Another initiative that was driven by the Taiwanese distributor are licencing partnerships with high profile brands such as Volvo and Marvel. While this has been beneficial for short term growth, Brebner questions now whether this might dilute building the BLUNT brand in the market.

Marketing activities for BLUNT Umbrellas were left to the discretion of distributors who were given the flexibility to translate materials into the local language and to use images that were provided. Todd Graydon, Global General Manager, noted that 'the rule is that they are meant to send the final copy back to our creativity to sign off, but I am guessing that they haven't been doing that much.' Graydon acknowledged that they could have provided distributors with more tools to do their job, but the distance away from key markets posed a challenge for effective monitoring.

Market fit and cultural perspective

In Japan, the company subsequently learnt that their product was not quite right for the market. According to Brebner, 'we did research and found out that their umbrellas are very, very small and petite -- and our products are engineered to be durable to last. It was quite tough. The perception of our product in their market was that it is more an outdoor thing – a sort of "climb a mountain" type product, but customers preferred a small, light and petite umbrella suitable to be used in the city.

Furthermore, BLUNT Umbrellas discovered that the Japanese culture could be something of a throwaway culture. 'They are so used to getting sudden rain storms that they nip into a 7/11 store and they spend 500 yen (\$5) on a little clear umbrella – and throw it away into a bin when they reach their destination.' The population also seem to have a liking for little dainty cute things, 'everything that Blunt is not' - from a cultural perspective, the company seemed to be missing the mark in Japan, commented Graydon.

STRATEGY

Relationship building with manufacturer in China

Blunt first started to manufacture in New Zealand but soon realised that this was not viable. To achieve mass production they needed to go to China. The company got into contact with David Haythornthwaite, whose father Peter was a foundation member of New Zealand Trade & Enterprise's Better by Design programme. David Haythornthwaite was able to provide advice and subsequently led BLUNT to the right manufacturer that they required. The factory that Blunt ended up partnering with in China was set up by a German umbrella company in the early 1990s and was later on owned and operated by a Taiwanese company, headed by a Taiwanese man who was 'fairly westernized in his business approach'. The factory was very highly regarded in the umbrella industry, with facilities and skill sets that aligned well with the constant development of BLUNT's innovative designs while achieving the highest quality standards. The team at BLUNT commented that 'we hugely benefit from their experience and their access to the raw materials needed. Replicating that is very difficult.' However, the first consignment of umbrellas still had a high rejection rate, and BLUNT was forced to implement their own independent quality control initiative.

Brebner commented that 'to date, the best way to ensure quality is about investing time and trust with the one manufacturer. Constant swapping your manufacturer to chase a price is never going to get you in a place where you will get the product you need.' The team commits to several visits per year to the manufacturing factory in China. Nothing beats meeting face to face, says Brebner, and between the visits they are in daily communication through WeChat as well as weekly work-in-progress reporting.

Also relating to manufacturing quality and durability, the company recognizes it had a vulnerability with using just one supplier and manufacturer. If anything happened to either,

the company would be at risk. They decided to act on the risk potential by diversifying their suppliers for the components. While the original manufacturer still puts assembles the umbrellas, using different suppliers for individual components gives more flexibility, reduces dependency and creates opportunities for innovation.

Managing distributors

Finding a good distributor was not done strategically until Graydon joined the team as the Global General Manager. In the early days, 'We had pretty much taken anyone who came our way, and that's the necessity for survival with start-ups', says Brebner. Managing distributor relationships in fact requires dedication and a lot of effort. The BLUNT team sees some past mistakes, but says they have learnt a lot about the markets they sell in though working with distributors. Graydon explains that initially, it was important to work with people with good personal relationships, but after having achieved significant growth, it becomes now more important for BLUNT to appoint distributors more strategically and focus on the commercial side.

Helping distributors sell the product calls for a strong focus on branding, which is a relatively new strategic focus for the company. They have found that sharing guidelines on branding and price parity have made a difference. BLUNT has also started to provide channel support in terms of tools to aid marketing, such as the use of NZ imagery which they find has been appreciated by distributors. In stepping up their engagement with distributors, the company was fortunate to be able to leverage individuals who could speak the local language, understand the context of the culture and could act as their 'eyes and ears' to keep abreast of what was happening on the ground. For instance, Brebner recalled they had a translator who became a 'great asset', acting as an intermediary between the team and distributor for about 5 years and being able to generate significant insights into the Japanese business.

Quality Control and Intellectual Property

While the key to ensuring quality is investing time and trust with the manufacturer, the company also contracts an independent Quality Control team to check each umbrella before it leaves the factory in China. For BLUNT, this was imperative as quality is one of the hallmarks of a Blunt umbrella.

The company invests heavily to ensure intellectual property (IP) protection is in place. It was imperative to protect the Blunt technology from the beginning. The company used AJ Park, patent attorneys to navigate the trademarking process. It was a difficult journey. 'The biggest challenge was money in the early days, trying to keep the patent alive', says Brebner.

Brebner considers China to be getting better at respecting IP, but stresses that the image of a trademark or a copyright or a design registration is more powerful than a 'big written document.' An emphasis on trademarking the BLUNT logo became their strategy for that market. The company acknowledges that there remains the risk that other factories will make copies of their designs. Graydon accepted that 'they are always going to do it, you can't stop factories. But what we can stop them is putting our Blunt name on them.' The Blunt team recently learned about a 3D trademark. Graydon explains: "So that's our ultimate. That's like Coca Cola will have a 3D trademark for the shape of their coke bottle so we need to do the same for our Blunt umbrella"

Vision and focus

The company realized that with the decision to go international, there has to be a stronger focus and they had to be decisively smart with the next market location. 'We are not giving up anywhere. It's just where we focus', says Brebner. With lessons learnt from various markets along the way, they are not giving up on any Asian market, but sharpening their focus has been helpful. The company is focused on tar-

getting quality appreciators in Asia. Australia comes next, with the expectation that it will be a similar market to New Zealand. 'From there we will be going to other markets that have a similar culture that we can translate this part of the world to.'

BLUNT has also moved to emphasize on-line sales. 'Our main focus has shifted in the last three months to online, which has a very healthy growth rate resulting in good overall sales growth.'

In terms of market opportunities, the company has started to re-strategize their focus away from a country or city level, but rather on where it rains. For instance, Brebner says, 'Taiwan is an exciting market. It rains around 9 months of the year. That is weather that is relevant to the umbrella. If you do \$100,000 a year in Singapore, you should be able to do \$200,000 in Hong Kong and do \$400,000 in Taiwan. There is good opportunity in Taiwan.' The company is currently exploring innovative options such as with Google and the possibility of weather report apps to promote Blunt more directly to consumers in-real time when they are doing their online research.

Apart from the rain, the other opportunity arises from the preference in much of Asia avoid sunlight, in order to minimise tanning or sun spots. There is potential to both customize the product for this purpose and leverage this innovation to educate the market in places like New Zealand and Australia, which have harsh sunlight but no tradition of using personal umbrellas as sun protection. There is now a greater awareness that the chemicals from sunscreen are not good for the skin, and the team from BLUNT Umbrellas aims to educating Kiwis further on these issues.

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