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Swedish Fashion Companies

- An analysis of international expansion strategies

Bachelor Thesis

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Abstract

This thesis aims to explore Swedish fashion companies' strategies applied to expansions abroad and to identify factors of success and failure. It analyzes empirical results from interviews, with representatives from three Swedish fashion companies, Gina Tricot, H&M and Nudie Jeans, about their international expansion strategies and compare them with theory of the topic. The applied theoretic frame of reference explains how strategy is formulated, implemented and what it consists of. How globalization has affected the formulation of strategy applied to expansion and some key elements to measure the how global a strategy is. It also discusses market entry formats, how fashion retailers select target markets and what international retailers' failures depend on.

H&M is a global fashion retailer present in 48 markets with a global strategy and a turnover of 129B SEK, Gina tricot is a multinational fashion retailer physically present in five markets with a multinational strategy and a turnover of 2.7B SEK and Nudie Jeans is a clothing brand present on 26 markets, with a turnover of 344M SEK.

The analysis is limited due to the studied companies have not yet retreated from any of the entered markets. Some indicators like experience of international expansions, in combination with financial stamina, that contribute to a successful strategy are identified. To substantially decrease or minimize risk with the alternative cost of decreased profits seems to result in success. Offering a good product also seems fundamental. H&M and Gina Tricot have completely different expansion strategies from Nudie Jeans: H&M and Gina Tricot have intensive low price expansion strategies; and Nudie Jeans has an exclusively extensive expansion strategy.

Keywords

International expansion strategy, fashion industry, clothing retailer, expansion, strategy, domestic market, international market, fashion company, Gina Tricot, H&M, Nudie Jeans Co

Abbreviations

AB – Aktiebolag, Swedish for ‘private company’ or ‘public company’, similar to Ltd or PLC

CEO – Chief Executive Officer

CMO – Chief Marketing Officer

FDI – Foreign Direct Investment

HQ – Headquarter

H&M – Hennes & Mauritz

IRD – Investor Relations Director

PPP – Power Purchase Parity

R.O.I. – Return on Investment

R&D – Research & Development

STP – Segment, Target and Position

Contents

1 Introduction

This chapter introduces the reader to this study. It gives a short background, presents the purpose and explains the delimitations.

The Swedish "fashion wonder" is a widely known reference to the successful Swedish companies operating in the fashion industry. This study will explore some of the Swedish expansions abroad and their applied strategies in order to elucidate potential factors of success and failures.

1.1 Background

In today's world there is a clear-cut trend of internationalization of firms, the borders between markets have become more and more diffuse. The number of firms expanding abroad is increasing and internationalization has become a necessity, not only to further a firm's growth, but also to better handle international competition in its home market. (Vida & Fairhurst, 1998).

This internationalization continues in all industries, not at least in the fashion industry. Fashion is a global phenomenon, it does not matter if you walk the streets of Athens, New York or Beijing everywhere you turn you will see fashion conscious people. The industry is global, with brands from countries all over the world represented in local markets. According to Simone Guercini and Andrea Rufola the different actors, or companies, within the industry, take different paths during their internationalization process, and they each have divergent business models that define their strategies (Guercini & Rufola, 2010).

The fashion industry in Sweden is relatively large with an annual turnover of 64.4 billion SEK in 2005 and the competition is intense among the companies of the industry. Most actors do not have a turnover exceeding 100M SEK but some actors, i.e. H&M, Lindex etc., have sales exceeding 3 billion SEK in the domestic market. Of all the actors it is a small percentage that have operations outside the Swedish borders. Even so, there are still plenty of internationally successful Swedish fashion companies (Sundberg, 2006).

1.2 Purpose

The purpose of this study is to explore expansion strategies for Swedish fashion companies abroad to identify factors of success and failure.

1.3 Delimitations

In order to carry out the report accordingly with the purpose of the thesis it has been necessary to delimit the purpose by some variables. Firstly, the word ‘success’ in this purpose is defined by successful financial results, comparative large market shares and sustainable growth. Secondly, the word ‘failure’ in this purpose is defined as the opposite of the word ‘success’.

Preference will be given to companies that have made more than one expansion abroad.

In conclusion, the considered subjects of analysis in this thesis will be Swedish fashion companies operating internationally on several markets and the thesis will focus on the strategies used during their expansions abroad in order to identify factors of success and failure.

2 Problem analysis

This chapter analyzes the problem of this study. It tries to identify relevant factors and variables in order to pinpoint what information is needed.

In today's globalized world expanding abroad seems to be a natural step for companies that have gained a strong position in the domestic market. When a company expands abroad it must navigate the differences between operating local and international operation and may need to potentially modify certain strategies to become successful internationally. To fulfill the purpose of the study, it will be necessary to identify underlying factors contributing to success and failure by analyzing the results from the study.

To obtain the sought after information, potentially relevant questions might include: how thoroughly the companies plan their expansion beforehand, what tools they use to support the planning process, and what role they play, i.e. analysis of the environment, time frames, benchmarking competition, etc. Additionally it might be interesting to see how experience from former expansions, if any, is evaluated and what impact it has during the strategy formulation process.

Other questions that could be helpful can be related to if particular strategies used, when expanding abroad, are modified to individual markets and, in that case, to what extent; where the focus lies, in terms of strategy; how the international units of the organization are viewed, for example one global organization or a cluster of many and how that affects the companies in their respective markets; what control the central unit, or headquarter, keeps and how that control is exercised; if there are power struggles between people or units in the organization, and how they impact success and failure of a company's operations abroad; and how flexible the organization is and the effects of this flexibility/rigidity.

Furthermore, it will be necessary to gather information about how risk is identified and analyzed. It may also be relevant to see what influence globalization has had on strategies, in a historic perspective, and what the outcome has been for companies if there are any identifiable trends.

If answers to the questions are found, it should be possible to explore expansion strategies for Swedish fashion companies abroad to identify factors of success and failure.

In conclusion, the research questions will stem from five comprehensive categories:

- How the companies' expansion strategies are formulated and what support they use.
- How risk assessment is handled.
- How the formulated strategies are implemented.
- How the companies evaluate the strategies after the implementation.
- How flexible the companies are to adjust implemented strategies.

3 Theoretic frame of reference

This chapter describes some of the existing theory within the topics of strategy and expansion for the reader to get a better understanding of underlying research to this thesis.

3.1 Choice of strategy

3.1.1 What is corporate strategy?

Strategy can be considered a pattern of directives, purposes and policies defining an organization's behavior. Two key elements which can be derived from strategy are *formulation* and *implementation*. In short, formulation is deciding what to do, and implementation is how to do it. To formulate a strategy, one must first seek answers to why we want to do things one way instead of another. These decisions are based on the opportunities and risks, which come with them, and help formulate strategy on the basis of the desired achievement and the co-related potential consequences (Andrews, 1998).

The second phase is how to best implement the strategy. This may be how to handle a practical problem or one of a more theoretically complex kind. Implementation of a strategy can be considered a process consisting of sub-activities, primarily of the administrative kind, to formulate the strategy. To achieve this, an organization allocates its resources according to the planned implementation. A corporate strategy is often viewed as an organizational process linked to the structure, behavior and culture of the organization itself (Andrews, 1998).

3.1.2 Factors formulating strategy

3.1.2.1 The environment

The environment, in which an organization acts, helps to shape and formulate its strategy by defining the conditions of its surroundings. These factors include:

- *Technological* advances which enables new processes.
- *Economical conditions* of both the company and the market it acts in.
- *Industry knowledge* of processes and competitors.

- *Ecology* sets boundaries for what a company can do without falling out of grace with society, balancing financial decisions against environmental effects.
- *Society* and its institutional forces puts pressure on companies to act against discrimination of minorities, to enable better working conditions and show responsibility towards the community by not maximizing profit at all costs.
- *Political forces* that can affect the climate which a company works in and prevent market operations which otherwise would sound financially wise.

By learning how the dynamics of these factors work, one can use them as *competitive advantages* to become successful in a (new) market (Andrews, 1998).

3.1.2.2 Competitiveness

Competitive forces help shape the strategy a company chooses to formulate and implement. Often this is referred to as "threats", which can come from various sources. The most common of them are *suppliers, buyers, substitutes* and *new entrants.* The amount of rivalry within a business segment can be determined by examining factors such as *industrial growth*, *fixed costs, brand identit*y and *diversity of competitor*s (Porter, 1998).

Suppliers and *buyers* are able to set the conditions of trade upon their respective strength within a segment. Suppliers with a strong market position, offering diversified products, can take more of the total profit than one offering standardized goods with low *diversification*. Buyer strength comes from the economical muscles a buying company has when negotiating prices and contracts and is derived mainly from how large the volumes ordered are and importance for the seller having the buyer as a customer. For instance, a buyer with a strong brand identity can take more of the total profit as it is less affected by whom it buys its goods from (provided many sellers offer similar products), compared to a company with a less significant brand which is more in the hands of its sellers, where price negotiation can be more important to making a profit. (Porter, 1998)

Demand for a product can be substituted for an alternative product if it becomes too expensive, whereby the alternative product becomes a *substitute*. The price-performance ratio of a product is compared to another desired product, either of a similar kind or completely different, and if the trade-off differs too much, the switch from one product to another is made. Manufacturers and retailers have to take this into consideration when pricing their respective products. Substitutes not only limit the profits companies can make, but also prevent companies from quickly changing quantities of a given good to meet a rapid change in demand. (Porter, 1998)

New entrants' success will be determined by their ability to manage existing market barriers to become competitive. Among these barriers are;

- *Economies of scale:* The benefits a larger scale company holds, which allow for easier market penetration, distribution, and financing, etc., which help the company be competitive. If a company fails to reach scale advantages, gaining market shares can in some cases be problematic.
- *Product differentiation:* Having a known brand makes it harder for competitors to gain entrance to a market, causing them to spend large amounts on advertising and customer service to gain customer loyalty.
- *Capital requirements:* Needing large financial resources to break into a new market can hinder many new entrants from gaining market shares. The costs linked to needing financial resources can be to cover initial losses, advertising, R&D, credits, stocking goods and fixed facilities.
- *Cost disadvantages independent of size:* Some cost advantages that companies can have, cannot be related to size or scale. These types of cost advantages are thought of as related to knowledge and experience for a company, operating more efficiently than competitors, timing on raw material markets, subsidiaries etc.
- *Access to distribution channels:* Securing important distribution channels for products are vital to gaining market shares. To reach the customer one can use things like price breaks and promotions. Competitiveness of these channels creates barriers for new entrants to break into a market, trying to break ground when channels often are tied up to competitors. To be successful can sometimes mean the creation of one's own distribution channels.
- *Government policy:* Licenses and certifications can sometimes be needed for a company to conduct business. Government policies can stall or prevent new establishments from being made on a market if it is not in line with current political opinion. Barriers like these are common in industries like freight, liquor and tobacco among others. (Porter, 1998)

3.1.3 Marketing strategies

Marketing strategies aim at offering a mix of actions, reaching targeted customers, offering them products while maintaining a formulated *positioning strategy*. C*orporate strategy* acts comprehensively to *shape* and *guide* the *marketing strategy,* while the latter aim to *report, inform* and *achieve* the given directives. The *STP* process is often used to analyze potential customer groups, their buying patterns, and in what ways to differentiate to reach them. When entering a new market it is important to research these factors to understand how to be competitive (Baines, Fill & Page, 2008).

3.1.4 Strategies and form of ownership

Depending on where focus lies, different ownership formats can be preferred in order to achieve results in line with the generic strategies formulated by a company when entering a new market. The factors deciding this are:

- *Speed and Timing:* Depending on the planned time frame for an entry into a market, different ownership formats offer options on how fast such an entry can be made.
- *Costs:* A company needs to analyze what investments it is prepared to make, and what benefits it plans to draw from making them. In terms of cost, different ownership formats are more suitable than others.
- *Risk and uncertainty:* The risk factors a company is challenged by vary with the ownership format. Depending on the risk a company is prepared to take, some options are more suitable than others.
- *Return on investment (ROI):* ROI is a factor linked to *Speed, Timing and Costs,* and is dependent on what demands the owners have on their investment.
- *Long-term objectives:* The company must ask itself what its long-term strategy is for the entered market, how much flexibility it needs and which ownership format best suits that level of flexibility (Baines, Fill & Page, 2008).

3.1.5 Growth strategy

Growth strategy is central to all companies that are trying to expand beyond their current business model. For many companies, especially newly started ones, growth seems to be the primary objective.

Three of the types of growth are:

- *Intensive Growth:* Concentration of growth on existing markets or products. For a market this can be achieved by taking a larger share of it through intensifying operations while offering the same products. With growing market experience, the risk of failure is said to be minimized and the risk that comes with launching new products is avoided.
- *Integrative growth:* When a company starts activities previously done by others, while still operating on the same market and offering the same products. The benefits of integrative growth are more control and power over operations, less dependency on others and a possibility of improving processes.
- *Diversified growth:* A *diversification strategy* is when a company moves outside of their current areas of expertise to work with new products or enter new markets. Diversification is an important part of international expansion but comes with new risks (Baines, Fill & Page, 2008).

3.1.6 Evaluation of a strategy

After a strategy has been implemented for a given time, it is important to evaluate and benchmark it to analyze the outcome. Questions to be asked include: Has the strategy been appropriate to the objectives of the business? Has its implementation plan worked out as intended? What has the outcome indicated? What are the reasons underlying the outcome? Which parameters can be tuned to reach the optimum level, given the current strategy? What can potential changes in strategy bring to achieve different results? (Rumelt, 1998).

When all data has been examined, it is important to acknowledge that all business strategies are unique and situational. Even though a process has been successful on one market and indications suggest it may be successful elsewhere too, there can be unknown subtle differences which may affect the result (Rumelt, 1998).

Some criteria for evaluation of a business strategy are:

- *Consistency:* The goals and targets of a strategy must not contradict each other. Consistency asserts that areas of focus do not lie in conflict and that the business values of a company are equal throughout its organization.

- *Consonance:* An adaptation to the external environment and the changes occurring within it. The consonance offers a generic view on strategy, analyzing and determining whether the strategy itself is sustainable, without focusing on what competitors do to maintain advantage over one another.
- *Advantage:* A competitive strategy tries to focus on the advantages, or edge, which a company has over its competitors. The advantages allow for differentiation and are often derived from superior skills, resources or position. To successfully utilize this in the long term, it is important to illuminate what keeps the competitors from copying this advantage as well as how to sustain the competitive strategy.
- *Feasibility:* A feasibility study shows if the strategy is practically implementable, that is, if there are enough resources in terms of workforce, capital, and time to implement a formulated strategy. Furthermore, it also shows if there is enough competence and willingness among key personnel for it to be a success. (Rumelt, 1998)

Strategy evaluation is an important part of a company's planning, review and control of processes. It also provides a necessary tool for benchmarking, giving feedback just how well a strategy worked. From a management point of view, evaluation is crucial to the decision making process, when and how measures should be taken to prevent downfalls and maintain stability, profit and growth. (Rumelt, 1998)

3.2 Choice of expansion

3.2.1 An international perspective on expansion strategy

In modern times, *globalization* has driven corporations to new territories to sustain organic growth. As *globalization* expands to more and more markets, strategies have had to evolve, and it has become more important to implement similar strategies everywhere. This is a fairly new concept compared to the more mature *multinational* approach, where strategies are tailored to fit each different market. Possessing global strategies has many benefits. Among these benefits is the easier planning of entrance into a new market and the cost effectiveness of using the same approach everywhere. However, there are disadvantages to being too globalized as well. When markets differ too much from the market intended for the general strategy, using a global strategy can become problematic and sometimes even disastrous. Finding the balance between which processes can take advantage of global strategy and which cannot, is crucial to a company's success in terms of expansion. (Yip, 1998)

From a management point of view, implementing a worldwide strategy can be seen as a three step process:

1. The development of a generic strategy for the business model. Usually this strategy is first introduced in the home country.
2. Spreading and adapting the generic strategy through *internationalization*.
3. Integrating the internationalized strategies across markets and unifying them to a more globalized strategy.

The first step is considered rather simple, with most *multinationals* making the second step as well. The third step is considered much more complex and separates the truly successful from those companies which remain *multinationals*. (Yip, 1998)

Strategic dimensions can be seen as subparts of a strategy, and incorporate options which together help formulate the strategy. For a worldwide corporation, these strategic dimensions are called *global strategy levels*. Depending on whether a *multi-domestic strategy* or a *global strategy* is to be implemented, these *global strategy levels* try to maximize performance accordingly. For a *multi-domestic strategy*, doing so means maximizing *competitive advantage*, *revenue* or *profit* for the local markets. A *global strategy* aims at maximizing the worldwide performance through *sharing* and *integration*. *Sharing* refers to spreading successful strategies across an organization while *integration* focuses on how to seamlessly implement it throughout the same organization. (Yip, 1998)

Some of the global strategy levels are;

- *Market Participation*: For a *multi-domestic strategy* each market is viewed on its own for potential profits. In a *global strategy* the market is viewed in a wider perspective, analyzing what benefit it brings globally.
- *Product Offering*: Products in a *multi-domestic strategy* are tailored to fit each market compared to the *global strategy* which brings *standardization* between markets.
- *Location of Value-Added Activities:* A *global strategy* splits the value chain into pieces, making it less dependent of where the activities are done. A *multi-domestic strategy* tries to replicate the whole value chain on every market.

- *Marketing Approach: Global strategy* brings a uniform approach to marketing (though not all parts of it need to be uniform) whereas *multi-domestic strategy* adapts its marketing to all local markets.
- *Competitive Moves:* Competitiveness is viewed locally on each market in a *multi-domestic strategy* and measures (*Competitive Moves)* are taken only in regard to the local market itself, whereas *global strategy* brings a broader perspective on competitiveness and the interdependent effects one move on a local market has on another market. (YIP, 1998)

Industry globalization drivers are externally determined conditions which drive corporations to expand abroad, offering potential for growth on new markets via the benefits of *global strategy*. To explore these potentials, corporations need to set levers for their global strategy in order to know how to act. *Global strategy levers* can be seen as boundaries within which the *global strategy* can be formulated, with the boundaries being set by its resources, *globalization drivers* and its *positioning*. The globalization drivers can be categorized into four groups: market, cost, governmental and competitive drivers. Each driver affects potential use of global strategy levers. (YIP, 1998)

3.2.2 Geographical Expansion

The following section is a summary of "Geographical Expansion by International Retailers: A Study of Proximate and Global Expansion Strategies" by Michael Etgar and Dalia Rachman-Moore from 2010.

Etgar and Rachman-Moore's work is a study which examines retailers' selection of international target markets, especially the significance of geographical distance in the selection process. Two main international retail expansion strategies are identified, and analyzed from a perspective of effectiveness, i.e. impact on sales volumes. The reasons for how and when retailers make the choice of expansion strategy are not presented, however, it is suggested that it might be according to the *incremental model*. The model suggests that internationalization is a two-stage process. The first stage is described as firms operating in markets with lower entrance barriers and lower risks. In the second stage, after gaining "know-how" through international experience firms move on to other, riskier markets. However, the study also notes that according to several researchers not all retailers that have become international conform to this model, rather they have entered and begun operating in diverse markets, in various proximity to their home markets, following the above mentioned steps.

Regarding the selection of markets Etgar and Rachman-Moore state that the selection will be reflected in the retailers' comprehensive strategies and identify two of those. The first is a risk minimizing strategy completed through reducing costs, and the second works to maximize the return on investment through the retailers' competitive advantages.

3.2.2.1 The risk minimizing strategy

When expanding into a new market, retailers often have to face unfamiliar cultures, different and unknown juridical constraints and a different economic environment. All of these factors can influence the tactical decision making of a company, i.e. merchandizing, outlet locations, pricing policies, promotion etc. Acquiring relevant information about new markets may be essential and retailers also have to learn to handle the uncertainties that correspond to them. This will require substantial resources to be invested.

According to Etgar and Rachman-Moore, several researchers propose that operating in less risky markets will reduce the international risk, and mention proximate markets as those most often to be considered less risky. The proximate markets often have the advantage of being culturally similar, located in the same climate zone, and at an equal level of economic development. The retailers may view the proximate markets as extensions of the home markets and therefore apply knowledge gathered in the home market to use as a foundation for their tactical decision making. In some cases it will also be possible to use the same organizational structures and logistical systems, which considerably will lower entry and operating costs.

3.2.2.2 The ROI maximizing strategy

The other identified strategy will, instead of minimizing risk, maximize the return on investment, ROI. The retailers will choose markets where they can use their competitive advantages to the fullest to maximize the ROI.

Etgar and Rachman-Moore mention efficient sourcing and supply management techniques, global brands, or well developed operational procedures as competitive advantages. They also quote Irene Vida's and Ann Fairhurst's International expansion of retail firms: A theoretical approach for future investigations; "*Differential firm advantages related to the uniqueness of a firm's product/services to be introduced in international markets have been regarded as "attention evokers" for the firm. In addition, such advantages may provide an incentive to initiate and eventually continue exploitation of foreign markets. Among the particularly relevant differential advantages found in a sample of international retailers in the UK were distinguishing product, merchandise assortment, unique retail concept, appealing and innovative market image/prestige, close relationships with channel members and competitive pricing*".

To achieve the optimal effectiveness retailers aim to reach large sales volumes to take advantage of scale economies, they would strengthen their power positions in negotiations with suppliers, landlords, employees etc. Etgar and Rachman-Moore say break-even points can be very high for retailers, caused by the fact that fixed costs usually are high, which in extent would mean that it would possibly generate higher profits with larger sales volumes. Another important factor influencing retailers' effectiveness is the recruitment of resources to finance expansions. Etgar and Rachman-Moore indicate that larger retailers will be more successful in accumulating resources either through profits, internal savings, or through financial institutions or markets that they can more easily obtain resources from. A third important factor regarding effectiveness is the retailer's country of origin. International marketing research show that the country of origin greatly influences the exports of tangible goods, and Etgar and Rachman-Moore suggest that it is also applicable to retailing.

The study shows that a bit more than half of the investigated large international retailers prefer a risk reducing strategy when operating in proximate markets. A bit less than half prefer to use their competitive advantages globally which possibly would increase the risks but also make it possible to maximize return on investment. Etgar and Rachman-Moore state that a global strategy, the ROI maximizing strategy, seems to be slightly more effective than the other strategy. Although, with an in-depth analysis of the data the advantage of a ROI maximizing strategy only is visible for generalist retailers, which offer both food and non-food products. Specialist retailers, like clothing retailers, would not benefit from using a strategy such as that.

3.2.3 Market entry formats

There are a number of ways a company can enter a new market; depending on the entry format the company will expose itself to various levels of risk at the same time as it can expect different levels of profitability. Further, the company's obligations may also differ with the different entry formats. This section will briefly describe four market entry formats used by the fashion companies in the report: direct investment, franchising, licensing and direct exporting.

3.2.3.1 Direct Investment

To enter a market through foreign direct investment, FDI, the company will establish a local presence with offices, outlets and local staff. Advantages include a higher degree of control of marketing and distribution operations, resulting in a closer or direct contact with customers and access to local venture capital. The disadvantages consist of higher establishing costs and a possible lack of necessary local contacts and/or expertise of the market (Austrade, 2012).

3.2.3.2 Franchise

Franchise is another possible format of entering a new market. It is a business arrangement where a franchisor lets a franchisee distribute goods and/or services using the franchisor's brand and systems, or, simply put: the franchisee becomes a licensee of the business format, in return for a fee (Austrade, 2012).

With franchise it is possible to expand rapidly on a new market, using the franchisor's intellectual property and the franchisee's financial resources. The franchisor will minimize risk using this format of entry in return of splitting the profits with the franchisee (Austrade, 2012).

3.2.3.3 Licensing

If a company enters a market through licensing, the company, or licensor, will allow a licensee to use manufacturing, processing, trademark, know-how or other skills provided from the licensor in exchange for a fee (Austrade, 2012).

Licensing can be a preferred format of entry if the market restricts imports or FDI. Advantages consist of easier access to difficult markets, low risk, low commitment of resources, market information to a low cost, and improved distribution and service levels in the local market. Licensing also has some disadvantages. As competitive knowledge and experience will be disclosed, there is a possibility of creating future competitors. There may also be a lack of control of the operations in the new market, the contact with the customers will be passive and, in the case of franchises, the profits will be split (Austrade, 2012).

3.2.3.4 Direct Exporting

When entering a market through direct exporting the manufacturing company itself will distribute goods or services to a target customer in a new market. Advantages include control of brand and pricing, higher profit margins than if intermediaries were involved, and easier to identification of possible new business opportunities. On the other hand, there will be a high consumption of resources, including: time, energy, staff and financial resources. It may be more appealing for customers to buy from competitors with a local presence. The growth rate will be slower than if it would be an in-market presence. (NZTE, 2012)

3.2.4 Failures of International Retailers

The following section is a summary of “Determinant Factors of Failures of International Retailers in Foreign Markets” by Michael Etgar and Dalia Rachman-Moore from 2007.

This study addresses reasons why international retail chains fail to successfully establish themselves in new international markets. It focuses on the quality of managerial decision-making as the cause of failure. The study specifically looks at entries of 28 international retail chains in Israel.

It is suggested by the authors that all retailers make *strategic*, *tactical* and *organizational* decisions, whether they operate only domestically or if they also operate internationally. The *strategic decisions* regard general, overall policies, goals and the retailing concept and it is with the *tactical decisions* that the retail strategies are supposed to be translated to an operational level. The *organizational decisions* focus on the types of managerial structures needed for implementing operational decisions.

3.2.4.1 Strategic Decision-making

There are as many retail strategies as there are international retail chains. All retail chains have a unique combination of products and services, even if the difference is slight. From a marketing point of view the question of standardization or localization is of great importance to whether or not an international brand will be successful. Here, the authors claim the case is similar for retailing. There are a large number of entry strategies a retail chain can use. It could straight off copy its original strategy (internal expansion strategy), make some adjustments to previous strategies because of pressure from competition and/or the market, or it could use one completely different to the strategy already in use, greatly diminishing the resemblance to the home format.

3.2.4.2 Tactical Decision-making

For the retail strategy to be implemented it is necessary to make and execute decisions regarding the retailing mix such as the number and location(s) of stores, pricing policies, product selection etc. Etgar and Rachman-Moore assert that a retail chain will possibly make choices in these situations that, in the end, stop them from applying their retail strategy correctly and may lead to business failure.

3.2.4.3 Organizational Decision-making

In this section six formats of entry of a new market are listed; *acquisitions*, *organic growth*, *franchising*, *joint ventures*, *in-store concessions,* and *strategic alliances with a local partner*. All have different significance for the retail chain's degree of control over the international entities, to what extent resources have to be committed to them and the risk the retail chain will be exposed to in that/those markets. All formats, except organic growth, have similar organizational traits and are based on cooperation between a retail chain, new to the market, and a local partner. They will set up and run a local entity, the relationship between them will be defined by a formal document, i.e. franchising contract, and/or informal agreements.

Regarding causes for potential failures of retail chains when it comes to organizational decision-making, the Etgar and Rachman-Moore expect them to be reflected either in *the decision-making by the management of the local entity* or in *the cooperation between the retail chain and its local entity.* Conflicts between the retail chain and the local entity, i.e. differences in goals or power struggles, distance and degree of autonomy can all make the decision-making by the management of the local entity suffer. Potential issues for good cooperation can be lack of trust and failure to transplant *retail know-how* and *marketing asset.*

The authors conclude, in the case of Israel, that *the quality of strategic decision-making*, *the quality of the decision-making by the management of the local entity* and *the quality of the cooperation between the retail chain and its local entity* have the greatest impact on whether or not a retail chain successfully establishes itself in an international market.

4 Method

This chapter describes how the purpose was approached scientifically, how data was collected, how the sample population was chosen and the motivation to why. Furthermore, the validity and reliability of this study is discussed together with the shortfalls of the sample population.

4.1 Scientific approach

The aim of the thesis is to give an explorative, descriptive and analytical contribution to what impact factors of Swedish fashion companies expansion strategies abroad have on success and failure. The plan has been to conduct a qualitative study, obtaining qualitative data through in-depth interviews with key individuals representing the sample population, later on cross analyzing the data with the theoretic frame of reference in order to reach the aim of this thesis.

4.2 Data collecting methods

In order to fulfill the purpose of the study it has been necessary to collect empirical material. This material, or data, can be divided into two comprehensive categories; primary and secondary data. The primary data has been collected solely through interviews with representatives from the sample population and the secondary data has been collected through articles, reports, theses and web pages.

4.2.1 Primary data

The primary data has been collected through a qualitative method. After gaining a basic understanding of the topic through secondary data and analyzing the problem, interview questions were formulated. A suitable sample population of companies, which could be relevant to this study, considering the purpose and delimitation of it, was identified and representatives for the companies were contacted by email and/or telephone with an inquiry to conduct an interview.

The interviews took place in the respective company’s headquarter and were recorded, because of the respondents being Swedes, as well as the authors of the thesis, the interviews were conducted in Swedish. The interviews were semi structured with a mix of specific and open questions, with the formulated questions sent out prior to the interview for the representatives to have the chance to prepare. In addition to the sent out questions, a few follow up and clarifying questions were asked. After the interviews the recordings were summarized in writing and translated into English, to facilitate processing and analysis of the data.

4.2.2 Secondary data

The secondary data has been collected through the companies' web pages, additional online sources, articles, one bachelor thesis, one doctoral dissertation and financial reports. The intention has been focused on retrieving elementary data about the industry and companies, i.e. turnover, number of employees, history etc.

4.3 Sample population

For the study a sample population was chosen based on the criteria that they would be relevant to the purpose of the thesis. After considering the delimitation of the purpose and some basic research of companies within the industry, seven companies were chosen. They are all Swedish companies operating in the fashion industry and had made more than one expansion abroad. The chosen companies were; *Gina Tricot AB, H&M Hennes & Mauritz AB, KappAhl AB, AB Lindex, NLY Scandinavia AB, RNB Retail and Brands AB* and *Svenska Jeans Sverige AB.*

Gina Tricot AB, a clothing retailer, was chosen because of its success, its, somewhat, specific niche and having its headquarter relatively close to Gothenburg, making a potential interview convenient. At the time of writing it had made expansions with tangible outlets into four markets outside the domestic during different stages.

H&M Hennes & Mauritz AB, a clothing retailer, was chosen because of its size, success and experience of international expansion, being present on 47 markets outside the domestic market. As a global actor, it was assumed it could be an interesting dimension to the analysis.

KappAhl AB, a clothing retailer, was chosen as another, relatively, big actor. It also seemed to have a lot of international experience, currently being present on 4 markets outside the domestic. However, the company has also retreated from markets and has not had the success and growth the previously mentioned companies have had lately. As in the case of Gina Tricot, the headquarter is situated relatively close to Gothenburg, making a potential interview convenient.

AB Lindex, a clothing retailer, was chosen for similar reasons as KappAhl AB, it is a big international actor with a long tradition of international experience. AB Lindex has, just as KappAhl AB, retreated from markets. The headquarters is located in Gothenburg, making a potential interview convenient.

NLY Scandinavia AB was chosen because of it likely having a completely different international expansion strategy. It is an online based retailer, which also could result in an interesting dimension to the analysis. It seemed at the time to be in an expanding phase and has a headquarters located in proximity to Gothenburg, making a potential interview convenient.

RNB Retail and Brands AB, a fashion retailer operating under several brand names, was chosen due to international experience, being present in nine markets outside the domestic, and the fact it covers a wide range of the segments within the industry. Potentially using different strategies for expanding abroad, it was tough RNB Retail and Brands AB also could contribute to an interesting dimension of the analysis.

Svenska Jeans Sverige AB was chosen because of its uniqueness compared to the other companies. It has online based and tangible outlets in several markets outside the domestic, despite its size it was also present on a large number of international markets, 27, and seemed financially successful. As not having retailing as a main part of its operations, it was assumed it could conduce to an interesting dimension to the analysis. The headquarter is located in Gothenburg, making a potential interview convenient.

4.4 Validity, reliability and shortfall

Due to a limited amount of time, limited knowledge and experience within the subject and some information sought potentially being delicate for respondents to hand out, the validity of the thesis could be questioned. In general the received answers were of a high enough quality to, at least to some extent, be able to identify some factors in the companies strategies. Although, the impact of them might not be clear cut, it has been a foundation to speculation and discussion.

Regarding the reliability of the study, it is hard to imagine that chance would have influenced the results, neither positively nor negatively. A different set of questions during the interviews might have resulted in a slightly different outcome. However, there is no reason to believe that the answers from the respondents would not be accurate and truthful. It would have been desirable to interview more than one representative of each company to get a wider picture and decrease. However, the limited time and possibility to get suitable respondents made it difficult.

Additionally, there was a relatively large shortfall of the chosen companies; *KappAhl AB*, *AB Lindex* and *RNB Retail and Brands AB* declined interviews and it was not possible to fit an interview into the timeframe of the thesis with *NLY Scandinavia AB*. The shortfalls have, with a great probability, affected the validity of the study negatively. If data would have been collected from the declining companies, the analysis could have been covering a wider range of strategies, both successful ones as well as ones which have led to failure, potentially making the purpose of the thesis easier to fulfill.

5 Empirical results

This chapter presents the collected data. It gives a short introduction to the fashion industry and presents the results from the interviewed company representatives.

5.1 Fashion industry

5.1.1 Global

The fashion industry consists of four sectors; production of raw materials, production of fashion goods, retail sales and advertising/promotion, and is a global industry.

Fashion and the fashion industry are relatively new concepts, up until the mid-1800s clothes were custom made. The industry grew rapidly in the beginning of the 20th century and clothing to a much higher extent was mass produced in standard sizes and sold at fixed prices. New technologies that facilitated production, the rise of global capitalism that increased disposable incomes and the spread of retail outlets which made fashion more accessible all contributed to the growth of the industry (Britannica Online Encyclopedia, 2010).

The fashion industry has its roots in Europe and North America, although today it has spread to all over the world. The industry is very internationally integrated and it is common that clothes are designed in one country, manufactured in a different country and sold in a third. (Britannica Online Encyclopedia, 2010)

The accumulated turnover of the world wide fashion industry was over 1000 billion USD in 2009 and is growing on an average rate of 3.1 percent per year (Datamonitor, 2011).

The largest actors in the global fashion industry in 2011 were: ZARA from Spain; H&M from Sweden; GAP from the US; Limited Brands from the US; and UNIQLO from Japan (Fast Retailing, 2012).

5.1.2 Sweden

The fashion industry in Sweden stems from the garment industry, which used to be of a considerable size. The garment industry was to a great extent clustered around the Borås region. (Sundberg, 2006)

The textile and clothing industry of Sweden was restructured to a high degree during the ‘60s and ‘70s. Imports of foreign clothes increased which resulted in number of employed and garment industry production decreased correspondingly. As the garment industry went into recession, the fashion industry in Sweden started to grow. Because Sweden had become/was becoming a high cost country the trend was that garment production was outsourced to low cost countries like Portugal and Finland. However, design, distribution, marketing and other value adding activities stayed within the Swedish borders in many cases. (Hauge, 2007)

The fashion industry in Sweden is currently growing and clothing retailers are more vertically integrated. Clothes that have been manufactured within a vertically integrated company often have higher profit margins but other brands can be more known and have a higher appeal to the customers, resulting in a mix of clothing retailers. In this diverse market, there can be found retailers that are vertically integrated and only have a selection of their own brands, retailers that offer a mix of their own brands and external brands and finally, those that solely offer external brands. (Hauge, 2007)

The fashion industry is divided among a large number of companies. Most of them are small or micro sized, but there are some giants, H&M being the largest. However, there is just a small percentage of the companies that sell their goods abroad. (Sundberg, 2006)

The largest actors in the Swedish fashion industry in 2011 were: H&M; Lindex; Kappahl; RNB Retail and Brands; and Gina Tricot (Habit, 2012).

5.2 Table of the explored companies

	Gina Tricot	H&M	Nudie Jeans
Type of Company	Multinational	Global	Niche
Founded	1997	1947	2001
HQ	Borås, Sweden	Stockholm, Sweden	Gothenburg, Sweden
Turnover	2.7B SEK (2012)	129B SEK (2011)	344M SEK (2011)
Markets	5 + online	48 + online	26 + online

5.3 Gina Tricot AB

Gina Tricot AB, furthermore referred to as Gina Tricot, is a Swedish fashion retailer, which targets mainly women. The company has approximately 180 tangible stores in five markets and a web based store which is present in 28 markets, including the five markets with tangible stores. The headquarter of the company is located in Borås, Sweden (Årsredovisning för Gina Tricot AB 2011).

Gina Tricot was founded in 1997 in the Swedish town Borås by Jörgen Appelqvist and his family. CEO Appelqvist has a solid background in the fashion retailer chain JC, in which he advanced from a buyer to the Executive Vice President in about 20 years, gaining experience in the fashion retailing industry (Borås Industri- och Handelsklubb, 2005).

The company started out with eleven stores, selling only small quantities of clothes of its own brand. The first couple of years Gina Tricot just broke even; as an unknown company it also had a hard time finding franchisees, renting store space and finding employees. In the years 2000 and 2001 it increased its number of stores by a relatively large amount. After the 2001 expansion, the CEO and the rest of the management developed a plan: prioritizing the increase of the turnover for each store instead of opening additional stores. The company has tried, and succeeded, to keep the rate of turnover of its goods high compared to the industry average (Borås Industri- och Handelsklubb, 2005).

Gina Tricot's business idea is to be present in the most favorable locations for retailing, offering a constantly up to date selection of women's wear, mainly tricot tops, at affordable prices. It primarily targets all age groups of women with an interest in fashion (Gina Tricot AB, 2012).

5.3.1 Interview with CMO (Chief Marketing Officer)

Gina Tricot, founded in 1997, is a family-owned company, of a considerable size compared to other Swedish fashion companies, with a turnover somewhere between 2.5 and 2.7 billion SEK 2012. The headquarters is located in Borås where around 200 employees are situated; in total the company has approximately 2200 employees. Gina Tricot has around 180 tangible outlets, they are divided among five countries: Sweden, Norway, Finland, Denmark and

Germany. It also has an online shop which is available to customers in all EU countries and Norway.

5.3.1.1 The organization and outlets

All the stores are owned by Gina Tricot, except for 15 franchisee-owned stores. The result of the company stemming from a franchise-organization, which is not used today. However, the franchisees that are still operating will be allowed to remain as franchisees. The franchise-run stores have the same terms and regulations as all the other stores and the making of their budgets are handled centrally.

Beside organic growth Gina Tricot has had a strategy of taking over operations from franchise run stores. The franchisees are spread all over Sweden. The founders and owners Jörgen and Anette Appelqvist made franchise agreements with whoever wanted and was able to finance a store in the start-up phase, resulting in Gina Tricot stores being located in mid-sized Swedish towns like Halmstad, Umeå, Luleå, Kalmar, Växjö etc. Years after the start-up Gina Tricot established itself in the larger cities Stockholm and Gothenburg. Now it is present to a greater extent in the larger cities, although it still has a potential for growth, both in number of stores as well as the possibility of acquiring better locations.

In the start-up phase of Gina Tricot, when the company still was very small compared to today, it had some problems finding landlords willing to rent them desirable store space. The big breakthrough came after Dagens Industri, a Swedish financial newspaper in tabloid format, and similar newspapers wrote about the company’s success. Since then the company has never had similar problems with landlords, nor has it been a problem abroad. The CMO also mentioned that there is a tendency for landlords to want foreign brands in their space, an advantage abroad and a potential disadvantage in Sweden, when it comes to renting desirable outlet space.

Gina Tricot has a distribution system in which the individual stores do not order goods, instead their deliveries will be based on previous sales and the physical space of the store. This is the same for the franchise-run stores.

The CMO says that the online shop is today mainly a complement to the over-the-counter outlets and that the two at the moment are not cannibalizing each other, as there is a strong public demand for the opening of new stores especially in Sweden. Speculating on what will happen over time, she adds that there might be a reduction in the amount of stores as online shopping grows, centralizing them to main shopping centers in cities. To be prepared for this, and thereby offering Gina Tricot flexibility, the store leases which traditionally have been written over many years, partly to secure rent costs but also to minimize paperwork, will instead be written on a shorter term basis in the future.

5.3.1.2 Expansion

Gina Tricot's CMO has stated, being successful when expanding abroad, will only be possible if a company can add something unique to the new market. The company's goal is to be an international fashion retailer and has entered four international markets since the start-up.

It is the board that will always make the final decision on whether or not to expand abroad. The board consists of the Appelqvist family and an independent owner, Lennart Grebelius. Gina Tricot did not have one single strategy when they established and started to expand abroad, looking at certain premises instead. The CMO stresses the fact that Gina Tricot is a family owned company and comes with a great flexibility. She also says Gina Tricot is lacking some of the structure publicly traded companies might have, i.e. only being interested in countries with a certain population size in a certain geographical area.

Gina Tricot acquires the services of external consultants during the establishing and expanding process after the initial internal plan has been made.
When establishing Gina Tricot abroad the company management team goes to the planned market, contacts landlords and consultants, as well as evaluates, future competitors and the geography of the country. After they have gathered this vital information they make a decision if, when and how they will establish Gina Tricot there.

The risk assessment is strongly based on costs, rent for stores, employee salaries etc. It is also based on sales, that is, what the lowest sales can be. Gina Tricot has "worst-case scenarios", which if they occur the company is willing to withdraw from the market. When expanding abroad Gina Tricot looks a lot to their competitors to see how they have done it and where they have been successful. It looks for locations with a strong competition in mature markets. The CMO thinks Gina Tricot, at the moment, is too small to enter markets not yet mature. She mentions that Gina Tricot made active decisions not to enter the Baltic countries due to the markets not being mature.

Gina Tricot gets a lot of inquiries to open stores in new markets, though the company has an ambition to own all its stores in order to remain in control. According to the current guidelines from the board the company will not open any new franchise owned stores, knowing it is missing out on potentially lucrative business opportunities and markets in order to remain in control of the stores. Most of the inquiries come from Swedes of foreign descent wanting to open franchise stores in their country of origin, i.e. China, the Middle East, Nigeria, Iceland etc. The CMO has lately been in several meetings regarding expanding into Iceland. However, she suspects that the maximum of Gina Tricot stores in Iceland would be three and dismisses the idea of Gina Tricot being able to run them centrally, opening a possibility to new franchisees, even though this contradicts the current guidelines. She says that a good franchisee can be great asset, but on the other hand a bad franchisee will be an incredibly weak link; it would be nearly impossible to secure the quality of the franchisees.

The web shop, available for all EU markets and Norway, serves two main purposes: a presence in markets Gina Tricot has yet to physically establish itself in and to increase sales. The web shop was not hard to create and does not require a lot of resources to run. Because of this, the company does not put a lot of effort into it and does not promote it in any way. The sales of the web shop are weak but CMO believes it will be a useful tool stepping into new markets, using viral marketing to a greater extent instead of the more traditional outdoor based, newspaper based and radio based promotions that have been used in Sweden, Norway, Finland, Denmark and Germany.

The CMO mentions that “top of mind” is a key strategy to a successful establishment in a market. Expanding quickly, with a broad network of stores nationwide all using the same marketing strategy is crucial to becoming “top of mind”. Also, from a customer point of view, a nationwide network of stores assures the possibility to return the garment with ease regardless of where it has been bought. Both of these factors are crucial for making a successful entrance on a clothing retailing market.

5.3.1.3 Markets

The establishing and expanding process has differed between the different countries Gina Tricot has entered. However, there are common imperatives when entering a new market, of which, their CMO says market position and profitability are the key objectives.

The choice of establishing Gina Tricot in Norway was due to the extensive experience its CEO had gotten in JC as well as the country being comparable to Sweden. The reason for entering Finland was similar, it already had a lot of Swedish chains and is similar to Sweden in general. The reason for entering Denmark was because the nation is considered as a gateway to the rest of Europe. It is considered as one of the hardest markets to enter but according to the CMO it was not an option to skip Denmark and directly head to, for example, Spain. The reason for entering Germany is because of the huge potential of the market. There is an extremely high level of competition in Germany but also great possibilities.

The expansion into Norway and Finland happened almost simultaneously, Norway in the spring of 2007 and Finland in the fall of 2007. Though, negotiations took place at the same time and were handled in the same way, the company management chose consultants and agents it would work with and made an organization for each country and appointed a country retailer manager who would then be responsible for running the organization and sales. The expansion into Denmark was also similar but Gina Tricot appointed a country manager, who would act as a CEO of the organization in Denmark, early on in the process, differing from Finland and Norway where the country retail managers are strictly operational managers. The reason a country manager was installed in Denmark was because Gina Tricot had been warned about how hard it would be establishing itself there and that Denmark differs more from Sweden than Finland and Norway. However, it was hard cooperating with the Danish country manager and on a mutual agreement he left Gina Tricot after just eight months. According to the CMO much more was handled centrally than what he was expecting. She also mentions Denmark being a troublesome market for many companies. According to the CMO, it took 7 years even for a major company like H&M to "break even". So, what is the cause of this? In Denmark traditionally there haven't been many shopping centers of the kind fashion stores are used to. She describes the commerce as a bit old fashioned, with many small boutiques, often inhabiting old houses with narrow spaces. The trend has recently changed a bit and shopping centers have emerged in more locations, but still the Danes prefer to buy clothes in supermarkets to a greater extent than their Nordic neighbors. Another reason why many companies have struggled so hard in Denmark is because of the strong presence of the Danish Bestseller group (Vero Moda, Jack & Jones, Vila, Only, Selected etc.). She mentions Danes in general are a bit more prone to favor Danish brands than other Nordic people are with their respective countries. Among those who have tried to enter the Danish market but have been forced to close are; Debenhams, Topshop, Next, Lindex, JC and KappAhl.

Entering Norway was relatively easy. Swedish companies like H&M had broken the ground and given Swedish companies a reputation. Gina Tricot promoted itself extensively and quickly gained a strong fashion position. It became very successful in Finland and Norway, breaking “all possible” records. The Norwegian market had a considerable growth potential when Gina Tricot entered it, their CMO mentions that competitor BikBok, which has a similar selection, had a few weak years with their clothing lines, enabling Gina Tricot to gain customer acceptance and market shares quickly. Usually the Scandinavian market is considered to be homogeneous, with similar buying patterns and customer needs when companies decide to expand into the Nordic countries. Often the expansion begins either in Sweden, since it is the largest country of the Scandinavian countries, or in Denmark as it is closest to rest of continental Europe. Norway being such a small market on its own and the fact that it is not a member of the European Union. However, Gina Tricot realized that the awareness of fashion, especially in Oslo, was high, with a demand for “chic” and modern women’s clothes. Since Norway has a very high purchasing power. At first, Gina Tricot was afraid that their clothes with a relatively high fashion grade, could be considered to be too cheap and not as luxurious as the customers demanded. However, this turned out to be incorrect as the market embraced the entrance of the Swedish fashion retailer. The effect was that with Gina Tricot being relatively cheap, the customers bought more garments instead.

Finland is considered to be the opposite of Norway among the Nordic countries, with the lowest purchasing power and in general spending their money more restrictively. When Gina Tricot prepared to enter the Finnish market, representatives spoke to a Swedish shoe retailer, which had established itself in Finland, to get a glance of what might happen to them. The shoe retailer was of the opinion that more or less all Finns north of Helsinki did not care about fashion and wore rubber boots all year round. Once again this turned out to be incorrect for Gina Tricot as it was realized that with today’s globally connected world, fashion too was a global phenomenon, with the trends and demands on the Finnish market being almost equal to the other Nordic countries. The pricing of the garments by Gina Tricot, which are relatively low, suited the Finns well and the reception Gina Tricot got from the Finnish customers was more than it had hoped for. The CMO believes it partly had to do with H&M's weaker presence in Finland than the other Nordic countries.

Before Gina Tricot entered the German market, it decided to analyze both the German and the Dutch market, since there was a belief that these two markets had similarities. The management team asked their Dutch sources what they thought about the German market and the response was that Germans had a "boring" attitude towards fashion and that the demand for Gina Tricot's garments would be low. The German sources on the other hand answered that the Dutch were unreliable and that they would struggle in that market. With all said and done Gina Tricot decided upon the German market because of its potential. Their CMO says that one thing, especially, that the Dutch sources had wrong about the German market, was the knowledge about and demand for fashion clothes. Another positive thing was that clothing retailer New Yorker's home market was Germany, and, with similar types of stores and customers, it had raised the fashion grade. Competition is not necessarily just negative, since it also brings fashion awareness and customers will be easier to reach if they are used to similar store concepts. The German market is very price sensitive, with a strong competition in the fashion industry. British low cost brand Primark is among the latest entrants on the German market, with aggressively low pricing, impacting on an, already, price sensitive market. After some time on the German market, Gina Tricot felt that their stores looked a bit too posh compared to the competitors, indicating it was selling more expensive clothes and not attracting potential customers. To counter this Gina Tricot chose to tone down the look of their stores a bit, hanging less fashionable garments in their shopping windows.

The company has struggled in Germany and even gone below the worst-case scenario, but it has not yet withdrawn from the market, and lately it has been a positive tendency.
According to their CMO it was easy to get blinded by the Germany's enormous potential with 80 million inhabitants. Also, the country manager in Germany had experience from H&M's expansion in Poland and Germany and he showed great projected sales numbers which Gina Tricot used as references, affecting their projections and scenarios. In the end these numbers were not applicable to Gina Tricot and the projections were not accurate. Today the German country manager has left his position as well, after wanting to make changes HQ did not think would be in line with Gina Tricot's comprehensive strategy. One example she brought up was

that the country manager wanted to change the collection, saying Germans did not want any colorful clothes. However, the competitors had strong sales of colorful clothes. As Gina Tricot has an ambition to be a trendsetter in fashion they should not listen to the country manager. They have adapted their collections to a certain grade to the individual markets but are explicit about they should not differ from their concept too much.

5.4 H&M Hennes & Mauritz AB

H&M Hennes & Mauritz AB, or the shortened form H&M, is one of the world's largest fashion retailers with approximately 2800 stores and is present in 48 different markets, the turnover of 2011 was 129 billion SEK. The company's headquarter is located in Stockholm, Sweden. (H&M Hennes & Mauritz AB, 2012).

H&M was founded as Hennes, a single women's wear store, in Swedish town Västerås in 1947 by Erling Persson. Persson had previous to the opening of Hennes been travelling around the United States looking for new ideas in the retailing business of women's clothing. He was greatly influenced by Lerner Shops, an American retail chain which "offered inexpensive garments with a fashionable touch to a wide audience" (Giertz-Mårtenson, 2012).

The company had from early on a goal of expansion, and in 1952 Hennes opened its first store in the Swedish capital, Stockholm. Twelve years later the first store outside Sweden opened, in the neighboring country Norway. Hennes acquired the hunting and fishing equipment store, Mauritz Widforss, in 1968. After the acquirement Hennes changed its name to Hennes & Mauritz as it began selling men's and children's clothes. In 1974 it made its initial public offering on the Stockholm Stock Exchange, however, the Persson family kept the solitary controlling interest in the company (H&M Hennes & Mauritz AB, 2012).

The company continued to expand, both in Sweden and abroad. The expansion into Norway was followed by Denmark and the United Kingdom in the mid '70s and later on into other Western European countries. In 2000 the first store was opened outside of Europe when H&M entered the North American market in the United States. Since 2000 the company has become present in Asian, African, Oceanic and South American markets as it simultaneously has increased market shares and penetrated new markets in both Europe and North America (H&M Hennes & Mauritz AB, 2012).

H&M does not own any factories, instead it outsources all production to independent suppliers, as well as not owning any of its outlet buildings, simply renting store space from independent landlords. The Company has had a firm principle to only use the best business location, whether it is on Champ-Élysées in Paris or it is in a shopping mall in a small town in Germany. The principle was followed in the same way today as it was in 1947. H&M also has a growth target of adding the number of stores by 10-15 percent a year and increasing sales correspondingly (H&M Hennes & Mauritz AB, 2012).

5.4.1 Interview with IRD (Investor Relations Director)

H&M is a global fashion retailer and has, today, approximately 2800 stores spread over 48 countries, with head office and central administration located in Stockholm, Sweden.

5.4.1.1 The organization and outlets

H&M currently does not hold a directive against ownership formats on different markets, its IRD says that it is important to be flexible to adapt to local legislations. However, the preferred option is always to have fully owned subsidiaries. One important principle is smoothness, being able to do business without interference. Currently, H&M has no joint-venture stores and there are no plans for them either. The main strategy is to own their own stores, with a few markets being exceptions where franchise stores offer easier access. In the markets where franchisees are present, H&M still controls most things, from advertising, store interior, collections, to expansion plans etc. The IRD stresses that it is important the customer should not feel any difference whether the store is fully owned by H&M or franchised.

He explains that there is a directive against buying premises: H&M only rents store space, as it wants flexibility to move stores if needed. To own real estate is not part of H&M's business model and he thinks the design and logistics processes are complex enough for H&M, adding ownership of real estate would not build more success.

He continues to explain that H&M's structure is based on a matrix organization, an organization type which does not always work as intended with conflicts between units, using many well paid external management consultants to shape the organization. When used as it is meant to, a matrix organization is a powerful structure with high efficiency. For H&M this organization type has worked well this far and can be one of the answers to the company's success over the years.

Online retailing is an area of growing importance to H&M. Currently the company has launched its web shop in eight countries thus far and is planning further expansion in 2013. The IRD says that in time the ambition is to have online sales on all markets with physical stores but that they are taking it one step at a time. For a company of H&M's size, the logistics and sales are quite complex and therefore it is vital that the platform meets their quality requirements when introduced. He says that it is with the proliferation of tablets and smartphones that online sales of clothes and other consumer goods has really taken off, offering an exciting new market with huge potential.

5.4.1.2 Expansion

H&M is considered to be a fast growing company, even though it was established 1947 and is the world's second largest clothing retailer after Spanish Zara. On average, H&M opens 10-15 % new stores each year, net 304 for 2012, and has over the last two years entered ten new markets, with four new markets in the launch pipe for 2013. Its IRD explains that H&M has the resources both in terms of knowledge as well as finances to research the market well before making an entrance and that they have the capacity administration wise to handle the growth.

He explained how the process of analyzing a potential new market works briefly within H&M. First they study all available public data, various statistics, the "ease of doing business" index from the World Bank etc. After the initial process, contact is made with potential landlords. Often do these contacts come from the landlords themselves, who, in H&M, see an important partner with an attractive brand. Finding the right retail space is important for H&M to be successful. Other things to take into consideration are legal questions, import costs and local salaries. The IRD mentions South America as a challenge for H&M, with tough import restrictions among other things.

When asked how planning for expansion works, what H&M does internally and what it uses consultants for, their IRD responds that the company has divisions in every market, analyzing what is needed for further expansion of the respective markets, as well as how and when this should be implemented. To assist these divisions there is also a central strategic division which gives support and advice to these divisions. Further he explains this strategy as a combined "bottom-up" and "top-down" to make sure the decisions are well anchored throughout the management chain. To evaluate these decisions, H&M continuously benchmarks to see what effects the changes have, and if successful tries to implement them on other markets as well.

The risk evaluation when deciding to enter a new market, usually starts with looking at the hard facts like power purchase parity, PPP etc., and adding soft ones, like cultural aspects afterwards, to evaluate total risk. Denmark is a good example of how problematic these aspects can be, even if a market has economic potential for a successful establishment. The IRD mentions that H&M struggled for many years on the Danish market, the founder Erling Persson was even forced to put in his own money to make balance. The buying patterns in Denmark and H&M's retail strategy were at the time just too different from one another. He mentions that H&M faced similar problems when entering the German market afterwards and that having a long term strategy has been crucial for H&M's success over the years. Germany is good example of this, now being the single most important market for H&M. He describes what he usually tells the investors, that H&M does its "homework" better and better, that they learn from their mistakes and identify risks at an earlier stage than before, but that they can never sit at the head office in Stockholm and have a full view of the picture beforehand, with every potential risk facing a market entrance. To limit the risk, H&M usually opens up a few stores on a new market in the initial phase, seeing what works and what does not, tuning and tweaking until the business model is adapted to the market, and after that launches a more nationwide plan for expanding to and covering new areas.

Pricing and segmentation strategies are the same for every market H&M is present in. The company believes that a piece of clothing should cost the same regardless of market. However, it may be adjusted for minor currency differences, tax and import tariffs, and that adapting to purchasing power by segmentation, focusing on a given customer base, is not part of their business model. They would rather have their clothes sold for the same price everywhere, being a cheap fashion brand in some markets and a more luxurious one in economically less developed markets, than having differences in prices between markets. The IRD describes this as a long term decision. Instead of using things like purchasing power mechanisms in its favor, H&M believes that having same prices everywhere will benefit the company over time and make the customers used to a given price level. From an investor's point of view the markets' profitability varies a lot, due to how mature an establishment is as well as other factors like market competition, national economic cycles and purchasing power, but the long term strategy on return-on-equity is equal regardless of market.

When asked if the expansion strategies have changed over time, considering factors like H&M's previous growth and the globalization, their IRD says that since his employment in 1991, H&M's growth rate of new stores on a yearly basis in the span of 10-15% has been unchanged. Although, processes have been adjusted due to the large growth in numbers over the years, something he believes has been essential to the success H&M has gained. The experience from previous establishments has been useful when adapting business models to new markets and he stresses the importance of continuous learning as a key element to the growth. When he first started his career in H&M, the company had 240 stores in six countries, something he describes he felt like a gigantic company back then. For H&M to reach the first 240 stores it took more than 40 years of continuous expansion, and processes could be implemented on a slower basis more proven basis than today, as the absolute number of stores were a lot less. 20 years later he, as an IRD, looks back at H&M which has ten folded its amount of stores since then, and explaining that everything goes much faster today, with processes being implemented more rapidly to keep the expansion rate up. The experience as well as the management structure which H&M relies on has played key parts in keeping the expansion rate at a steady 10-15% level throughout the years.

5.4.1.3 Markets

The interviewed IRD states that fashion as a global concept is already reality: people all around the globe have a demand for similar types of clothing and given that H&M therefore sell more or less the same collections everywhere, with the exception of garments which follow seasonal trends, i.e. winter jackets and bikinis, and furthermore, that this globalization is beneficial for the company. However, he points out that it is important to be sensitive to local deviations from the global fashion trends, in some markets some things work better than others, and the importance of not making, for example, the Tokyo outlets use a concept which works in Stockholm just because of a company policy. On the other hand it is important not to adapt too much locally and deviate from H&M's values and lose the edge that the company has, both in terms of marketing but also as much in terms of soft values like management and processes. This balance is a much more difficult thing to practice than most people think, he adds. H&M's establishment in Denmark exemplifies his point well. Taking many years before being profitable is a solid proof of just how difficult an entrance into a market can be. The German clothing market showed somewhat similar problems as the Danish when H&M entered it but has since, grown to become H&M's largest and most important market. The IRD describes obstacles like different retailing and management culture as key areas to understand and adapt to in order to become successful on a long term basis.

He continues to stress that the brand that incorporates H&M, has become stronger over the years, something which has had effect on expansion, with the brand leaping forward faster than the expansion rate and causing demand for H&M's goods even before they have opened. Mexico, the most recent market H&M has entered, is a good example of the pulling effect the brand has, with fans camping overnight in long queues to get a spot among the first in line for the opening. The phenomenon, which he describes as a bit "crazy" is not unique however, with Thailand and Indonesia showing the same behaviors recently. He says that it is a fairly new situation for H&M, which was not happening 5 or 10 years ago. The strength of having a global brand make H&M's entries on new markets a lot easier than a nationwide Swedish fashion chain which decides to expand abroad.

The IRD explains that apart from H&M, Inditex and a few other global fashion retailers, the majority are not able to benchmark globally, which make the prognosis and risk a lot harder to tell. Although, being the competitive intense industry the fashion industry is, with what he describes as low entrance barriers, it is important to look not only at the major competitors and their business but also what newcomers do right. As trends tend to move fast, what's right today can be totally wrong tomorrow and the faster you can pick up these trends the more competitive you will become. H&M do not only compete with clothing retailers but also with other consumer goods manufacturers for their customers' wallets and they must constantly refresh their selection to appeal to customers.

At the time of writing, H&M has never retreated from any market it has entered, the interviewed IRD says, when asked if there is a limit in how much loss H&M can take on a single new market, adding that even with H&M's current track record there is always a limit on how much they are willing to lose initially to gain market shares. He returns to the long term concept H&M has adapted to, showing that in time, most markets will become successful once the business model has been tuned correctly.

5.5 Svenska Jeans Sverige AB

Svenska Jeans Sverige AB is a company that operates under the brand name Nudie Jeans Co. It is a Swedish brand of clothes, mainly producing denim jeans. It has over ten concept stores in eight markets as well as selling its goods through independent resellers. The headquarters is located in Gothenburg, Sweden. Nudie Jeans Co targets mainly men, with their selection and are currently a market leader in organic cotton denim. Their products are being sold to end consumers from over 1500 outlets (Nudie Jeans Co, 2012).

The company was founded in 2001 by Maria Erixon Levin in Gothenburg. Erixon Levin had previous to Nudie Jeans Co been in charge of jeans designing as the Art Director of JC and Lee Europe, and her plan for Nudie Jeans Co was to become a niche brand, with which she could develop and realize all her ideas about denim design. The company started out very small-scale with production in an apartment, however, it quickly gained recognition within the industry and became popular among customers. Now days all their denim jeans are produced in Italy, while the rest of the company's collection of clothes are being produced in Portugal, India and Japan (Samuelsson & Johansson, 2004).

Since the first year of operations in 2001 the annual turnover has risen from 7 million SEK to 344 million SEK (Svenska Jeans Sverige AB Årsredovisning, 2011; Erixon & Levins Design AB Årsredovisning, 2001).

5.5.1 Interview with CMO (Chief Marketing and sales Officer)

Nudie Jeans Co was founded in 2001 and the company is still considered to be young. The turnover of 2011 was just over 340 million SEK. The HQ is located in Gothenburg and 38 employees are situated in it, including the management. They also have sales offices and to some extent, especially outside of Europe, partners that are in charge of sales and distribution. At the moment Nudie Jeans Co operates in 26 markets, in which they have relatively quickly established a presence.

5.5.1.1 The organization and outlets

Nudie Jeans was a counter-reaction to how traditional companies were run. The basic idea when Maria Erixon Levin, the founder, started the company was not to be and operate like the traditional companies in the industry. According to their CMO, the industry works, to a great extent, if there is a demand from the market. People like market directors identify the demand, then a designer creates the product demanded, without any special consideration what the impact of the brand will be. Nudie Jeans Co concentrates on the long run effects and creates a demand from its supply. The company follows its own set of values, and supplies products which it believes will benefit the brand in the long run. Nudie Jeans can be unruly and hard to cooperate with in certain ways. Despite this, they have been successful in business relationships. It was never a plan from the beginning for Nudie Jeans Co to become a large brand; Erixon Levin had a vision of making a living and maybe employing a couple of people to handle areas like logistics. Today the picture is different and the company is responsible for a lot of people, directly and indirectly. The company is more visible and has had to redefine its self-image while still trying to keep its core values from the beginning, which it considers a success. They do not compromise their values even if it means missing out on possibly lucrative opportunities, something that might be considered strange by people in the industry, including new employees.

Important aspects in the search for outlets are the possibilities for marketing, locations, the personnel’s knowledge of denim, product and brand mix. When the initial contact with potential business partners from a specific market has been made a delegation from Nudie Jeans is sent to get to know them better, and if their values and operations are in line with Nudie Jeans’ they advance to the next round. Those potential business partners are invited to Gothenburg where a final pick is made after they have had a chance to see operations and interacting with the Nudie Jeans’ organization. One mentioned example was about South Korea, the latest market of entry. Nudie Jeans asked the potential partner of how their plan of distribution would look like, how they planned to run and control supply etc. The answers made it easy for Nudie Jeans to see if the potential partner’s plan would be in line with its idea of operations and values. Business and strategy plans tell a lot, however, their CMO says, if they are not optimal to Nudie Jeans but close to be in line, Nudie would not exclude them immediately but try to correct them.

Nudie Jeans has detailed frameworks in which their partners have to operate, i.e. a very limited number of outlets during the first year and then the allowance of a couple more the year after. The company uses a general distribution contract with all external distributors giving them the exclusive rights to promote and distribute the brand in a market over a certain period of time. However, the trend has been that Nudie Jeans has integrated it into its operations. The interviewed CMO says it is not their intention to use the legal document as a formal mean of control but that it offers safety and results in partners sticking to original agreements. The contacts assure the reporting back of relevant data, something that sometimes did not happen with distributors with which they did not have the legal documents stating it.

Nudie Jeans does not have discount sales on the web shop, this is because of not disturbing the other outlets' sales, nor does it usually allow discount sales other than end of the season discount sales. If a customer wants to have a mid-season discount sale it is more common that Nudie Jeans buys back their product and either sell to someone else or just keep it if the customer is too important to have as a reference customer. It is the concept stores and the web shop that get access to the selection first. Concept stores are supposed to be references to other outlets. They are placed in larger markets and cities not to compete with other Nudie Jeans outlets.

5.5.1.2 Expansion

In the startup phase the management of the company could not chose exactly how and when they would expand abroad. Instead Nudie Jeans relied on contacts and business partners from trade fairs and were grateful for the opportunities with which they were presented. Representatives of independent clothing stores made inquiries to buy their collections, and depending on what kind of stores they were, considering interior, selection etc., they could be approved. Next, the company received inquiries from the independent stores to become exclusive distributors for the specific market, usually over informal circumstances. Nudie Jeans operated like this for two to three years.

Today, when expanding to a new market, the company gets some help from the Swedish Trade council with basic market research to get an idea about the market. They have tried to use the Trade council's services to a greater extent but their relevance for Nudie Jeans' needs have been limited. The company still has a need for partners in new markets because of Nudie

Jeans' lack of knowledge of these specific markets and way of business there. It prefers to work with partners with similar corporate culture, preferably "underdogs" with which they can grow together in symbiosis rather than larger companies that often have different values.

The CMO describes Nudie Jeans' expansion strategy abroad as very careful. The company does not take big risks. It prefers to take over operations from partners when it sees the strategy is working. Nudie Jeans lets local partners operate in new markets for one, two, three, five or ten years. It does not take over operations until they are in a desirable stage. He says Nudie Jeans never wants to be in a position in which it has to sell jeans in order to cover fixed costs from the offices or other expenses. He continues, 'the day we have to do that, that day our brand will seriously be jeopardized'. In order to do this, instead of hiring five salesmen they will instead start off with two, maybe not maximizing profit but at least minimizing risk, something that is consistently for the whole company. They prefer being profitable and have a small operation to gaining bid market shares and not being profitable for 10 years. Sound and stable finances are very important to the company. Nudie Jeans prefers to give a higher discount making predictions more accurate than the use of standard prices in deals with its customers, in which it potentially would make more money.

The company has a strategy of taking over the operations from partners in specific markets, which is known to new partners. Their contracts usually run between one and five years but are also in many cases renewed. The partners will make profits during the contract but they will also be limited due to included restrictions in the contract. It is important that they are profitable, he says, and that they would not be able to do a good job for Nudie Jeans otherwise. According to him all growth have been organic and, in a way, happened at a slow pace. He says it would be possible to double the turnover overnight but that Nudie Jeans is not willing to do so, meaning it could compromise the brand. However, despite this strategy, Nudie Jeans growth has resulted in possibilities to take over operations in markets and given it an increased power in negotiations etc. The company is not as exposed to increased fixed costs anymore. Nudie Jeans has been very successful in markets they have taken over operations in and the CMO states that they have to be the reference which their partners use in order to have the most efficient operations.

5.5.1.3 Markets

Nudie Jeans creates one collection that is sold in all the 26 markets it operates in and does not adjust it for individual markets. The interviewed CMO says it is important that the brand expresses the same thing irrespective of the geography and national culture.

He says Nudie Jeans have lower requirements of profitability in markets in which they have partners than in markets they operate themselves because of lower risks. They have seen that the prices to consumers are higher in the markets in which they have partners than in markets they operate themselves, due to mark-ups. The web shop is run by Nudie Jeans and has the same prices as in the local market. It is to be seen as a supplement to physical outlets and not as competition to their partners.

Nudie Jeans has close contacts with its partners, and the social aspects are important not to compromise or disturb its company culture. It is also a requirement for the partners to get in line with Nudie Jeans' values and not just focus on maximizing turnover and/or profits if they want to become/remain a partner. This is all instituted for optimization of the brand in the long run. The company is closely involved in each specific market and wants detailed information to remain up to date with them. The CMO emphasizes the importance of the plan of distribution and says Nudie Jeans has to be on location to ensure that everything goes according to plan.

In markets like Japan, their concept stores are very important because retailers "cherry pick" more extensively there than in other markets that is, they only buy three different types of jeans from the collection and in the concept stores Nudie Jeans' full selection of goods is available.

6 Analysis

This chapter discusses the empirical results from the previous chapter and compares them with the underlying theory presented in chapter three. It analyzes each company individually and makes a comparative analysis.

For this thesis we have chosen to explore three Swedish firms operating within the fashion industry. One is a global actor covering several segments within the industry, one actor focuses on women’s fashion and finally, one mainly concentrating on the street fashion segment. All three of them have operations in Sweden as well as internationally, both in physical outlets as well as online sales. Mutual denominators are their successes and their strong growth. In this analysis we will discuss, and try to elucidate, the similarities and differences in terms of what their international expansion strategies might be.

6.1 Analysis of Gina Tricot AB

Gina Tricot’s initial comprehensive strategy seems to have been tinged by a desire to grow quickly. All franchisees were accepted without the management being able to control the franchisee’s operations to the fullest. It is possible that they prioritized keeping resources within the organization to stimulate organic growth instead of paying dividends. This strategy seems to have been effective, resulting in a relatively large number of Gina Tricot stores spread widely in Sweden. Four years after the company was founded the management team made a major change in the direction of the growth: instead of increasing sales by increasing the number of stores, focus was on increasing the turnover of each store. One plausible reason for this might be the want to not let go of more control. At that moment the management may have been satisfied with their locations and was trying to increase their local market shares to establish itself more easily in another phase.

Gina Tricot’s first foreign market of entry was the Norwegian. Founder and CEO Jörgen Appelqvist had extensive experience, or “know-how”, about the market with his background in fashion retailer JC, which might have played an important part in formulating the strategy that was so successful there. As the interviewed CMO mentions, other factors such as BikBok’s weak performance also had a big impact on their success.

The expansion into Norway seems to have been in line with the *incremental model* as the first step to become an international fashion retailer, with Norway being a proximate and less risky market.

Finland was the next market for Gina Tricot to enter. According to their current CMO, there was a larger uncertainty about the market potential. The purchasing power was lower and information indicated low fashion awareness, resulting in an uncertainty on how well Gina Tricot would be received. However, she also mentioned that Finland is relatively similar to Sweden in many aspects. In the end the uncertainty was uncalled for and Gina Tricot performed well in the Finnish market, which might indicate that the expansion into Finland was the natural next step following a risk minimizing expansion strategy, also in line with the *incremental model*. As the model illustrates, a company will move on to riskier markets with a potential to maximize ROI after accumulating international experience in less riskier markets. According to their CMO, Denmark is the gateway to the markets of continental Europe and, in the case of Gina Tricot, Norway, Finland and Denmark could be seen as experience accumulating markets on the way to ROI- maximizing markets in continental Europe.

The retailing culture in Denmark differs much from the other Nordic retailing cultures and Gina Tricot tried to adapt their strategy a bit, hiring a country manager, who would act as a CEO of the organization in Denmark, a concept that did not work out too well. According to the CMO there were some cooperation problems and much more of the decision making was handled centrally from the HQ than what he was expecting. Gina Tricot did not establish itself as successfully in Denmark as it did in the other Nordic countries. With what their CMO said, it is imaginable this is due to low quality organizational decision making. It seems to have been reflected in *the cooperation between the retail chain and its local entity* and/or in *the decision-making by the management of the local entity*. Due to a supposed power struggle it is plausible that the decision-making by the management of the local entity suffered and Gina Tricot's strategy was not effective. Another speculation is that the management of Gina Tricot might have been blinded during the strategy formulation process by their CEO's "know-how" of the Norwegian market and Gina Tricot's success in Finland. It is imaginable that it was not supported by a sufficient basis required to formulate an effective strategy upon.

The decision to enter the German market was greatly influenced by its potential, seemingly a way to maximize ROI. The strategy used was similar to the one for entering the Danish market and the problems seem to have been repeated, namely, organizational decision making of low quality with cooperation difficulties and power struggles.

Having such a large amount of faith in the country manager and his projections might indicate that there is some substance to the speculation that Gina Tricot had been blinded during the strategy formulation process. Also, that Gina Tricot did not follow their strategy of retreating when going below the “worst case scenario”, points towards the flexibility that the CMO talked about being true, and can be seen further in the revising of its strategy. The positive tendency lately indicates it being at least somewhat successful.

6.2 Analysis of H&M

H&M is the largest company in this study, and a true global actor in the fashion industry. The company has gained international experience over the last 60 years. As in the case of Gina Tricot, the first international market of entry was Norway, followed by Denmark, the U.K. and other Western European countries. Later H&M moved on to other parts of the world and is today present on 48 different markets. H&M has over the years been characterized by strong growth. Over the last two decades it has averaged a yearly growth in the span of 10-15 %, which is impressive considering the size of the company.

According to their IRD, the company has a comprehensive expansion strategy with some minor adjustments to individual markets. This together with H&M having a matrix organization indicates a global strategy aiming at maximizing the worldwide performance through *sharing* and *integration*. When entering new markets H&M has similar processes for each of them, both in the planning stage and in the phase of implementation, which seems to be a part of the global strategy. The support for expansion planning is extensive; the company has strategic divisions on each market guided and is supported by a central strategic division. Information flows both “bottom-up” and “top-down” to make sure strategic decisions are well anchored throughout the organization, which also are signs of a global strategy where, as mentioned, *sharing* and *integration* are key concepts to maximize performance.

The minor adjustments to the comprehensive strategy depend on environmental factors unique to specific markets. H&M continuously follows up its operations, and if they are successful tries to implement them on other markets. As the IRD at H&M said, in the long run most markets will become successful once the business model has been tuned correctly. It was mentioned that people were queuing in hours in front of outlets opening for the first time, evidence that the H&M as a brand had a big pulling strength, something it did not seem to have five or ten years ago. It is plausible that the size and success have, at least, something to do with the pulling strength and that the success is not only due to its strategy, that it can also have a "snowball effect", after gaining a certain reputation of success.

H&M seems to have a risk minimizing strategy, it opens just a few stores on a new market to begin with, later formulating a more tuned strategy. It has launched its web shop in just eight markets while having a tangible presence on 48, it only rents store space; all this can be seen as indicators for risk minimization. Another observation is that H&M does not miss out on potentially lucrative markets; the preferred ownership format is fully owned subsidiaries on international markets but they also have outlets in franchise formats on markets they otherwise would not have access to, which point to an ROI maximization strategy.

6.3 Analysis of Nudie Jeans Co

Nudie Jeans differs a bit from the other companies, it is not exclusively a retailer as the others and it has, by far, the lowest turnover. The largest part of its operations is to sell its goods to independent retailers and external distributors and only has around ten fully owned retail outlets spread over the world, excluding the web shop. Together with its partners it is present on 26 markets.

The company´s operations have changed since the first couple of years, and it is imaginable that its expansion strategy has changed with it, or alternatively that the company has reached a different phase of it. The operations began in an apartment and the company has been growing rapidly since 2001. Very early on they began operations abroad, working with international partners. At the time, the company was too small and vulnerable to risk investing directly in new markets. However, it is possible to see similarities in the way they have expanded abroad over time. The strategy seems to focus on the long run, and is influenced by values and minimizes risks. The minimization of risk can clearly be seen when looking at how the company enters markets: they prefer to let other actors take the risk over maximizing potential return. The partners, or licensees, break the ground and build up a network during a period of a time, i.e. one to ten years. When Nudie Jeans is sure of the potential and a, more or less, guaranteed higher profitability of the market, the partners' operations are overtaken by the company. As the CMO at Nudie Jeans said, the company prefers to hire a small staff in a new market and minimizing its risk exposure, not capitalizing on the market to the fullest.

Furthermore, Nudie Jeans prefers to give higher discounts and sell larger volumes than to have higher margins and be unsure of volumes just to make more accurate projections. Being that restrictive with taking risks might indicate Nudie Jeans would be vulnerable to losses, being a relatively small company. Prioritizing horizontal growth, gaining a lot of partners and later moving on to vertical growth and finally taking over the partners' operations, combined with a risk minimization and accepting relatively low returns seems to characterize Nudie Jeans' expansion strategy.

The intention of growing vertically is reflected in the required control of Nudie Jeans' partners. Their CMO emphasized the importance of the plan of distribution and being on location to oversee that everything goes according to plan, as well as all of the restrictions in the license contracts. According to Nudie Jeans this, together with the demanded information about the markets and operations from partners, is to protect the brand. However, this strategy is understandable, partly because they will get the indirect experience to successfully take over the operations, and that these operations would be in line with Nudie Jeans' values and fit the overall company plan.

6.4 Comparative analysis

It is clear that though the companies act in different business environments with different prerequisites, precaution seems to be a key element expanding abroad. H&M probably has, with its financial muscles, better stamina with entries into markets and if they struggle, as the case with their Danish establishment, they still show long term ambitions. The study has shown that other factors like tight ownership, as in the case of Gina Tricot and their German expansion, can be equally important for a long term strategy.

A strong brand identity works in the expansionists favor, using pulling mechanisms to create initial demand, ease marketing and differentiate. H&M has a great strength in its global brand, allowing it freedom from deviation from its global strategy to adapt to local markets. The much smaller niche player like Nudie Jeans Co, has similarities in its own segment in having a brand with strong global identity and its geographically spread expansion is probably heavily linked to this. Gina Tricot has probably had the most difficult time dealing with the competitive forces of expansion, at least relatively recently. It has less resources and experience than H&M while still competing for customers in the partly overlapping segment. Nudie Jeans on the other hand, has less competition in its niche and less operation costs on new markets due to licensing instead of direct investments.

The negotiating strength H&M has compared to Gina Tricot's when making deals with suppliers is probably negligible due to the fact that both companies buy quantities where differences in discounts are diminishing. Nudie does not have the buyer strength in terms of quantities as the other companies but their goods are more expensive in general, being able to make profit even with relatively higher input costs, therefore its negotiation strength does not need to be as competitive.

Nudie Jeans expansion strategy, using existing distribution channels on a new market by making licensing deals with local actors, gives it easier access to the market from the beginning, without investing as much as H&M and Gina Tricot have to do to achieve the same sales numbers. The downside of Nudie Jeans' expansion strategy is that it has to share its profit with the local distributors for getting the mentioned market access where H&M and Gina Tricot can reap larger profits if successful.

The segmentation of the markets seems to be similar among the companies in the study, as none of them modify their selection substantially. However, target groups for the companies differ some, with H&M targeting more or less the whole segment of potential buyers: men, women, children, young, old, poor and (with their relatively high fashion grade and designer collections) even some of the more wealthy population. Gina Tricot's outspoken target groups are "women of all ages" as their CMO mentioned in the interview, with the focus on customers interested in low cost, high fashion garments. Nudie Jeans uses a different targeting approach, offering its product without an externally formulated targeting strategy. The focus of Nudie Jeans seems to be keeping their identity unchanged rather than adapting to market demand, rejecting potential higher sales to protect company values. Although, it is likely that internally there is a slightly different policy, as most companies working in the fashion industry to some extent have to follow fashion trends to stay competitive. It could also be a marketing strategy to further differentiate their brand identity and "coolness" by not being mainstream.

H&M and Gina Tricot position themselves as relatively cheap high grade fashion, following global trends, offering products in line with the latest fashion. As competition in this segment is tough, both companies use *pricing strategies* as competitive forces. For H&M, designer collections are also a way to *differentiate* by *brand identity*. Nudie Jeans works in a less competitive niche, where designer jeans and other garments are considerably more expensive compared to what H&M and Gina Tricot offer.

Regarding ownership strategies and their effect on the general expansion strategy, companies must ask themselves how fast they want to expand, to what cost and what they can accept in shifts of control due to the expansion. One *positioning strategy* is presence (i.e. store density), to gain competitive advantages through *economies of scale,* coordinating marketing, logistics and raising customer awareness. Ownership strategies offer options on how fast an expansion can be done with different ownership formats. For Gina Tricot, this strategy has evolved over the years, first by using franchising and later changing to owning its stores instead, slowing down expansion in exchange of integrative growth, with the initial franchisees being the only exception from the current ownership structure of solely direct investments. From the beginning H&M has had a strategy to own its stores. Their franchises, which are a minor part of H&M's total amount of stores, were added later, as H&M has entered markets where fully owned subsidiaries have not been possible for different reasons. Both the CMO at Gina Tricot and the IRD at H&M point out that their organizations are flexible in terms of ownership formats when entering a foreign market, if the situation occurred, but both of their preferred business model is to own all stores themselves. Nudie Jeans has a different business model, using licensing, as a part of its expansion strategy. This can be seen as a two-step process. First, they enter a market through licensing deals and then, once operations are successful in the entered market, they take control.

As part of the comprehensive expansion strategy, dealing with growth strategies, it is important in order to know in what direction a company is headed, whether that means growing on an existing market, taking market shares, or moving on to a new market. All of the companies have diversified growth as they have moved on to new markets and established operations there. For Nudie Jeans some of the growth can also be seen as integrative as it has an expansion strategy to take over operations from their licensees. Gina Tricot has successfully dealt with both intensive growth, adding stores to current markets, and diversified growth, having launched businesses on several new markets. Some of Gina Tricot's growth strategy may also be seen as integrative as some franchises have been overtaken over the years. H&M has a similar growth strategy as Gina Tricot, apart from having less extensive integrative growth, though in the case of H&M the global expansion phase is a lot faster. Much of this speed in expansion is related to H&M’s global brand and financial situation.

Online strategies differ a bit from expansion strategies on physical markets. Nudie Jeans and Gina Tricot are present on many markets online, seeing the web shop as a complement to the physical stores and a way to reach customers on markets where they do not have physical stores yet. A web shop offers a cost effective way to expand into new markets, which is ideal for companies with limited resources. For the time being, the web shops have limited sales, at least in the case of Gina Tricot, and act to some extent as show rooms for the current collections. This could be in some part due to less customer awareness on the online-only markets which most likely is linked to non-existing or limited advertising. In the simplest of scenarios, adding a new market to a web shop could mean translating it, striking deals with freight companies and checking what legal differences should be taken into consideration. It is unclear if this really should be seen as expanding abroad, since almost no resources are put into marketing operations and sales often are negligible. H&M uses a different strategy for its online sales, offering its web shop to only eight of their markets. The reason for this seems to be the more complex logistics involved as well as the desire to meet certain quality standards before launching on a market. Given the relatively low sales for the online stores compared to sales in physical stores for the companies of the study, online sales are, for the time being, less important. The area is considered to grow rapidly the coming years though and therefore will be an important part of all companies’ expansion strategies in the long run.

The companies all have different processes for their evaluation strategies. In the case of H&M, the benchmarking which is simultaneously done globally, evaluates changes to the processes and adds to the company experience continuously. As their IRD mentioned, the sharing and integration process is important and gives H&M a competitive advantage over many smaller companies going abroad, having a large accumulated experience and resources to experiment with new processes. For Gina Tricot the evaluation process has led to that both country managers of Germany and Denmark being let go. It is imaginable the company would have acted differently if it had the same experience that H&M has accumulated over the years, yet on the other hand it is possible that the actions, of letting them go, were necessary steps to take in order for the company to grow internationally and gain experience facilitating growth. Regarding Nudie Jeans, its growth strategy has been so risk minimizing and careful, following evaluation of it, there does not seem to be a need for modification.

To summarize the companies' strategy focus:

Company	Strategy focus
Gina Tricot	• Mainly multinational • Intensive low price expansion • Growth through direct investment • Low risk target markets
H&M	• Global • Intensive low price expansion • Growth mainly through direct investment • Small scale expansion as a step in the learning process • ROI maximizing
Nudie Jeans	• Partly multinational, partly global • Specialized niche • Exclusive extensive expansion • Horizontal growth mainly through licensing • Vertical growth mainly through direct investments • Minimizing risk

7 Conclusions

This chapter presents the conclusions of this study. It discusses whether or not the purpose has been fulfilled, reasons to it and suggests further research.

Globalization, in general, has over the past 60 years opened up new markets, enabling companies to seek market entrance to them and information technology has further moved the boundaries outwards, offering a fully global market to act on. Expansion strategies have become central questions to all companies with ambitions to grow outside of their current market. Therefore it has become essential to seek answers to how to become successful in operations and be competitive on the international market.

The ambition in this study was to explore Swedish fashion companies' expansion strategies abroad in such a way as to identify factors of success and failure. It is not possible, with certainty, to conclude the purpose of the thesis is met. Though, there are indicators like experience of international expansions, in combination with financial stamina, that contribute to a successful strategy. One identified strategy to reach successful results, i.e. success, is to substantially decrease or minimize risk, with the alternative cost of decreased profits. Offering a good product also seems fundamental. As the CMO at Gina Tricot said, being successful when expanding abroad will only be possible if a company can add something unique to the new market, which seems to be true.

H&M and Gina Tricot have completely different expansion strategies from Nudie Jeans: H&M and Gina Tricot have intensive low price expansion strategies; and Nudie Jeans has an exclusively extensive expansion strategy.

Considering the shortfalls, the material for analysis was limited. Access to empirical results regarding failed international establishments was severely restricted and no insight to any market retreats was obtained first hand. Among the shortfalls there were several companies that had failed in international markets, if they would have contributed with information about their strategies, the analysis could have provided a greater depth. Therefore, further research could be suggested on failures within the fashion industry concerning international expansion strategies.

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