



Part C

**Target Marketing and
Managing the Fashion
Marketing Mix**

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Chapter Five

Segmentation and the Marketing Mix

5.1 Introduction and overview

This chapter will discuss the nature of market segmentation and the related strategies that are open to the fashion marketer. The preceding three chapters have concentrated on customers, in the context of the marketing environment in Chapter Two, as buyers with differing needs and social characteristics in Chapter Three and as a focus of research efforts in Chapter Four. This chapter attempts to draw together several themes to look at how to decide which market or markets to aim at, namely the target market(s).

Having determined the target market or markets, the next consideration is the positioning of the fashion marketing organization and its marketing efforts towards the target, and this will be covered later.

The chapter also forms an important link with the rest of the book by introducing the concept of the marketing mix. Having shown how an organization can position itself within a market, the next task is the planning and organization of controllable variables to meet the requirements of the market profitably. The particular combination of marketing variables offered to specific markets is known as the marketing mix, and this is described shortly.

5.2 Mass marketing and market segmentation

5.2.1 What is a market?

To constitute a market a number of conditions have to be met. There should be a genuine need, the customer(s) should be willing and able to buy the product, and the aggregate demand should be sufficient to enable a supplier to operate profitably.

5.2.2 Mass marketing

Fashion marketers who assume that all customers in the market are the same are adopting a mass marketing or undifferentiated marketing approach. The assumption is based on the idea that customer needs do not vary and that the company can offer a standardized marketing mix that meets the needs of everyone. The standard marketing mix means the same product, method of distribution, prices and promotional effort aimed at everyone. The best example of this is China during the cultural revolution of the 1960s where the whole nation was offered the Mao outfit of dark blue jacket and trousers.

In Chapter Two, when considering the development of markets, it was noted that the aristocracy and wealthy classes were able to obtain products that met their precise needs. Most people in the pre-industrial revolution period dressed in a variety of styles which were greatly influenced by local skills and raw materials. Mass production methods, coupled with the experience of producing clothing for large armies, led to the possibility of mass markets for clothing. Indeed the practice of mass marketing linked to the military can be illustrated by the existence of the 'demob' suit issued to servicemen upon demobilization from national service.

Where a product can be standardized, perhaps because of the predominance of function over style, then it could be argued that a mass market exists. Also, when mass production methods enable considerable economies of scale, some items may be produced so efficiently that the product becomes a low-priced commodity. Certain items of underwear such as white Y-Fronts or one-size tights are certainly capable of consideration as products suitable for mass marketing. The reality, however, is that although the possibility of mass marketing of clothing remains, it has never been a major feature of fashion markets in any advanced economy.

Given choice and the diversity of suppliers, consumers have amply demonstrated the desire for individuality that clothing can give them and they have rendered elusive the idea of a mass market for clothing. This is not to argue that homogeneity is absent in the clothing market or that there is not just one mass market, but many different clothing markets. One of the big success stories of the last decade has been Zara who have targeted younger customers with fast fashion as competitive prices (Figure 5.1).

Recognizing that the existence of many markets reflects the needs and purchasing capacity of clothing buyers leads to the idea of segmenting markets. Markets may be segmented or divided where, for instance, a group of consumers has a set of homogeneous needs that is different to other groups.



Figure 5.1 Zara, an example of successful market segmentation.

5.2.3 Heterogeneous markets

The extreme form of market segmentation is where everyone has different needs and purchasing capability, and this is described as market heterogeneity. An example of this would be if everyone had bespoke tailoring, which, given the economics of the prospect, is an unlikely scenario. The nearest example is the market for corporate clothing. Here large organizations may require custom-made uniforms or limited ranges of clothing for their staff to enable the achievement of corporate image and personnel goals. However, even within the corporate clothing market, there will be some homogeneity, with for example smaller regional and local non-competing organizations such as restaurants who are willing to accept similar garments for their staff. Security staff and cleaning personnel from many organizations may be provided with the same garments.

5.2.4 Market segmentation

Market segmentation is where the larger market is heterogeneous and can be broken down into smaller units that are similar in character.

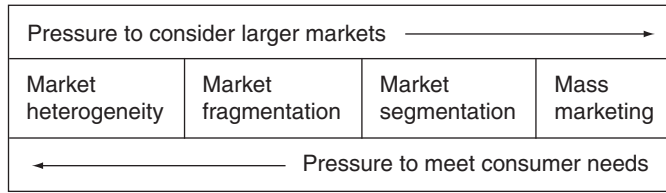


Figure 5.2 Factors influencing segmentation strategies.

In practice there is always the problem of balancing the similarity of needs with the desire for substantial numbers of potential buyers.

Pressure to target more closely can lead to greater fragmentation of a market so that the overheads of promotional support and information overload for consumers can become associated with lower levels of market efficiency. An acceptable balance has been found by many firms in what is known as niche marketing, where a clearly defined segment is targeted with a narrow product range. Wolford, Tie Rack and Thomas Pink are examples of this approach. Niche marketing is just another form of market segmentation. The extreme form of meeting customers' needs along this continuum has already been described as market heterogeneity, where each customer is treated as being unique.

There are other pressures to aggregate consumers with needs that are 'similar enough', but this can lead to a situation where the resultant marketing mix is a compromise that satisfies no one. The desire for larger markets is understandable as large markets enable economies of scale in production and marketing, and can command higher profits. The compromise solution of aggregating those who are 'similar enough' is vulnerable to competing businesses, who can demonstrate that they are better able to satisfy more closely targeted segments. These two pressures are shown in Figure 5.2.

5.3 Segmentation: rationale, bases and strategy

5.3.1 The advantages of market segmentation

By segmenting markets, fashion marketers gain several strategic advantages. Analysis of markets necessarily means consideration of competitors and their relative strengths and weaknesses in relation to customer needs. Such knowledge enables fashion marketers to decide whether to compete directly, if a strategic advantage is evident, or to position the company to exploit strengths and avoid retaliation from a stronger competitor.

The marketing research necessary to describe and segment a market usually leads to a deeper understanding of the customer that enables the most effective design of a marketing mix and the ability to respond to changes in the market.

Market segmentation enhances marketing planning in that it forces management to consider the relative costs, efficiency and effectiveness of the alternatives that segmentation reveals. Marketing planning is considered in detail in Chapter Ten.

5.3.2 Segmentation bases

Segments have been described above as groups of customers with similar characteristics. This section deals with ways of describing and analysing those characteristics. A larger market, say the womenswear market, may be divided or segmented into many different ways. There is no standard or preferred way to divide a market; however, it is important that the base(s) selected should relate to customers' needs.

Indeed it is not uncommon to find that fashion marketers use different methods for analysing the same market. What follows is an examination of some bases or dimensions that may be used to help categorize customers into meaningful and profitable segments.

5.3.3 Segmentation based on descriptors

One approach to segmenting markets is to describe the characteristics of potential customers. Such descriptions tend to look at demographic, geographical or personality characteristics of the buyer or a combination of the three measures. This approach is termed the descriptor perspective and has the merit that it is easily understandable and less costly owing to the availability of secondary data. An example would be to classify a market by age and income, thus for menswear we could show the market as shown in Table 5.1.

The next task using the table above is to quantify the various segments A to L and then analyse competitor activity within each segment. The fashion marketer can then make decisions about the positioning of the company within the market and in relation to competitors. The concept of positioning is described later in this chapter.

The prime weakness of the descriptor approach is the assumption that the dimensions selected relate directly to clothing purchase behaviour. Clearly gender, age and income are significant variables in many clothing markets, but there is a danger in assuming that they are the only, or even the most important, variables in every market. Some of the main descriptors used in segmenting markets are shown

Table 5.1 Market segmentation in the menswear market: an example based on simple descriptors

Age	Income		
	Low	Medium	High
16–25	A	B	C
26–35	D	E	F
36–55	G	H	I
56+	J	K	L

Table 5.2 Market segmentation descriptor variables

Variable	Potential categorization
Gender	Male/female
Age	<2, 2–5, 6–10, 11–15, 16–25, 26–35, 36–45, 46–64, 65+
Marital status	Single, with partner, divorced, widowed
Occupation	A, B, C1, C2, D, E Manual or non-manual Full- or part-time employment
Income	In decile bands, i.e. top 10%, next 10%, etc.
Net wealth	In decile bands or other bands, e.g. £0–4999, £5000–14 999
Education	Terminal age of education, e.g. <15, 16, 17, 18, 19, 20, 21–23, 24+
Customer size	In height, weight, dress/suit sizes, e.g. petite, large
Religion	Atheist, Christian, Muslim, Jewish, etc.
Youth	
Subcultures	Jazz, Goth, R&B, Rap, hip hop, punk, etc.
Family life cycle	Young single, young couple with no children, young couple with children, older couple with children, etc.
Type of neighbourhood	Urban/rural or, for example, ACORN
Housing/area	
Region/country	e.g. North East, Coastal, Central, UK, Italy,
Climate	Hours of sunshine, rainfall, extremes of temperature
Lifestyle	Groupings based on measurement of activities, interests and opinions

in Table 5.2. Notice that some descriptors contain more than one variable. The family life cycle, for example, refers to age of head of household, marital status, and the age and number of children, if any.

5.3.4 Segmentation based on benefits and customer behaviour

Another approach considers the behaviour of, and benefits for, consumers of fashion products and services as the main dimensions in segmentation. Here the concern is with monitoring how the consumer

Table 5.3 Market segmentation: behavioural and benefit variables

Variable	Potential categorization
Purchase loyalty	Brand loyal to non-committed
Purchasing mode	From comparison shopping to convenient outlets only
Usage rates	Heavy users, medium users, light users, occasional users, non-users
Expenditure	High spenders to low spenders in deciles
Usage situation	Working clothes, leisurewear, eveningwear, formal wear, e.g. weddings, and so on.
Price sensitivity	From very price aware and conscious to least price sensitive
Benefits	Easy-care garments, environmentally friendly fabrics and/or durability, etc.

behaves and the benefits she or he seeks from the product. Then and only then are descriptors considered. An obvious example may be the categorization of customers into those who are heavy spenders, moderate spenders or low spenders. For the fashion retailer operating a store card system the data should be readily available on a database along with other demographic information about customers, i.e. region, income, marital status, age, and so on (Table 5.3).

An important consideration is the number of variables that may be interlaced to provide a basis for segmentation. It would be unusual to use only one variable to divide a market, but it is wrong to assume that using more variables (multi-variable segmentation) is without difficulties. The use of more variables provides greater precision for the analyst. The cost of more variables, however, is the danger of greater market fragmentation as described above. Benefit and behavioural bases for segmentation are rarely sufficient on their own and so they are usually combined with demographic data to display a fuller profile of the segments. Knowing that some customers want easy-care garments is one thing, knowing how many customers and how to reach them via distribution outlets and promotional efforts is another matter.

5.3.5 Criteria for selecting segments

The bases for analysing market segments have just been described. Before developing a segmentation strategy one must select a segment or segments as a focus for marketing efforts. There are four main criteria that should be taken into account to achieve this.

- ◆ The segment should be measurable and easily identifiable. Before allocating marketing resources the target should be quantified. Producing garments to appeal to 'art lovers' may sound a good idea, but until it is known how to identify 'art lovers' and work out the market size little progress can be made.

- ◆ The chosen segment or segments should be relatively stable. Within the context of fashion this factor may seem ironic. However, fashion marketers invest considerable resources in building distribution networks and marketing information systems geared to particular groups or segments of customers and there must be the assurance that investment will yield long-term results. While styles may evolve over successive seasons, it is hoped that the core segment will remain loyal to the fashion marketer who leads and reflects their fashion tastes.
- ◆ The segment or segments chosen should be accessible. Accessibility refers to both distribution and promotional efforts. The role of demographic data in simplifying decisions about reaching the chosen segments has been described in the previous section.
- ◆ The segment should be large enough to be profitable for the scale of operations of the fashion marketer. Opening a boutique for women aged 35 plus in a small country town may be a sensible move for a small entrepreneur, but not for a large multiple retailer. It cannot be stressed enough that the long-term goal should be profitability rather than sales or market share. It is far better to have 7% of a high margin market earning £500 000 profit per week than 15% of a low margin market earning £196 000 profit per week.

Many companies describe their typical customers on websites, press releases or in advertisements, and this can give an indication of their target markets. However these statements can often be an aspiration rather than a reality as they are usually intended to flatter and attract consumers rather than defining the market segments in a way that informs marketing decision-makers. On their website, Warehouse describes their customers as 'Passionate about fashion, Knowledgeable about trends, Appreciates design and quality, Body confident, Independent and primarily 18–30, but Warehouse is about attitude not age!' This description is a nice complement to potential customers, but may not fully meet the criteria mentioned above for selecting a segment.

5.3.6 Segmentation strategies

Segmentation strategies can range from the choice of one target market or segment within the market to the selection of several segments in the market, each with a different marketing mix. The selection of only one segment is known as concentration strategy and the selection of two or more segments is called a multi-segment strategy.

The determinants of a segmentation strategy are the company resources, the nature of the competition and the nature of demand in the particular fashion market, for instance, whether it is stable or volatile. A concentration strategy can enable the company to become expert in satisfying one segment of customers and so to acquire enough prestige and goodwill to foster loyalty among customers, Herbert Johnson (Hats), established in 1889, being one such example. The risk of a concentration strategy is that a downturn in one market can expose the company to considerable financial risk.

A multi-segment strategy can provide a measure of stability in times of rapid market change by spreading risk across several segments. The same firm, while offering different marketing mixes, may find that the effort affords some economies of scale. For example, a company may target male and female segments via magazine advertising, and bulk purchasing of media space in magazines within the same publishing group may enable larger discounts to be earned.

Many companies have changed from a concentration segmentation strategy to a multi-segment strategy in a desire to expand or maintain growth rates. Both Jockey and Sloggi now produce underwear for males and females, having expanded from single-sex segments of the market. Sometimes the expansion into new segments can have a number of teething troubles, as with Jigsaw's first attempts to move into menswear and Marks and Spencer's recurrent attempts to target younger women.

The size of the customers is changing. Few people have the figure of a catwalk model and retailers recognizing this are offering more ranges in a wider variety of sizes. Taller consumers can buy from Long Tall Sally, a retailer who offers longer-length clothing. Evans Collection specializes in clothes for women of size 14 and over. Petite ranges for shorter women are now being offered alongside the usual ranges in many stores; Principles Petite is one example.

One leading clothing retailer, well known for floral designs, had tried to target a new market – that for boys between 8 and 11 – only to realize that particular age group often places great emphasis on distance from the feminine domain. Fortunately the lesson was learned after only a limited amount of experimentation with the new market segment and at small cost. Had the same retailer chosen a more masculine name and different outlets the outcome might have been very different.

5.3.7 Multi-segment strategies in practice

The idea of segmentation has been taken on board by most of the high street retailers. Several large groups try to cover the whole market by having a variety of stores catering for different groups of

customers. The Arcadia Group plc (formerly the Burton Group) was formed in 1998 at the same time as the demerger of Debenhams. Under the Arcadia Group are Burton, Dorothy Perkins, Evans, Outfit, Bhs, Tammy, Top Shop, Top Man, Wallis and Miss Selfridge. Dorothy Perkins and Burton offer affordable mainstream clothing for women and men, respectively, and Evans is the UK market leader for larger size womenswear. The group has a significant online presence with an e-commerce and Internet service provider called Zoom. In total the group has over 2500 outlets, is the second largest clothing retailer in the UK and has over 2.7 million active store card customers. In international markets the Arcadia Group has over 420 stores and operates in over 30 countries. Total sales for the group exceeded £1.85 billion in 2007.

Labels offered at Top Man are aimed at fashion orientated 15- to 25-year-old men looking for keen pricing. Burton aims at 25–40 year olds who are primarily socio-economic groups BC1C2; in 2007 they launched a premium Black Label featuring classic designs and higher grade fabrics for the less price conscious customer. Miss Selfridge offers clubwear, Wallis concentrates on stylish well-cut clothes. Thus within the Arcadia Group as a whole there will be some crossover of appeal for each brand, but the current emphasis of the group is on building distinctive labels.

5.4 Positioning and perceptual mapping

Positioning is to do with the perception of the firm and its marketing mix by the target market. Positioning is how customers see the market, although that perception may have been influenced by marketing action. The customers' perceptions include the role of the competition and may embrace some notion of an ideal offering.

The main method of determining a market position is the use of marketing research to construct a perceptual map of the market. A perceptual map is the consumers' view of the market, where consumers provide the main dimensions or criteria for making judgements. Ideally, these criteria will be the same ones identified when the firm considered behavioural and benefit bases for segmentation. Perceptual mapping involves complex statistical procedures, but is often shown as two- or three-dimensional diagrams. A hypothetical example of a perceptual map for positioning within the women's shoe market is shown in Figure 5.3.

An important point to be made about the perceptual map is that it is hypothetical and may have little to do with the realities of style and pricing. If typical consumers believe things about shoe stores that are

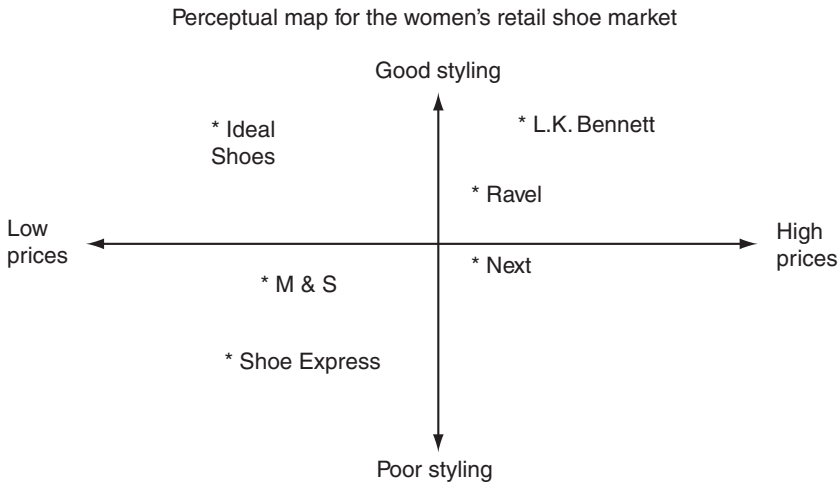


Figure 5.3 A market positioning example.

reflected in Figure 5.3, then they will behave in such a way to affirm those beliefs, as described in Chapter Three. Thus some customers may never even enter a Ravel store as they think it may be too expensive for them, while others do not consider Marks and Spencer shoes as their perception is that they are poor on styling.

The essence of positioning is to get the product right in terms of customer needs and expectations and then to tailor the image of the firm's marketing offering to meet the aspirations of the chosen market segment. Thus in the example above, if Ravel was trying to position itself to meet aspirations then the perceptions on pricing need to be addressed. If prices are too high in reality then the purchasing policy should be reviewed. However, if the prices are in fact lower than shown by the perceptual map, then promotion efforts could emphasize, for example, the value for money aspect of Ravel shoes.

5.5 The fashion marketing mix

The marketing mix is the range of variables that can be controlled by the fashion marketer to meet the needs of buyers profitably. Simply put, the marketing mix is getting the right product to the chosen market segment at the correct time, in the right place and for the right price.

Conventional descriptions of the marketing mix concentrate on what is known as the four Ps of marketing, namely Product, Price, Place and Promotion. This book does not deviate from that view but

prefers the phrase Distribution decisions instead of Place decisions, as a synonym. Other approaches identify several other ways of dividing up the mix with between 2 and 12 components. The 4P approach is still the most popular among practitioners and academics, and has the merit of facilitating the understanding about marketing activities.

The last section ended with a discussion of positioning within a market and that should be the starting point for the development of a marketing mix. The positioning statement is a strategic decision taken by a company and the marketing mix is concerned with turning that decision into a reality via specific activities. To devise a combination of marketing elements, i.e. the mix, to meet customer aspirations while having a competitive advantage is the route to profitability.

5.5.1 The planning and co-ordination of the marketing mix

All fashion firms have a marketing mix whether they consciously design one or not. The mix, as seen by the customer, works in varying degrees. Over-concentration on promotion to the neglect of adequate and timely distribution is a common feature of a flawed approach, as described in Chapter One. There is little point in advertising in magazines about the new range for a new autumn season in early September if retailers do not have the product in stock. Similarly, a public relations campaign to create an upmarket quality image can be easily undermined by a policy of almost continual discount sales.

All elements of the marketing mix should be co-ordinated towards the positioning objective. Thus a brand image may be reinforced by the pricing policy and the sales force should be sufficient to meet the needs of the distribution channels. Chapters Six to Ten deal in detail with the components of the marketing mix, and Chapter Ten will revisit planning and co-ordination, but the point should be noted now.

5.5.2 Alternative marketing mixes

Firms may pursue a multi-segmentation strategy and offer different marketing mixes to different market segments. Therefore a designer dress offered at a higher price in department stores to an upmarket customer may be accompanied by a diffusion range with less design content and lower-quality fabrics at lower prices through chain stores to another segment by the same company. Different marketing mixes from the same company can coexist easily and are often unknown to consumers through the use of different company names and brands.

Table 5.4 Different marketing mixes aimed at similar menswear markets

	H&M	River Island
Segment	20–35 Male	15–35 Male
Product	Mid-market Extensive range Staples, Active lifestyle L.O.G.G. Sports Casual/leisure Well-dressed formal wear	Mid-market Casual/leisure Broad range Different fibres and fabrics
Price	Mid-range From tops at £4 to suits at £250+	Slight premium over mid-range Tops from £25 to suits around £200
Distribution	Online shopping not available in UK in 2008 100+ high street stores	Online shopping available in UK 200+ high street stores
Promotion	Direct marketing, brochures, press advertising Billboards	Press advertisements Strong visual merchandising

An important principle to note in relation to the marketing mix is the principle of equi-finality. This means that there may be more than one way to reach a goal, and that alternative routes or mixes may be equally effective in achieving marketing objectives. Table 5.4 gives a brief example of alternative marketing mixes to illustrate, in part, the principle of equi-finality.

5.6 Summary

This chapter has introduced the concepts of segmentation and the marketing mix. Segmentation was discussed in terms of:

- ◆ ways of segmenting a market;
- ◆ criteria for selecting target markets;
- ◆ descriptor, behavioural and benefit dimension of segments;
- ◆ concentrated and multi-segment strategies, and their benefits and risks;
- ◆ examples from real fashion markets.

The chapter then went on to discuss market positioning and the relevance of the marketing mix to this, covering:

- ◆ building a strategy;
- ◆ co-ordinating the mix elements;
- ◆ alternative marketing mixes;
- ◆ customer perceptions of the marketing mix.

Further reading

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Chapter Six

Designing and Marketing Fashion Products

6.1 Introduction

This chapter will examine the product element of the marketing mix and its pivotal role in the success or failure of businesses within the fashion industry. First it addresses the concept of fashion and its economic and social importance, followed by an analysis of the nature and attributes of fashion products. Then there is a description of how the industry is organized for the diffusion of new trends and an examination of the process of new fashion product development. Concepts are then applied by examining a retail buying sequence.

Later there is an assessment of the concept of fashion and other life cycles and the implications for marketing decision-makers. Finally the relevance and use of the concept when determining seasonal product mixes and planning and controlling the introduction of new ranges are examined.

In this chapter, the definition of fashion as a current mode of consumption behaviour has been applied specifically to clothing products. However, it is acknowledged that in its broadest sense the term can be used to describe any product or service consumed as part of a particular way of living. More specifically the contents of the chapter could equally apply to other clothing-related aspects of fashion, such as shoes, cosmetics, accessories or hairstyles, as outlined in Chapter One.

6.2 The importance of fashion products

6.2.1 The concept of fashion

The product element of the marketing mix is fundamental to the fashion design industry. The continual process of new product development

and resulting change drives the whole industry and answers the demand from consumers for a constant stream of new ideas and offerings. Indeed it could be argued that without this constant generation and introduction of new ideas into the marketplace, the concept of 'fashion' would not exist.

Axiomatically, if consumers were not constantly engaged in the process of looking for new products or services to satisfy their emerging needs (and once having consumed them, allowing a set of new and different needs to emerge), the fashion process could not function.

Thus the industry revolves around a time-based, i.e. seasonal, process in which new fashions are introduced into the marketplace and are adopted by enough consumers to warrant the description of 'fashion' in its proper context in the first place (as a current mode of consumption behaviour), only to wane eventually in terms of popularity, thus rendering them 'unfashionable'. While some product offerings will remain popular over several or even many seasons, others will fade very quickly; these differences are discussed further in the chapter. The important point to stress here, however, is that this regenerative process is intrinsic to the fashion industry and is very necessary for its continued survival.

6.2.2 The economic importance of fashion

In 2006 the UK clothing market was valued at £13.9 billion at manufacturers selling prices and had been growing steadily for the previous few years. However, also in 2006, the number of UK clothing manufacturers reached an all-time low with large job losses to overseas suppliers of underwear and lower-priced garments. Many UK designers and fashion companies have been successfully exporting their ranges for many years; indeed the ratio of exports to imports has been rising steadily (in value terms) over the past few years. Nonetheless the UK remains a net importer of clothing.

Although the percentage of household expenditure on clothing and footwear in the UK has slightly declined during the past decade, it still amounts to nearly 6% of the total of all consumer expenditure at current prices. Due to intense competition at the retail level and low-priced overseas sourcing and a strong pound, UK consumers have seen real reductions in clothing prices since 2000. While historically not as fashion conscious as their European counterparts, many UK consumers have become much more fashion aware and consequently much more discerning when it comes to appearance.

To remain competitive many UK clothing manufacturers have chosen to follow an upmarket, high-cost route embracing high quality rather than competing with manufacturers elsewhere in the world

who are able to maintain very low labour costs (and therefore offer volume-produced garments at very low prices). Others, however, have developed purchasing strategies that involve subcontracting work into low-cost countries while still maintaining a high design 'edge' over competitors.

Clothing is now a global activity with China and the EU having 30.6% and 33.8% of world trade in clothing exports in 2006, respectively. Hong Kong with clothing exports of US\$28.4 billion is much more active in this market than the USA with clothing exports of US\$4.9 billion.

6.2.3 The social role of fashion

It has often been suggested that fashion plays an important societal role in terms of individual wellbeing. This, it is maintained, comes through enhanced self-esteem and acceptance by peers and various other social groups through the 'correct' choice of clothing and use of other image-developing accessories. Therefore it could be argued that the primary objective in gaining greater understanding of the nature of fashion products and the process of new product development is to become more effective in targeting specific market segments and thereby satisfy some of the most basic needs within a society.

Commercially this will lead to increased customer loyalty resulting in trust in what is being offered by the organization or the designer in question, resulting in improved sales performance and profitability. In the UK in particular, improved marketing capabilities have led to the maximization of design and manufacturing potential; British manufacturers cannot compete with low-cost producing countries on price and so have used their design and marketing talent as a basis to distinguish the UK in the marketplace.

6.3 The nature of fashion products

6.3.1 Product definition and classifications

Quite literally a product can be defined as anything that might satisfy a need that can be offered in the marketplace. Classifying products in terms of their characteristics and how consumers purchase them assists marketers in determining the appropriate blend of other marketing variables, i.e. promotion, pricing and distribution for the product in question.

Traditionally three categories have been used to define tangible product offerings, namely convenience, shopping and specialty, as shown in Figure 6.1.

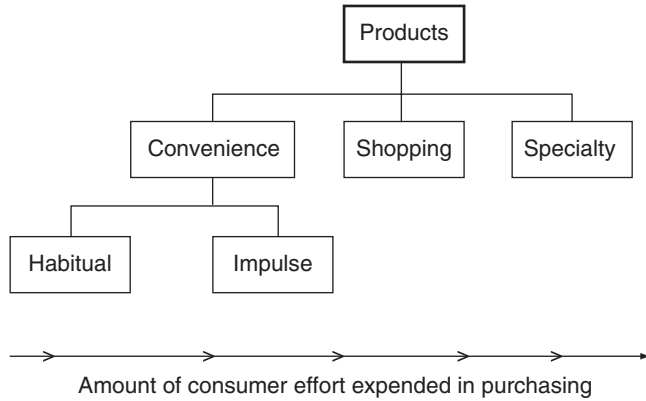


Figure 6.1 Classification of products.

Convenience goods

Convenience goods are frequently purchased with little thought, effort or attempt to undertake comparisons with similar products. Convenience goods can be further subdivided into staple goods, purchased habitually and where brand loyalty is probably very strong, and impulse goods, purchased without any pre-planning or searching. It could be advocated that certain basic items of clothing such as hosiery and underwear are often purchased as convenience goods, perhaps along with the family's regular one-stop shopping from the supermarket. Indeed many food retailers have capitalized on this approach by stocking such ranges alongside other non-food ranges.

Shopping goods

Shopping goods are where consumers compare product attributes such as price, quality and design by shopping around. Products in this category will constitute high-volume markets similar to those of high street fashions. However, they will lack the seasonal variations intrinsic to the fashion industry and are likely to be purchased less frequently than most clothing items.

Specialty goods

Specialty goods are products with characteristics that differentiate them from the other two classifications, usually based on high-quality and higher-perceived value. Brand image is very important here; often customers will make the effort to seek out the exact product they require. It may be that they will also expect some degree of exclusivity

in the product offering and will go out of their way to find it. More upmarket, branded fashion items obviously fall neatly into this category. However, over the past decade the demand for brand names in most garment categories and price ranges (triggered specifically by the mass market growth in sports and leisurewear) has dramatically risen. Therefore it could be argued that all except the most basic of clothing items could be described as specialty. As a result the high street has seen the development in recent years of what has come to be known as the 'capricious consumer'. By this we mean one who shops on a whim with little or no degree of store or brand loyalty but who has a keen eye for value for money with all the necessary design and brand name requisites. As a result, at the lower end of the market discount fashion chains such as Primark, H&M and Matalan find themselves the current 'value champions' on the high street through having low operating margins and still being able to offer viable customer propositions. At the premium end, brand-builders such as Gap and Next are still able to command premium prices despite having substantial operating costs, while companies such as Alexon with less brand strength found it difficult to sustain profitable operations.

6.3.2 Classifying products with a fashion element

Although the categories above do apply to certain items of clothing in the fashion industry, they are slightly limited in use when one is trying to analyse buying motives and methods. It is probably more accurate therefore to classify tangible fashion products slightly differently, categorizing them as classics, fashions or fads.

Classics

It is possible to use the term classic in several contexts. In terms of 'bundles of utilities', classics can usually be seen as the midpoint compromise of any style, i.e. total look or composite effect. Indeed, the term 'style' is often used to describe the classic in this context, complying with the basic laws of harmony in proportion, aesthetic sense and incorporation of balanced design features. Colour and pattern may vary but the classic customer does not seek the satisfaction of a new seasonal experience in the way that his or her fashion and fad counterparts do. However, it is likely that some satisfaction will be sought at the core of the product's tangible attributes, e.g. good quality, good fit and durability. Aquascutum is such an example as shown in Figure 6.2.

In a product sense a classic is never out of style for its market segment and will rarely appeal to the majority. Design changes will be



Figure 6.2 An example of a fashion classic.

minimal; these changeless and always acceptable garments are found in all recognizable areas of fashion, e.g. the women's tailored suit with knee- or just above knee-length skirt or for men the City pin-stripe, the double-breasted trench coat, the blazer; even denim jeans have their classic in the five-pocket Western style.

Classic garments, sharing the quality of 'timelessness', will collectively make up the classic styles described above. At any given time, however, it will be possible to identify dominant and secondary styles. What should be added here is that although often described as timeless, classics also evolve gradually over many years according to the style of the age.

Certain designers have also been described as classic, producing fashions that are seen by many as timeless and therefore can be worn despite the season and current high fashions. Barbour, Pringle and Nike provide good examples of brand names, while Paul Smith and Donna Karan are two examples of contemporary classic designers.

Classic products may occasionally become fashionable, e.g. the ongoing revival of the Chanel suit, albeit with more up-to-date styling detail. However, it is more likely that the classic will form the basis for the annual slow, continuous change that forms fashion. There is a skill in combining the appropriate variations on the appropriate classics for any given moment in time to create an appropriate contemporary style.

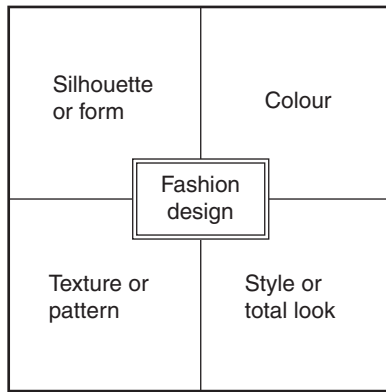


Figure 6.3 Four basics of fashion design.

Fashions and fads

The distinction between a fashion and a fad is usually defined on the basis of their acceptance cycle. Fashions usually have a slower rise to popularity, reach a plateau with continuing popularity and then decline gradually; often this cycle relates to a season, whether autumn/winter or spring/summer. Mid-season modifications to the original fashions may be introduced with the specific intention of maintaining buying interest and encouraging further purchases from early as well as later adopters (see Chapter Three).

Fads, in contrast, will rise meteorically in popularity only to suffer an abrupt decline as they become adopted. As a fad becomes fashionable it also becomes unfashionable. Adoption of a fad is based solely on the desire by the individual for a new experience that is not likely to become popular on a large scale. For this reason a fad tends to be viewed as non-viable in the commercial sense and usually eccentric in nature.

Retailers like Zara, who operate a system of fast fashion where cat-walk ideas can become translated into lower-priced fashionable items made available in stores within weeks, have contributed to the erosion between fashion and fad in some market segments.

6.3.3 Product attributes

In designing and developing new products, it is essential to understand what is being offered and therefore to appreciate the customer's perception of the product. As shown in Figure 6.3, there are four basics in terms of fashion design, namely silhouette or form,

colour, texture or pattern and style or total look. However, the fashion consumer will tend to view the garment as a series of attributes. Some of these will relate more closely to the social or psychological needs of the consumer and therefore will not always be recognized by the individual. However, it is essential that the fashion marketer is aware of both the subconscious and the conscious aspects of the product to offer the best combination of need-satisfying benefits to the customer.

Thus the product offering can be analysed at three levels. First, the *core* product that satisfies the most fundamental needs. Secondly, the *tangible* product can be seen as the physical interpretation and presentation of the four design basics to create the most appropriate fashion for the market in question. Thirdly, there is the *intangible* product, i.e. the additional services and benefits that supplement the previous two levels and create the total product offering.

Core attributes

The core of the product's attributes will revolve around the three basic tenets of clothing: protection, modesty and adornment. Since every garment will offer combinations of these functions to a greater or lesser degree, the consumer must decide how well the combination matches his or her basic criteria for purchase. Buyers will always look for those products that satisfy the maximum set of needs simultaneously. In practice, offerings will seldom satisfy all of them simultaneously and so each purchase decision will result in a compromise. The extent to which the customer has to make these compromises indicates the extent to which there are apparent gaps in the marketplace and therefore the need for more differentiation. This in turn helps to perpetuate fashion change.

Tangible attributes

Tangible product attributes, or the interpretation and presentation of the four design basics to provide an overall style, will revolve around in the first place the set of design features which make up the actual product. For example, a basic ladies' blouse may offer variety in terms of shape (loose, fitted, etc.), sleeve type (set-in, raglan, dolman, etc.), type of collar and shape (one piece, two piece, pointed, round, etc.), any decoration or trimmings, etc. In addition, the designer must have regard to the appropriate use of fabric, texture, pattern and colour for any given season. These are set in the context of both overall style and, for instance, co-ordination with other garments and accessories to form a 'total look'.

For example, it could be claimed that a hypothetical range of garments designed for the executive working woman offered high performance (durability, washability, etc.), an acceptable level of fashion for the given season, suitable styling for the executive role and versatility in wear. However, although the consumer may purchase specific items in the range at different times, it is highly likely that she would still expect co-ordination within the range to provide a suitable total look with whatever combination of garments she had purchased.

A designer and manufacturer should also strive to maintain standards of quality appropriate to the market which they have chosen to target. Quality control is becoming more and more important, although garment manufacturing does not have to comply with any British or European Standard in the way that product and engineering designs do. Therefore there is a variety of qualities of make and sizing specifications in clothing. Many consumers are quick to point out that a size 12 from one manufacturer or retailer may vary considerably from that of another. In 2006 the European Clothing Size Standard will aim to gradually replace national dress sizes and is based on body measurements. Metric sizing, anthropometric data, is derived from a major European study of sizing and benchmarking with similar international (ISO 3635) standards. If the European standard is widely accepted it will give the adopters of the standard a competitive advantage in world markets as both consumers and retail buyers will have greater confidence in the sizing information they use to make decisions. However, retail dominance since the 1980s has resulted in the introduction of more stringent quality control procedures. More discerning consumers now require quality of service and choice as well as product, and there are significant marketing implications in this.

Most retailers now employ teams of garment technologists whose remit is to work with in-house buyers and manufacturers to establish and maintain standards of make in line with given company policy. Quality manuals are used to provide guidelines on general standards such as fabric performance and size specification through to specifics such as the number of stitches per inch on seams which suppliers to use for component parts of the garment, such as trimmings.

The quality procedure in one large UK retail organization is as follows: retailers will require that buying samples (sample garments made to relevant quality standards) are approved before volume production. Once they have been checked by the technologist and buyer against established standards, two sample garments will be 'sealed', one to be kept by the manufacturer and one by the retailer. These samples will become the yardstick against which the quality of volume production will be measured. When volume garments begin to come off the production line a technologist will usually approve

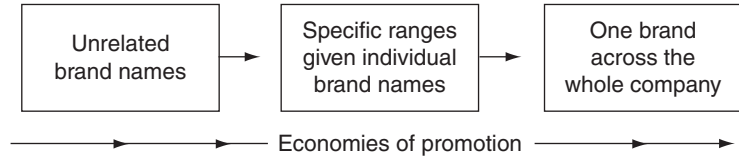


Figure 6.4 Branding strategies: a continuum of approaches.

and seal a further three samples, confirming that quality standards are being met and that the goods can be delivered into a central warehouse or direct to the store.

A further tangible attribute is seen in use of suitable packaging and branding. This is important in image creation, leading to differentiation in the marketplace which can be achieved very effectively through the use of labelling. Branding can be in the form of brand names, logos, trade marks, etc. Certain brand names have become so powerful that they are synonymous with the product. Consumers may talk of their Nike's instead of their training shoes, or of a Burberry instead of a raincoat. In the same way, suitable packaging is as important in the fashion industry as any other.

Brand names are a very important vehicle for providing the customer with assurances regarding quality and consistency of standard, the brand name of Marks and Spencer is a case in point. They can also provide assurances as to the suitability of fashion content for the season in question. Strong brand names can be very advantageous when establishing overseas markets. Young Japanese consumers with very high levels of disposable income are dedicated followers of British fashion. Traditional labels such as Burberry have established strong links in Japan, as have designers such as Paul Smith, Mulberry and Vivienne Westwood.

As shown in Figure 6.4, companies can employ various strategies as regards the use of brand names, such as:

- ◆ A variety of names can be used with no obvious link, the caveat here being that substantial promotional budgets will be needed to establish each one in the mind of the consumer. The Arcadia group have Topshop, TopMan, Wallis, Miss Selfridge, Dorothy Perkins, Outfit, Evans and Burton as separate brands (Figure 6.4).
- ◆ Specific ranges may be given individual brand names; in this way some common link can be emphasized such as range co-ordination across several garment categories, or ranges that have been designed with a specific theme or purpose in mind.

For example, Max Mara uses Max and Co as an affordable brand name for their younger market, Pianoforte for more expensive eveningwear and Marina Rinaldi for larger sizes.

- ◆ Use of only one brand name across the entire organization and its offerings can create a powerful image in the mind of the consumer. In time, use of well-established brand names can be stretched to introduce new products into different markets. This policy of brand stretching goes beyond brand extension, where new products are introduced into the same category. Use of this approach can increase the survival chances of new products and reduce launch costs. Indeed, brands that are too closely associated with particular types of products and do not use the power of relationship (in the consumer's mind) to extend and evolve into new formats and markets are likely to have very short lives. Towards the end of the 1990s the claim was that a new kind of brand was emerging – one capable of expressing a certain kind of attitude to life and somewhat reminiscent of the 'lifestyle' concept in the 1980s. Major brands are now becoming more 'elastic' in the sense that companies are increasingly defining them as a way of life and stretching them into new areas. Virgin now uses its name for airlines, music, broadcasting, broadband, trains, finance, soft drinks, mobile phones, health care, cosmetics, holidays, bridal wear and cinemas and an online car buying service. At a time where many companies are making similar types of products within similar price bands, functionality does not often succeed as a means of differentiation. Therefore it is essential that companies emphasize the emotional aspects of their brands in the hope that consumers will identify with sets of values that the brand is meant to represent. Even here, however, brands that stress highly intangible, emotional qualities must provide merchandise that is consistent with the brand promise.

The role that packaging plays within the tangible product offering will depend very much upon the nature of the product's image and the importance of branding and packaging within that. Although the main function of packaging is that of protection, it has often become intrinsic to the overall offering and its status, as exemplified by labels such as Monsoon or Shanghai Tang, where the brand name and corporate colour scheme of fashion stores are reflected in the packaging design. The packaging may even have a functional use in its own right; continued use will help to reinforce brand and image with the customer.

Intangible attributes

Intangible attributes, the additional services and benefits that supplement the core and tangible attributes, include services intrinsic to the purchase such as credit facilities, delivery arrangements, and after sales service such as alterations and money-back guarantees. Several UK fashion retailers such as, Selfridges and John Lewis, are beginning to follow the example of their American counterparts in providing customers with consultation as to personal image. This may include advice on the most appropriate garment styles for different body shapes and height, as well as colours most suited to the individual's complexion and hair colour.

Image and reputation of the seller, possibly because of an effective promotional campaign, constitute further intangible attributes. However, word-of-mouth recommendation, appealing shop interiors and exteriors and even satisfaction with previous purchases can all be contributory factors to the build up of longer-term loyalty. Lastly, there are consumers' quality and value perceptions, which are closely related to image and reputation but more often linked to customers' attitude towards price levels.

6.3.4 Licensing

The 1980s spending boom encouraged many big name fashion houses to expand their commercial activities through retailing and licensing. For many large investors, the appeal of high fashion lies not so much in their collections, but rather in the lucrative licences for perfumes and other products bearing the designer's name. Under a licensing agreement the designer will lend his or her name to products made by mainstream manufacturers. In spite of changing economic circumstances and problems associated with a strong pound and weak yen, the demand for British goods continues to grow in Japan. As a result, leading edge designers such as Paul Smith now have a high percentage of their business in Japan as licensing since the first licensing agreement was signed with C. Itoh in 1986; the company had sales of over £300 million in 2006. Burberry has signed a licensing agreement with Luxottica a world leader in premium eyewear developer and distributor to produce its first premium eyewear collection in 2007. Around £86 million, comprising 11% of Burberry's sales turnover, was derived from licensing in 2007.

In licensing, fashion houses such as Lauren and Dior must maintain a delicate balance between profiting from the prestige of their name and not simultaneously jeopardizing their exclusivity and high fashion image and reputation. Ralph Lauren concerns himself with

every detail, from the quality of the product to how it is delivered and presented in the shops. Licensing royalties for Ralph Lauren were US\$236 million in 2007.

Cardin, in contrast, has more than 8400 licences for items ranging from scuba diving equipment to sunglasses and while it is now one of the highest turnover fashion companies with estimated sales of over US\$1 billion in 2006, it has foregone its status as a high fashion house to become so.

6.4 The fashion industry and new product development

6.4.1 The role of the designer

The role of designer in the fashion industry is crucial to its success. The task is specifically one of interpreting society's current and anticipated mood into desirable, wearable, garments for every type and level of market. To do this effectively, designers must be in tune with the wider social, cultural, economic and political environment within which human beings conduct their daily lives; only then will their ideas truly reflect current prevailing conditions and the impact they are likely to have on future consumer needs. Thus the designer will draw on a wealth of ideas; the media and entertainment, other cultures, social attitudes and mores, historical and contemporary events all provide important sources of inspiration.

The skill in any good design really lies in maximizing the value that can be added to a set of basic raw materials. It is therefore dependent on the quality of the original design, its suitability for the market and the way it is made to meet customer requirements. Any designer should be skilled in striking the right balance between new product development and other marketing costs and the life expectancy and therefore anticipated sales and profit contribution of the product. However, serious concern is being expressed within the industry that the increased speed of the whole fashion cycle is beginning to stunt the growth of young designers and that the demand for new ideas and collections is so strong that the chance to develop ideas properly does not arise.

6.4.2 The influence of haute couture

In terms of influence the industry continues to operate in a hierarchical sense. The more renowned and internationally accepted designers (historically the haute couturiers, although this section of the industry is now in something of a downturn) continue to be a very significant source

of new ideas regarding fashion direction. At the same time, however, influences from elsewhere will pervade. From the late in the 1980s the influence of 'street fashion' has been felt throughout the industry. The skill for many designers, and particularly those who are trying to appeal to the wider, mass market, will be to interpret the wealth of ideas and sources of inspiration into garments that are appropriate for high street consumption.

The point should be made here that haute couture and mass production are quite different. The former evolved from the desire for luxury and conspicuous consumption from the elite strata of society; the latter developed in response to the growing post-war affluence of the majority and the desire for an improvement in living standard and lifestyle. Thus it has historically been the function of mass production to select and adapt appropriate couture design to meet the needs of the public at large. While the recognized leading designers in Europe, America, Japan and elsewhere continue to act as sources of inspiration, their supremacy and unattainability for the masses is maintained by employing the best in fabric, make, embellishment, etc. and producing fashions that can only be afforded and worn by a select, fashion conscious and extravert few. However, even the leading designers are vulnerable; if their sense of direction and development is not consistently strong they will fail to develop a progressive adaptability. The stereotypical style that may result could leave the way open for new designers who have a better understanding of the way fashion develops.

6.4.3 Organization of the fashion industry

In recent years the haute couturiers have, along with established designers, tended to move towards greater brand differentiation to capitalize on their names and some have also decentralized their manufacturing operations to cut costs. Some manufacturers now produce and distribute designer collections, enabling haute couture or designer names to be made available to a larger market at more accessible prices through ready-to-wear ranges. The announcement by the French government in the early 1990s that it was planning to encourage new designers into haute couture indicated the fact that the couture market was in decline. Younger customers are being tempted away from the idea of luxury for its own sake and are now demanding clothes by the newer designers that are indisputably contemporary in their direction and approach.

Production capacity of the manufacturing sector in the industry will be split into different ways. Some will devote their entire production to retail own-label ranges, while others may run own-label

(i.e. manufacturer) ranges alongside. The third possibility is to allocate certain capacity to manufacturing garments under licence (see earlier). Similarly, retail strategies may be based on 100% own-label ranges in store, or mixing retail label with manufacturer- and/or licensee-labelled merchandise.

Thus within the industry chain the process of converting basic raw materials into finished marketable goods will involve teams of people working together at each level. Yarn and textile producers will employ designers and technologists and may employ the services of colour consultants and fabric forecasters in their work. Teams comprising in-house designers, pattern cutters and sample machinists, production and sales personnel will work together in manufacturing organizations on the development of own label and licensed ranges.

At the same time their designers and production personnel will be working with buyers and merchandisers in retail organizations on the development of retail own-label merchandise; retail buyers and merchandisers will, in turn, be working with teams of their own in-house designers, quality controllers, garment technologists and possibly even store personnel during their planning cycle. Retail dominance as described earlier has also led to retail buying and merchandising personnel working closely with yarn and textile producers in a bid to differentiate ranges at an even earlier stage in the chain. Fabric will be dyed or woven according to retail specification and subsequently ordered for the garment manufacturers.

6.4.4 The sequence of events

There are four major stages of influence in the new product development and fashion diffusion and adoption process. These are, chronologically:

- ◆ 'The Colour Meeting' in Paris known as the *Concertation* where approximately 40 leading fashion industrialists representing major yarn, textile and garment manufacturers, top designers, stylists, colour consultants and fashion forecasters gather. Together they will establish the major colour trends (based on around 30 colours) that will dominate the fashion scene two years from the time of their meeting. The trends will usually be based on themes of darks, brights, pastels and neutrals. Work will then begin by various sections of the industry on interpreting and adapting the basic story to suit their own particular requirements. For example, the International Wool Secretariat and Cotton Institute will work on appropriate interpretations for their respective yarn and textile industries.

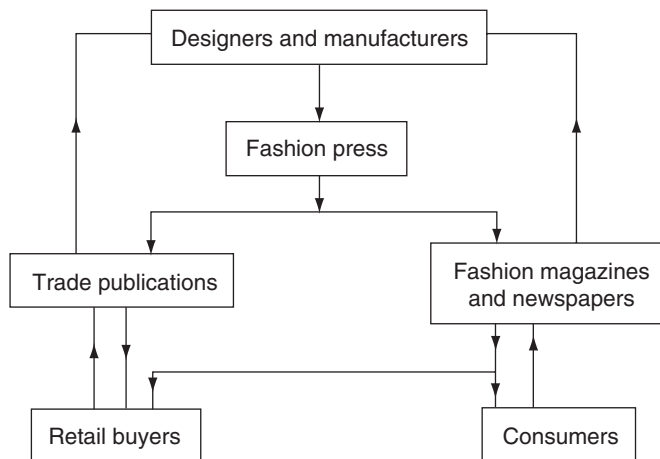


Figure 6.5 The two-way flow of fashion information.

- ◆ The biannual yarn and fabric fairs where the new colours, textures and patterns will be presented as trends for 12 months ahead. These fairs are now held in most of the major cities of Europe.
- ◆ The biannual international fashion fairs in Paris, Milan, Tokyo, Shanghai, Moscow, New York and London where leading designers will present their latest collection ideas six months ahead of the season in question. Representation by the media is very strong at the international collections, showing the enormous influence the media now have on fashion awareness and acceptance.
- ◆ Reportage in the trade and commercial press of the designer collections is described above. The power and extent of modern-day mass communication systems are such that the media are instrumental in shaping and influencing the fashions that are ultimately accepted. This process is shown in Figure 6.5. Simultaneously, journalists now provide a two-way flow of information, reporting 'upwards' on street styles that have been a significant influence on top designers over the past few years (and often creating their own fashions and fads in the process), as well as 'downwards' on developments in the collections to the public.

6.4.5 The process for developing new products

Change in the form of new product development is an intrinsic part of the culture of all organizations associated with the fashion industry

whether directly in manufacturing or retailing or indirectly in the media or public relations. While product strategies will invariably be linked closely to corporate objectives, continual new product development will also enhance and strengthen image, brand name, etc.

Traditional models used to describe the new product development process will describe many stages from concept through to actual launch. However, the timescale to which the fashion industry works is such that several of these stages will function simultaneously. To demonstrate this, the example chosen to work through is that of a high street multiple retailer. Whether textile or garment manufacturer or retailer the principles and procedures described are very much the same since all are involved in the process of buying, sampling and selling. Obviously the timescales will vary according to how far back in the chain they go.

6.5 Retail buying sequence: autumn and winter season

6.5.1 Early September

Analysis and development of new concepts take place, along with analysis of last year's range, to identify good and bad sellers based on performance and average weeks' cover. This is an indication of the rate at which a style is selling and the number of weeks it would take to sell out completely at the current rate. Lines which have averaged 10 weeks' cover, or less, will be seen as good sellers, anything above this will not have been such a success and is not likely to be repeated. If a line has averaged over 20 it will be deleted. The analysis will be by style, fabric, colour and price point and will form the basis for the range going forward. Supplier performance also will be examined, by line (rate of sale, prices and profitability) and by quality and reliability, for instance, in delivery.

At the same time an analysis of forward trends is conducted (working here with in-house design studio staff and colour and fashion forecasters if relevant). This is to gather new ideas, colours, fabrics, etc. that can be applied to the range.

The actual plan will be built up around improvements or revisions to existing products, additions to existing product lines and the incorporation of new products into the range.

6.5.2 Late September

First stage screening, further development of concepts and initial product development are all now able to proceed. Initial presentations

of range plan ideas for basic approval take place and the alteration cycle begins. Further research is now needed for concept development and is conducted by, among other ways, shopping trips to Europe and America. Initial buyer and supplier meetings take place to exchange ideas and give direction, while sampling and the alteration process also take place at this time.

6.5.3 Early to mid-October

Second stage screening is conducted, while product development continues. Visits are made to the fabric fairs. Supplier development continues. Once the concepts and styles have been approved by the controller, a presentation is made at director level.

6.5.4 November to the end of January

Product development is now finalized, and provision for test marketing within the proposed new ranges is planned. Sampling and negotiating with suppliers and agents is in full swing, culminating in agreement on prices. Range meetings take place with controller and directors at end of January for approval of final ranges. Sealed samples, as described, are taken and work now begins on accurate buying figures and phasing of deliveries.

Range plans at this stage will feature certain styles to be included as experiments or test lines at the beginning of the season. It may be that they have a higher element of fashion in them than the norm and are therefore seen as carrying more risk. However, flexibility will be built into the range to purchase more of the new ideas if they prove to be successful once launched.

6.5.5 Mid-February

Marketers begin to develop the other mix variables, and prices are finalized. Other marketing tasks include liaison on contract preparation, and the development of in-store and other promotional ideas.

6.5.6 April to May

Chasing production, quality checks and monitoring progress are the main pre-occupations now. Feedback from these is used in a continual review process.

6.5.7 July to August

The first phase of the range is launched in stores. Phasing of deliveries according to pre-planning is set at approximately every six to eight weeks.

6.6 The product mix and range planning

6.6.1 The nature of the product mix

The product mix or product range is the assortment of goods a company offers for sale at any time. Before each season the organization must not only consider how it might alter or modify its classic (i.e. more basic) lines, which are less liable to radical change, it also must undertake careful planning of its fashion ranges in terms of width, depth and fashion content (and simultaneously anticipate and plan for the risk involved). Decisions concerning the mix of products also will relate to changes in broader company objectives. These may range from sales and profit growth, via emphasis on increasing market share or targeting new markets to return on investment targets, etc.

6.6.2 The planning cycle

The frequency of the planning cycle is probably greater in the fashion industry than any other because of its seasonal nature. Changing customer preferences ensures a perpetual drive for change. Volatility in terms of the seasonal variety of products offered and the speeds of change in fashions require skill, creativity, a propensity for risk taking and in-depth knowledge of end-user requirements in order for companies to plan effectively, and implement and control what is being offered in any given season.

Traditionally companies have planned for two seasons, autumn/winter and spring/summer. However, many are now moving towards the incorporation of mid-season ranges. For some this will mean a totally new set of garments, accessories, etc. and for others it will merely involve adding top-up variety to the major lines that were introduced at the beginning of the season.

At every stage in the planning cycle the team, which may comprise any combination of textile and/or fashion designers, production managers, sales-people, buyers, merchandisers and store personnel, will focus on the permutation of fashions being offered. The following terms are used in the example below which highlights the two major stages.

Garment category

This refers to types of garments in a generic sense, i.e. as a whole class or group. This could be such terms as market being served, context of wear, fashion look or statement. For example, a manufacturer of men's and women's jackets may offer ranges that appeal to the same target market in terms of age, income, interest in fashion and other segment characteristics. Alternatively, the ranges may be functionally based on, for example, rugged outdoor use, and appeal to a wide age range.

As another possibility, the ranges may comprise a mixture of classic through to high fashion garments that have been manufactured using similar production methods and materials. However, owing to their fashion content their appeal lies at either end of the fashion spectrum. In such a situation it is highly likely that the manufacturer would differentiate the ranges by distinct promotional, distribution and pricing strategies.

Product line

This is a breakdown of garment categories into fashions that are related in more specific, identifiable ways. Here an established variety of words or terms will probably be used to describe the breakdown into product types. Thus a casual jacket might be described as an anorak, a parka, blouson, yachting, donkey, etc.

Style

Each product line can be broken down into a variety of specific designs appropriate for the given season.

Width and depth

The dimensions in terms of number and variety in each stage of the planning process are shown in Figures 6.5 and 6.6.

Figure 6.6 shows how a hypothetical range of womenswear might be broken down into the following garment categories: tailored separates, blouses, casual tops and bottoms, and accessories. Casual tops have then been further broken down into specific product lines as follows: casual jackets, cardigans, sweaters and T-shirts. At the same time, the figure shows a possible percentage breakdown of total sales revenue and profits for the range by garment category. A further breakdown has been given within casual tops showing the percentage contributions of each to their own garment category and to the overall range.

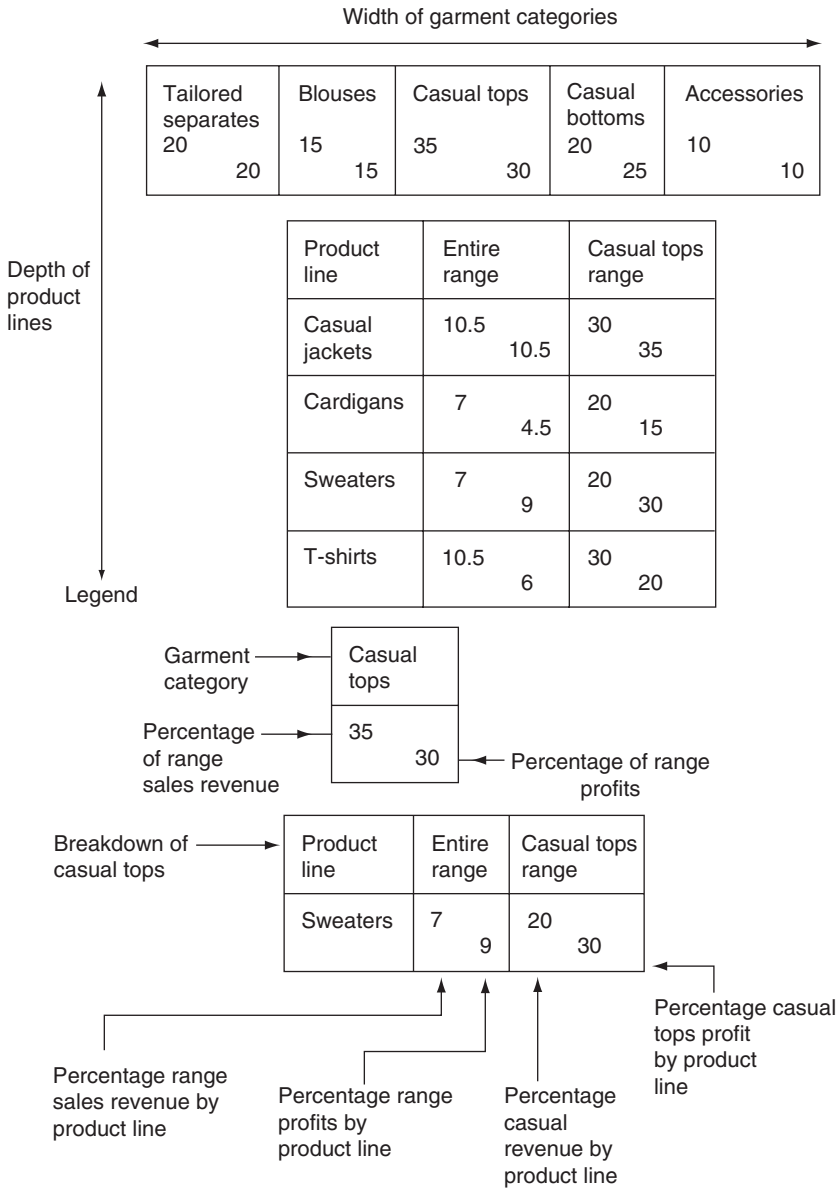


Figure 6.6 Stage 1 range planning: hypothetical womenswear range analysis.

Range plan detail for style 1:

Design detail

Round neck, long sleeve, single cotton jersey T-shirt.
Single rib collar with top stitching, straight edge cuff.

Pattern

Printed triple stripe.

Colourways	Navy with white stripe, ivory with navy stripe.			
Size range	S	M	L	XL
Pack size	2	4	4	2
Total quantity (units)	720			
Quantity per size (units)	120	240	240	120

Additional comments:

If manufacturer: Own label, to all UK licensees
 If retailer: Basic, all-store line

Analysis of percentage sales revenue and profit contribution:

	Percentage sales revenue	Percentage profit
<i>Contribution to casual tops range:</i>		
Style 1	12.25	9.0
Style 2	12.25	9.0
Style 3	7.00	7.5
Style 4	3.50	4.5
<i>Contribution to T-shirt range:</i>		
Style 1	35	30
Style 2	35	30
Style 3	20	25
Style 4	10	15

Figure 6.7 demonstrates how stage 2 in the planning cycle could be applied to one specific style within the line of women's T-shirts. The figure also quantifies percentage sales revenue and profit of each style within the T-shirt range itself and as a contribution to the overall casual tops range.

Thus in retail terms the T-shirt range would feature two basic styles that would go to all stores and amount to 70% of sales revenue. The more fashionable style 3 might be sent to specific branches, e.g. the top 50%. Style 4, the highest risk in terms of fashion content, might be featured in only 10% of stores and probably only at those stores most likely to sell high fashion garments. At the same time profit expectations would vary: *pro rata* style 4 has the highest profit potential.

As the organization grows, it may be strategically sensible and profitable for it to diversify its ranges into non-garment categories such as accessories, luggage and home furnishings. However, these decisions will usually be taken at board level since they will relate fundamentally to the nature of the company's business.

The retail examples of Next plc, Ted Baker and Ralph Lauren demonstrate how it is possible over time to move into broader clothing and non-clothing areas from an established base. From its original target group of 25- to 40-year-old women, Next plc has established itself with appeal to a much wider age range. Success eventually led to the development of several differentiated womenswear

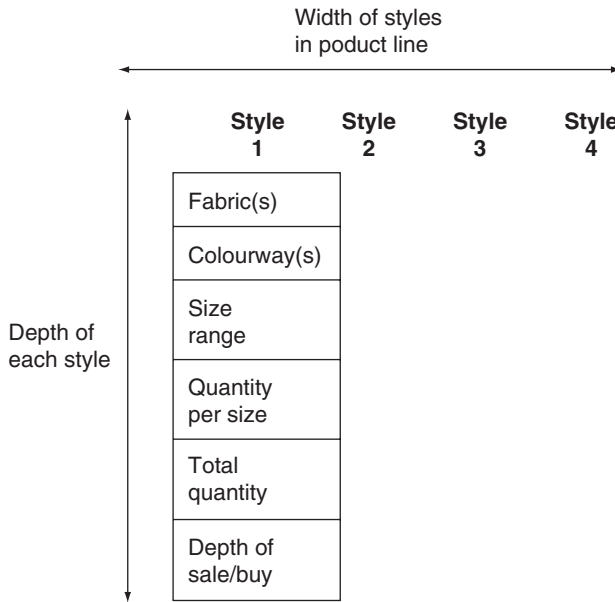


Figure 6.7 Stage 2 range planning: women's T-shirts. Hypothetical breakdown of specific product line.

ranges, menswear and childrenswear, footwear, jewellery, watches and giftware.

6.6.3 Range planning checklists

Improved technology means that planning teams are now better informed regarding sales histories for previous seasons. At any one time there are many dimensions of historical information available, e.g. seasonal best and worst selling styles, colours and sizes; customer sales patterns; geographical variations; specific rates of sale for garment styles; most popular price levels. The first essential stage in any planning cycle is to analyse what has happened in previous seasons to enable more informed decision-making so the firm can ultimately capitalize on previous success.

Pre-planning checklists

The following pre-planning checklist indicates where the analysis should focus:

- ◆ Sales history: Good and bad sellers; most popular designs and why? Best/worst customers in relation to best/worst stores. Specific styles and why?

- ◆ Rates of sale of styles offered, reasons for variations. Although certain styles may appear to be faster sellers there may have been problems regarding others, e.g. availability.
- ◆ Colour/fabric/pattern trends. For example, were best sellers limited to only certain colours, fabrics, etc. and if so, which ones?
- ◆ *Emerging trends*: Are there any new trends emerging from sales of high fashion lines, e.g. colours, styles, fabrics? Which are applicable to the range in question, i.e. which will suit the intended target market? To what depth should risk be taken?
- ◆ *Pricing*: Were the price levels appropriate?
- ◆ Did the styles offered represent good value for money?
- ◆ Was the balance of price levels right?
- ◆ Was it similar to that of competitors?
- ◆ Were target profit margins achieved overall by various styles?
- ◆ If not, how can profit margins be improved?
- ◆ *Competitors*: How successful in the previous season in question? Regular analysis of competitors should have been carried out during the season via comparative shopping surveys, information from other manufacturers or retailers, trade press articles, publicly available financial information, etc. Have there been instances of successful practice that can be followed?

Balance, cohesion and synchronization

Once ranges have been determined, the following will serve as a useful checklist to ensure balance, cohesion and synchronization:

- ◆ *Garment categories*: Is the percentage breakdown appropriate? Is the balance correct for customer requirements, and are there enough options to meet a variety of preferences and tastes?
- ◆ *Product lines*: Are the styles within each appropriate for the target market in terms of design content, style, fabric, colour, pattern and texture? The tension here will be between offering width or depth of range – where should the balance lie between offering safe lines and high fashions with more risk? Decisions regarding which new fashion directions should be incorporated are crucial; today's riskier lines could very easily become tomorrow's best sellers, as they become more widely accepted and therefore safer over time.
- ◆ Do the above two items fit the company image we are trying to portray? For example, the garment label or company name may be well established in a high fashion context.
- ◆ Is each range balanced? Is there cohesion in what is being offered or might there be too much emphasis on certain

styles and not enough on others? If there seems to have been a tendency to favour one or two styles, might competitors be doing the same? If this is a possibility the market will be flooded when the ranges are launched. Are the proposed size ranges balanced?

- ◆ Is the range profile balanced over time? This is particularly important when styles are phased in over a season rather than launched simultaneously. Does the phasing ensure availability of interest in the range at all times?
- ◆ Are the design proportions synchronized? For example, when considering a range of men's outerwear, if jacket lapels are narrow, are shirt collar point lengths also small? Are ties slim enough to provide a small enough knot? Are widths of trouser bottoms and other design features in proportion to those of the jackets?
- ◆ Is there balance across the pricing structure? Are the price levels right? Is there a relative balance of prices across lines and garment categories?

6.7 Fashion and related life cycles

6.7.1 The risks inherent in fashion

The cycle of marketing activity begins and ends with consumer needs; as the most urgent set of needs is satisfied in the form of appropriate products, others emerge. In turn, these new needs become of prime importance and create the driving force leading to a desire for further new products. Nowhere is this process more apparent than in the fashion industry; the continual development and introduction of new products into the marketplace are axiomatic to its very existence.

Paradoxically, while an essential undertaking, no aspect of the marketing mix is as uncertain as the introduction and acceptance of new products, particularly when they have a fashion element in them. Implicit in the pluralist nature of today's fashions is the existence of several typical looks or styles in any given season, and the incorporation of many modifications and variations according to the market requirements. The result is that all levels of fashion conscious consumers are able to distinguish between styles that are currently popular and others that belong to previous seasons and are therefore deemed out-of-date. The ability of the individual to observe and react to these phenomena in a negative way ensures the perpetuation of the fashion cycle.

Implicit in the above is that at any moment in time a style considered unfashionable by some may yet be deemed fashionable by

others. The net effect of this is that the product's profile will vary over time in terms of sales revenue, profits generated and the target market it appeals to as the fashion becomes more widely accepted and therefore less fashionable. To avoid or at least minimize the risk of failure of new fashions, a method of forecasting the onset of popularity with the rate and extent of possible adoption and diffusion patterns would be invaluable to marketers. Furthermore, the ability to recognize symptoms of decline or failure at an early stage or perceive changes in the nature of the target market during the season could lead to appropriate changes being made to promotion, pricing and distribution policies to maximize sales and profit potential.

6.7.2 Limitations of theoretical models

Although it has been argued that fashion is the synthetic creation of the seller, particularly with the growth of retail concentration in the last decade, the existence in terms of diversity of direction offered in the marketplace at any one time and the numbers of 'dictated' designs that fail every season are evidence enough that fashions are decided by the majority. Taken collectively the public is closer to the *zeitgeist* or 'spirit of the age' than any individual designer, manufacturer or retailer; it is the consumer who has the last word in what will or will not become fashionable. At the same time the majority of tastes do not swing from one extreme to another every season; in the main changes are gradual and incremental. The implication here is that historical data relating to sales patterns of previous seasonal successes and failures can, to a certain extent, be used as the basis for planning anticipated success rates for new styles (or at least estimating the degree of risk involved). However, the real skill lies in being able to identify the most appropriate seasonal fashion directions for the target market in question, while using historical data to plot the likely success rate of the new selections in an effective way.

While the concept of the product life cycle described below provides a useful framework for analysing sales revenue and profit patterns over time, such analysis will always be retrospective. Thus the model is not able to answer important questions relating to the why and how of product acceptance or failure, or why different rates of acceptance and success exist. However, if the seasonal performances of incremental product changes are analysed in the context of variations in the rest of the mix during the cycle, and their performance is compared over time, it is feasible that acceptance and diffusion trends can be identified on the basis of product attributes or bundles of utilities. The caveat here is that relying solely on this information and using it too literally can very quickly lead to boredom on part of

the consumer, ultimately leading to purchase decisions being made elsewhere in the pursuit of fashion.

Therefore, the real value of the product life cycle concept lies in its use as a tool for planning and controlling anticipated as opposed to actual rates of sale, at the same time understanding how varying the emphasis of other mix variables can impact on product performance at different stages in the cycle. In the longer term, greater understanding of interrelationships will result in more effective planning for appropriate changes according to emerging sales and profit performance.

6.7.3 The fashion product life cycle

The concept of the product life cycle is based on the proposal that all products have a finite 'life cycle' that can be plotted over a given period using the biological analogy of growth, development and decline. It proposes that all products will go through four major stages, namely introduction into the marketplace, growth, maturity and decline. However, it has already been pointed out that the nature of products in the fashion industry varies according to the rate, extent and timescale of acceptance of any new offering. Thus while fashion and fads do make up successful new product introductions, garments that are more classic in nature will never actually go 'out of fashion', nor will they rarely be 'in fashion', rather they will continue to meet established target market requirements. Thus the concept should be modified when analysing various fashion product classifications.

The life cycle of a fashion garment, extending over one or several seasons, probably comes nearest to the bell-shaped curve normally used to depict the product life cycle model (Figure 6.8).

The sales and profitability patterns and marketing implications of the model are described below.

Introduction

New fashions take time to gain acceptance. Some consumers will be more innovative than the majority and, while they are willing to pay higher prices, unit costs could potentially still be high due to low sales. However, to counterbalance this, the high fashion element (and therefore exclusive nature) of the style at this stage may mean that customers are willing to pay very high prices, leading to generation of high profits. Selected promotion will emphasize image and high fashion nature; the main aim will be to educate and inform the customer as quickly as possible. The size of the market will, however, be limited. Distribution will tend to remain exclusive.

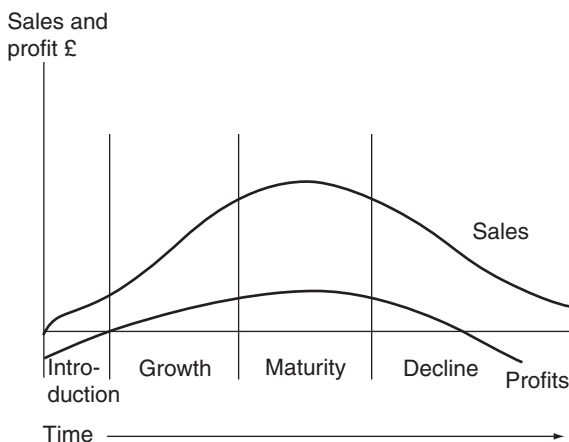


Figure 6.8 The fashion product life cycle.

Growth

Competition increases as the fashion gains exposure and begins to have wider appeal. Products will be modified to reduce costs and be offered at lower price levels. Sales will begin to rise sharply; new price bands will be established quite quickly. Distribution, still selective at this stage, will be wider as the fashion is diffused. Promotional emphasis will be on broadening exposure to gain acceptance of the fashion by the opinion forming element of the mass market.

Maturity

At this stage the fashion will have mass appeal; this period will be the longest in its life cycle. Competition will be intense, and prices will begin to fall to appeal to a very large market. Products will be further modified to achieve the ensuing lower price levels and profit potential will be falling. Distribution will be wide; promotional emphasis will be on reinforcement of what has by now become an established fashion.

Decline

The style is rapidly going out of fashion. Competitors are gradually eliminated as sales and profits are falling drastically and the prospect of being left with obsolete stock is near. Those left in the market may try to extend the product's life by intensive advertising, extending distribution or searching for new segments. The alternative segments are likely to balance concerns about the likely success of the

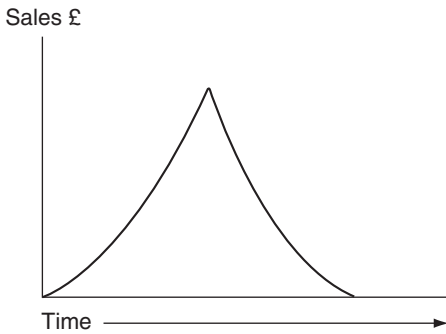


Figure 6.9 Sales of a fashion fad.

product against others such as price levels and the remaining life of the product.

6.7.4 The fad life cycle

The life cycle of the fad will tend to be very short, peaking quite sharply and declining almost as quickly as it rose in popularity (Figure 6.9).

The sales and profitability patterns and marketing implications of the cycle are described below.

Introduction and growth

In the case of a fad there is no introductory period coupled with rapid growth; the objective will be to capitalize on popularity as quickly as possible. However, the ability to do this will be restricted to a great extent by its 'fad-like' nature. Thus sales are pitched at a price the market will bear, probably higher than the fashion item it has been derived from, if this is applicable. Pricing strategy will aim to maximize profits even at launch stage, and the general emphasis will be on offering the new and different to a very specific type of consumer.

Maturity and decline

As maturity is reached, decline will begin very rapidly. Sales and profits will also decline; the emphasis here will be on getting rid of any remaining stocks as quickly as possible, either by reducing prices or by varying distribution channels. Promotional costs may be incurred in persuading new segments of the fad's dying appeal.

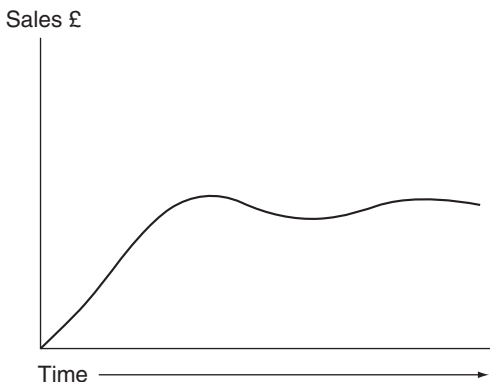


Figure 6.10 Sales of a fashion classic.

6.7.5 The classic life cycle

The style will have established itself over a time and, once established, will maintain its popularity with its target markets. Periodically the style will become fashionable; the shape of its curve, therefore, will tend to undulate gently (Figure 6.10).

Sales and profitability patterns and marketing implications of the cycle

Classics will already be established in the mature stage of the cycle (although they will occasionally be revived as fashion). Distribution channels, price and profitability levels will rise relative to what the established market will bear. Promotional policies for classics will tend to be based on reinforcement of well-established, accepted styles. Over time the market for classics could increase as demographic shifts in the population lead to larger numbers in mature age brackets (classics tend to be bought by older, more mature consumers). Earlier in this section the point was made that the life cycle concept would be most useful where analysis of decisions regarding product and other mix variables could be made regarding sales and profit patterns, and where analyses could then be compared over time.

A second dimension in terms of the concept's utility as a planning tool is where comparison can be made over time between the performance of specific styles of brands and broader market and sector trends. Analysis of life cycles here can be made at three related levels (as shown in Figure 6.11), from a general product classification or garment category through to specific product lines within each category and then to various garment styles or brand names (see Section 6.6).

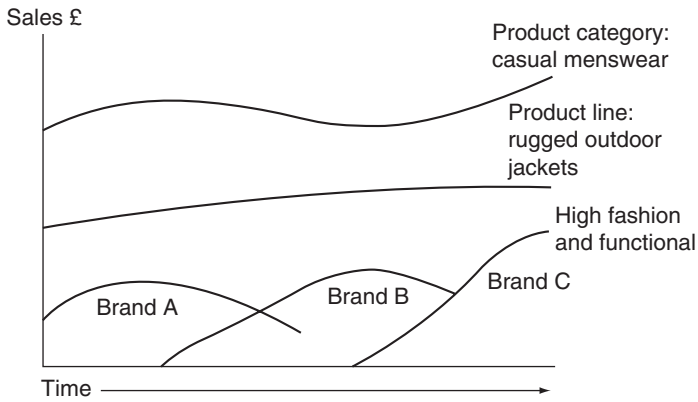


Figure 6.11 Hypothetical example of a three-level analysis within the general menswear sector.

6.7.6 Fashion oscillations

Some empirical evidence exists to substantiate the proposition that fashions will oscillate over time from one extreme or opposite to the other. These extremes may be in the form of silhouette or shape, colour, fabric texture or pattern and overall style/total look; in other words the four basic design dimensions mentioned earlier.

The driving force behind these oscillatory trends is the continual search by the individual to satisfy a variety of needs, ideally within one purchase decision, and the inherent inability of any one garment to satisfy all of them simultaneously. The net result is that a compromise has to be made between the ideal set of satisfactions sought and the reality of the product's potential set of satisfactions. This will ultimately open up possibilities for many different offerings, the spread of which will depend upon the extent to which compromise has had to be made.

However, every satisfactory purchase made will initiate new drives. These drives will be based on the perpetual need to search for different offerings to satisfy new needs. Paradoxically, therefore, as one design satisfies a combination of needs it extinguishes the very needs that produced it, simultaneously encouraging those needs least fulfilled by the design to come to the fore. The human drive for social approval results in the tendency for oscillations to reach extremes that are still universally adopted within market segments, e.g. miniskirts which are worn by a variety of body shapes and sizes within the youth market.

Neglect of some essential design element or embellishment over a long period also can lead to a vigorous revival. The sudden upsurge of many fashions can be explained from such frustrations, the classic

example being Dior's post-war 'New Look' or Alexander McQueen's famous 'Bumster' Trousers in the 1990s.

Sophisticated mass communications have resulted in consumers becoming more fashion conscious and fashion aware. The trend now is towards the desire for considerably more diverse ranges of products in the marketplace and the need for more personalized, or customized, fashion. The general result of this is that fashion swings or oscillations are becoming shorter in a time-based sense, often leading to confusion in the marketplace. Here again, however, historical analysis of trends can help when trying to determine future developments.

6.8 Summary

At the end of this chapter readers should be able to:

- ◆ understand the role and importance of the product element of the marketing mix in the fashion industry;
- ◆ analyse and describe the perceived attributes of fashion items by the intended target market;
- ◆ describe the fashion diffusion process within the industry and its bearing on the process of new product development;
- ◆ understand how product mixes and ranges are planned and controlled.

Further reading

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Chapter Seven

Pricing Garments and Fashion Services

7.1 Introduction

This chapter begins by considering price first as a concept and then in relation to other elements of the fashion marketing mix. External and internal factors affecting price are examined. The principal methods of setting prices used in the fashion industry are outlined and an explanation of discounts and the concept of break-even are given. The chapter concludes with a discussion of pricing strategies and the administration and nature of price changes.

7.2 Different views of price

According to economists, price is the point at which exchange between buyer and seller takes place, where supply and demand are equal. Anyone who has witnessed sales of out-of-season garments or clothing that have not enjoyed the popularity hoped for will notice that reductions occur to a point at which the stock is bought. However, price as an element of the marketing mix involves much more than the perspective of the economist.

The accountant tends to concentrate on the relationship between costs of production and the need to provide a certain return on capital invested with the final price that is to be charged. Cash flow is a major concern of all accountants and as such, price decisions can influence the volume of an item that is sold over time. For example, pricing bikinis at £8.99 each may mean that the entire stock is sold within four weeks of launch within a retail outlet. A higher price of £12.99 may mean that the same goal of selling all the stock takes eight weeks. Admittedly, in the latter case an extra £4.00 profit per pair has been

earned, but at the cost of holding the stock for a longer period. An additional risk of charging £12.99 is having to reduce prices to shift stock that is particularly susceptible to changes in the climate.

Marketing personnel are interested in price decisions for many reasons. Prices that are set can determine the rate and extent to which marketing objectives are achieved. A company with a goal of achieving a 10% increase in market share will conclude that lower prices may give a competitive advantage that encourages purchases. Similarly, the goal of building a reputation for good quality may well lead to higher prices that follow from the higher costs of using better quality fabrics and imposing more quality checks in manufacture. Marketing managers are also interested in the price perceptions of buyers. As noted in Chapter Three, perception flows from an inner reality that may not be an accurate representation of true price levels. A company's products may be the cheapest on the market, but the advertising or the stores that sell the product may contribute towards an image that contradicts one of low prices. In such a case, opportunities may be missed as consumers do not even bother to check the accuracy of their perceptions. At the level of organizational buyers, from the manufacturer selecting fabric to the retailer acquiring stock, the awareness of price levels is usually a professional imperative. However, consumers vary considerably in their levels of awareness of prices. With branded products it is easier for consumers to make judgements, therefore comparison shopping is likely to be a common practice for many shoppers. Products from different manufacturers, even if within the same product category such as blue boot-cut denim jeans, present consumers with challenges to make direct comparisons due to differences in styling, quality of construction, quality of materials used and image.

The above perspectives and salience of pricing decisions for companies mean that many people within a company may have direct and legitimate interests in price decisions. The locus of influence and control will vary according to the organization of particular firms and to the relative importance given to financial and marketing matters. This is not an argument for the supremacy of marketing over other functional considerations, but a recognition that many disciplines should be involved in price decisions.

7.3 The role of price decisions within marketing strategy

The price levels for a product range selected by an organization can, along with other elements of the marketing mix, decide the success

or otherwise in attracting certain target markets. Setting price levels too low may send confused messages and alienate some buyers who feel that the product may be poorly made. Excessive prices may inhibit other people who may feel other products, while not similar, offer better value for money. Others may feel that high prices are solely a premium for immediate ownership and that waiting for a short period may yield price reductions. Therefore price decisions help to determine who buys and how much they buy.

In relation to decisions about place matters, pricing decisions can secure access to certain outlets. To give retailers opportunities to achieve their profit margins, manufacturers must recognize the needs of the retailer's target market and the margins that are expected. If a retailer expects that an item will be a fast seller then a lower margin may be accepted. Similarly, higher margins are expected on slow moving items or risky new fashion products that may or may not be quickly accepted by the consumer.

Product matters are related to price decisions in many ways. The nature and extent of the product line may limit the flexibility possible in setting prices. For example, a co-ordinated range of skirts, jackets, blouses and accessories may be so priced as to encourage the purchase of several items by the consumer. Rigidly sticking to a fixed profit margin on each product in the range could undermine a policy that would otherwise lead to higher sales and profits by varying margins of items within and between the co-ordinated product lines. If the prices of products were left as a sum of their costs of manufacture plus a fixed markup, then variations in prices of different sizes of the same garment would be the obvious outcome. A size 18 overcoat may use nearly twice as much material as a size 8, yet few retailers would contemplate charging more for the larger one. In this sense, smaller customers subsidize larger customers, but in practice most manufacturers, retailers and consumers accept the notion of averaging costs and prices across different sizes.

Promotion and pricing decisions most closely relate with regard to the image that is being put forward to consumers. Most people perceive a relationship between price levels and quality, though not always a linear one. Usually, the expectation is that, high quality goes with high prices and low prices reflect low quality or possibly out-of-date or out-of-season clothing. The selection of a particular medium to reach a certain target market may mean that prices are not even mentioned in promotional messages. An accessory from Gucci, advertised in *The Times* with no mention of price, is such an example. At the other extreme a store selling garments aimed at low-income groups may make price a prominent feature of its window displays and advertising. Marks and Spencer originally began promoting itself

as a store where everything was priced at one penny, but strategic repositioning and greater competition in the particular market segment have changed the company's practice since then.

The above discussion shows the interrelationship between price, target markets and other elements of the marketing mix. There is one particular area where pricing does differ from other elements of the marketing mix. All other elements of the marketing mix entail costs which it is hoped will lead to increased sales and profit. Pricing, while also affecting sales, will be a direct determinant of revenue out of which marketing and other costs are met.

7.4 External factors influencing price decisions

7.4.1 The nature of competition in the particular market

At a broad level it should be noted that competition comes not just from other garment suppliers, but also from other products and services that compete for consumers' discretionary income. High prices for garments may encourage consumers to spend more money on other consumer durables such as high-definition televisions or on leisure activities such as holidays. The unattractiveness of the prices of garments in relation to other competing products and services should be kept in mind. The relative sales and trends of various sectors of industry, plus the inflation rates by sector, are indicators of how well or otherwise this inter-sector competition is being met.

The more homogeneous the product the greater the price competition. The fashion industry tries to encourage non-price competition by the branding and creation of unique designs and images for ranges. At the designer level of the market, such garments are in limited supply through exclusive outlets and, the creators hope, for limited periods. The ability of competitors to produce similar products is restricted by some legislative protection of the design. Consumer confidence in garment quality and the ability to purchase an up-to-date design immediately enable higher prices to be charged. For other products such as socks the latitude to command exclusivity or any special design point that can be reflected in a higher price is more restricted.

7.4.2 Joint or related demand for products

This may arise where the increase in demand for one product is accompanied by an increase in demand for another. Good weather may well spur demand for swimwear, sun hats and sunglasses, whilst

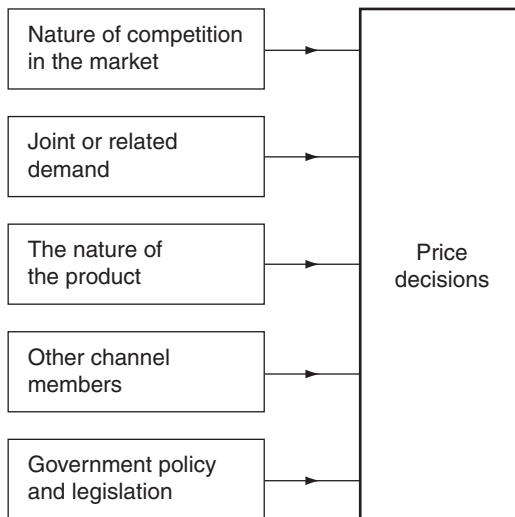


Figure 7.1 External factors influencing price decisions.

poor weather may lead to an increase in demand for rainwear, hats and scarves. Retailers, well aware of these linkages, may design the layout of the store and adjust prices accordingly to make the most of complementary demand. Other examples include the purchase of a new tie that may stimulate the purchase of a new shirt. New colour themes for a season, if adopted, may stimulate a whole range of purchases. Thus a new evening dress may be accompanied by the purchase of new hosiery, underwear, coat, cosmetics, hairstyling, shoes and handbag. Such outcomes are the aspiration of many department stores. It is the relative pricing, besides the selection and co-ordination of appropriate items in the above list, that is crucial in deciding the successful sale. Manufacturers who produce such complementary items independently need to anticipate the needs of intermediaries and the ultimate customer when setting prices (Figure 7.1).

7.4.3 The nature of the product

Whether the product is seen as an essential or not is a factor that influences the power of the seller in setting prices. Target markets differ considerably in what is seen as essential. A dinner jacket may be seen as a luxury by some, but as an essential item by a manager who has to attend many formal functions.

Some items of clothing and footwear are essential for protection and warmth. The rate of replacement of garments and the

ability of consumers to defer purchase, obtain repairs, make clothes themselves or buy second-hand goods remain within the consumers' discretion. One related factor that influences the pricing of fashion products is the perceived life of the product. If a garment is seen as a 'classic' that will last for many seasons or years, such as a Barbour jacket or Burberry raincoat, then premium prices are more easily tolerated. In relation to other markets such as power supply, the fashion industry does not enjoy the privilege of producing items whose demand is insensitive to price changes. The nearest that the fashion industry comes to such demand is when there is only a limited supply of a unique design that is eagerly sought by buyers.

The speed with which some firms in the industry are able to produce garments that are similarly styled and made from comparable fabrics or fibres means such uniqueness does not go unchallenged for long. The issue here is not one of counterfeits, although that is a serious problem for some firms. The intrinsic difficulty of ensuring full protection for fashion designs is where the slightest difference in styling can be used as a basis for contesting a claim for breach of copyright. Inelasticity of demand is therefore limited in the fashion industry by the ease with which comparable alternatives can be quickly supplied.

7.4.4 Other members of the distribution channel

If one member of the distribution channel is able to charge higher prices this may tempt those earlier in the chain of distribution to increase prices and share in the profit potential. The ability of manufacturers to change retail outlets and the willingness of other outlets to stock a profitable product range are key variables that influence the setting of prices at the retail level.

Within certain sections of the retail clothing sector there are traditional margins that must be accounted for when setting prices. One large retail group, for instance, is known to have a company policy of multiplying supplier prices by 2.3 to arrive at a retail price. Such practices must be anticipated by manufacturers as, depending on the balance of power with the retailer, these traditional margins may be used as a mechanism to force down the manufacturer's selling price.

Changes in the costs of raw materials, labour or manufacturing at earlier stages in the distribution chain are factors that can influence the ultimate price to the consumer. With the growing internationalization of the clothing industry, the ability of retailers to procure stock

from sources in different countries is greater than ever before. The power of suppliers to pass on price increases unchallenged is diminished except where the supply of a fabric or design is either unique or very well known, such as Gore-Tex or Lycra.

7.4.5 Government policy and legislation

As has been noted in an earlier chapter on the market environment, governments can influence the readiness of consumers to pay particular prices via policy related to inflation, investment and employment.

Government policy on taxation, in particular value added tax (VAT) and corporation tax, might be said to provide extra 'costs' that must be borne by the fashion consumer. The change of emphasis in taxation from earnings to expenditure in recent years has, at the macro-level, influenced demand for fashion products. The Office of Fair Trading, the UK Competition Commission and the European Commission are all charged to defend the public and business against various price fixing methods, as described later in this chapter.

7.5 Internal factors influencing price decisions

7.5.1 The ability to control costs

The ability of the company to minimize costs is a major determinant on the price levels that can be set. As costs can be decreased so either profitability can be enhanced or the ability to compete at low prices can be strengthened.

7.5.2 Other elements of the marketing mix

The relative importance of other elements of the marketing mix of the company is a factor influencing pricing decisions. The company competing directly on price to achieve high-volume distribution at low margins is in a very different position from the company setting out to create an image of high quality at premium prices.

7.5.3 The product range

The breadth and depth of product lines and the price relationships between items in those lines are factors that must be considered when setting prices. A warm lining for a raincoat sold separately will need to be assessed not only in terms of individual cost, but also for

the impact it has upon the total demand and profitability of the rain-coat and lining together.

7.6 Main methods of setting prices

There are many ways of setting prices, but most are variants of the two principal methods, namely cost-plus pricing and market-based pricing. Cost-plus pricing is simply calculating the cost of raw materials, labour and overheads such as administration and adding an amount to cover profit to arrive at the selling price. Market-based pricing is founded on market research to find the optimum selling price which then acts as the main driving force on cost containment via design and quality control effort.

7.6.1 Cost-plus pricing methods

A cost-based method aims to ensure that no product is sold at a loss. The practice is common where the product is non-standard, such as designer wedding gowns, or where there are many small independent retailers supplying the market. Cost-plus pricing is also used with tender proposals, for instance, when a clothing manufacturer makes a proposal to supply uniforms to a large corporate client. A simple example is given below based upon a manufacturer supplying a retailer with zip-up tops made of cotton jersey.

The concept of the markup is explained in more detail below. In the example in Table 7.1, the profit margin per item is fairly low, but this may be deemed appropriate for an item that faces much competition and is expected to sell in very large quantities. The markups for the manufacturer and retailer have been set at 25% and 65%, respectively, as the minimum rates of return needed to service the capital required for each business, namely shareholder dividends or the cost of loans.

The example assumes that all of the zip-up tops will be sold at the full price. If the retailer is determined to clear stock, but not to sell below the cost of any item, then the lowest 'sale' price will be £6.70 plus VAT. If the retailer sells at VAT exclusive prices of between £6.70 and below £11.06 then the technique of contribution analysis is being applied. Contribution analysis is a variant of cost-plus pricing and works on the idea that any excess of price over cost enables a contribution to be made to the cost of capital to run the business – simply put, some profit is better than no profit. Clearly the whole of a company's pricing cannot be based on covering costs alone, as fashion companies need to do more in order to survive and grow. More

Table 7.1 An example of cost-plus pricing

Item	Details	Quantity	Unit cost	Total cost
Cotton	Jersey	1.5 m	£2.22/m	£3.33
Trim	Polyfil thread	1	£0.09	£0.09
	Metal zip	1 @ 20cm	£0.27	£0.27
	Knitted collar	1	£0.21	£0.21
Label	With logo and care instructions	1	£0.06	£0.06
Labour to cut, make and trim @ 15 minutes				£1.40
Cost of production				£5.36
Manufacturer's markup @ 25%				£1.34
Manufacturer's selling price (excluding VAT)				£6.70
Retailer's markup @ 65%				£4.36
Retail price excluding VAT				£11.06
VAT @ 17.5%				£1.94
Retail price including VAT				£13.00

Table 7.2 Calculation of target buying prices

Cotton jersey hooded top including VAT at 17.5%	£12.99
Less VAT at 17.5%	£1.93
Retail price excluding VAT	£11.06
Less retailer's markup at 65% of buying price	£7.19
Retailer buying price or manufacturer selling price	£3.87

sophisticated variants of contribution analysis can be used to link price setting to several financial ratios.

7.6.2 Market-based pricing methods

These methods rely on a good knowledge of consumer price sensitivity and awareness levels. For example, market research may indicate that buyers in a certain target market may respond very favourably to a hooded top made of cotton jersey, if the item is priced at £12.99 (including VAT). If the retailer enjoys considerable purchasing power then the retail price of £12.99 can be used as a base to determine target buying prices for the retailer. The example in Table 7.2 shows how with a starting price of £12.99 the target retailer buying price or manufacturer selling price is determined.

Similarly, the manufacturer may then use the selling price of £3.87 as a target to challenge designers, pattern cutters and production staff achieve certain economies. In practice, many large UK retailers work very closely with manufacturers to decide prices that attempt to match consumer expectations.

7.6.3 A comparison of markups and markdowns

A markup is where profit is expressed as a percentage of costs and it is shown by the following formula:

$$\frac{(\text{Price} - \text{Cost})}{\text{Cost}} \times 100$$

Thus a selling price of £30 with a cost of £20 gives a markup of 50%.

A markdown is where profit is expressed as a percentage of the sale price and it is shown by the following formula:

$$\frac{(\text{Price} - \text{Cost})}{\text{Price}} \times 100$$

Thus a selling price of £60 with a cost of £24 gives a markdown of 60%.

Different firms use different approaches to calculate profit and selling price. However, all are variants of either a markup or a markdown. Indeed, knowing one it is easy to express profit in terms of the other. The formulae showing the interrelationship of the two main measures of profit margin are shown in Figure 7.2.

$$\% \text{ markdown on selling price} = \frac{\% \text{ markup on cost}}{100\% + \text{markup on cost}} \times 100$$

$$\% \text{ markup on cost} = \frac{\% \text{ markdown on selling price}}{100\% - \% \text{ markdown on selling price}} \times 100$$

Figure 7.2 Markup and markdown formulae.

Using the above formulae we can see that, for example, a markup on cost of 25% is the same as a markdown on selling price of 20%. Similarly a markdown on selling price of 66.7% is equivalent to a markup on cost of 200%.

Sometimes fashion retailers use a simple formula to calculate a retail selling price, including VAT, given a particular quotation from a manufacturer. The retailer wanting a markup of 120% and knowing that VAT is charged at 17.5% may simply multiply the quoted cost price, excluding VAT, by 1.375 to arrive at a tax inclusive retail selling price.

7.6.4 Discounts

The issue of margins leads naturally into a discussion of the purpose and types of discounts that are offered. The principle of economies of scale applies by which both buyer and seller recognize that larger

quantities enjoy larger discounts. For the manufacturer, selling large quantities to fewer buyers means lower delivery and other overhead costs. Retailers naturally appreciate such advantages for both manufacturers and wholesalers and will press within negotiations for the largest quantity discounts possible.

Variations on the simple quantity discount are the cumulative and non-cumulative discounts available. Some negotiations may result in extra discounts becoming available should the buyer purchase certain minimum quantities over a fixed period, say one year. This extra discount may then become available as a rebate or credit against future purchases. The main aim of cumulative discounts is for the seller to encourage loyalty to the supplier and to induce small buyers to purchase more.

At the consumer level the retailer may encourage a customer to buy a jacket and a skirt, for example, by offering 10% off one item if both are purchased simultaneously. This type of discounting at the retail level operates erratically and is usually offered by the small outlets to tempt those potential consumers who are vacillating about a purchase.

Another common form of discount is the cash discount. Business to business discounts of this form usually take the form of a percentage reduction if payment is made within a fixed, usually short period. For example, 1.5% discount may be offered if payment is received within 30 days. Changes in legislation in the UK now allow retailers to charge different prices to consumers depending on the method of payment, be it cash or cheque versus a credit card payment. The obvious benefit for the retailer of a cash payment is improved cash flow and the avoidance of a payment of between 2% and 5% to the credit card company. The incidence of differential prices has yet to become widespread and, owing to the different charges levied by the credit card companies, is most likely only to be favoured by the small retailers.

7.6.5 Break-even calculations

A central concern of marketing personnel in the fashion industry is balancing the relationship between price and volume. For example, a clothing manufacturer may manufacture 20000 skirts and wish to know how many must be sold to cover costs. In other words, at what point will the manufacturer break even and begin to earn profits? The first example assumes the manufacturer is in a relationship where prices are fixed by fierce competitive pressures and tough negotiating from retail buyers.

Alternatively, a designer who owns a retail outlet may have considerable discretion over price levels, but wonder about the profitability of the different volumes that could be sold at different prices. Break-even

analysis is a technique that can help decision-making needs in the two examples just given.

Break-even analysis is an aid that can show the relationship between fixed costs, variable or marginal costs, total costs, sales revenue and output or volume. Fixed costs are those costs incurred by the fashion company that do not change as the volume of purchases or production changes. Some examples of fixed costs include business rates, purchase of a computer for wages and salaries for security staff. In practice, many fixed costs are variable in the long term, such as costs of plant for manufacturing. If these variations can be set aside, then a simple technique that can give a fairly sound guide to setting price level can be found in break-even analysis.

Variable costs are those costs that are directly affected by the level of output; some examples are the amount of material used, the direct labour costs in pattern cutting, making up and tailoring, and packaging costs. Total costs are the sum of fixed costs plus variable cost per unit multiplied by the output or volume. Sales revenue is simply price multiplied by volume sold. In practice, the price taken for the calculations is one that is exclusive of VAT.

The formula that shows the relationship between the above variables is as follows:

$$\text{Revenue} = \text{Price} \times \text{Volume} = \text{Total costs} + \text{Profit} \quad (7.1)$$

When revenue is less than total costs, a loss (or negative profit) will result.

Where

$$\text{Total costs} = \text{Fixed costs} + (\text{Variable cost per unit} \times \text{Volume})$$

and

$$\text{Profit} = \text{Profit per unit} \times \text{Volume}$$

At the break-even point, no profit is earned and all costs are covered by sales revenue. Hence

$$\text{Revenue} = \text{Fixed costs} + (\text{Variable cost per unit} \times \text{Volume})$$

or

$$\text{Price} \times \text{Volume} = \text{Fixed costs} + (\text{Variable cost per unit} \times \text{Volume})$$

To determine the break-even point we can do some simple simultaneous equations where

FC = Fixed costs

VC = Variable cost per unit

V = Volume

P = Price

Thus we know that at the break-even point:

$$(P \times V) = FC + (VC \times V)$$

By taking $(VC \times V)$ from each side of the equation we get:

$$(P \times V) - (VC \times V) = FC$$

which, when simplified is:

$$V \times (P - VC) = FC$$

Next divide both sides of the equation by $(P - VC)$:

$$V = \frac{FC}{(P - VC)} \quad (7.2)$$

Of course $(P - VC)$ is really the gross profit per unit.

To calculate the break-even volume, we divide the fixed costs by the difference between the price and the variable cost per unit.

If we wished to know the minimum price at which all the output was sold and covered all costs, i.e. the break-even price point, the formula is calculated as follows:

We know that at the break-even point:

$$(P \times V) = FC + (VC \times V)$$

If we divide each side by V we get:

$$P = \frac{FC}{V} + VC \quad (7.3)$$

The value given here for price is the minimum that must be charged if the entire volume is sold and no profit is earned. In practice, a seller would wish to charge higher prices and earn some profit. The formula does at least help to establish a baseline for making pricing decisions.

7.6.6 Break-even analysis: an example

A small retailer of knitwear in a franchise operation may have rental and other fixed costs amounting to £45 000 per annum. If 3000 items of stock for resale are purchased per year at say £16 each (excluding VAT), then the total variable cost is £48 000. Assume here that the sales assistants are paid a fixed wage of £45 000 that is included in the fixed costs. If sales assistants were paid a commission for each item of knitwear sold, then this would be a variable cost and would have to be added to the purchase cost per item. Thus the total costs

for the knitwear retailer are £45 000 fixed costs plus £48 000 variable costs, giving £93 000 per annum.

If the knitwear retailer wishes to calculate the minimum price that must be charged to cover costs and sell all the garments then formula (7.3) must be used:

$$P = \frac{FC}{V} + VC$$

Substituting we get:

$$P = \frac{45\,000}{3000} + 16$$

Therefore, if a price of £31 (plus VAT) per unit was charged the business would break even.

If the retailer, after undertaking market research into competitors' prices, wishes to charge £39.95 (including VAT) per item, the question is now to determine the minimum number that must be sold to break even. A price of £39.95, including VAT at 17.5%, gives a VAT exclusive price of £34.00.

Formula (7.2) is used to calculate the break-even volume, thus:

$$V = \frac{FC}{(P - VC)}$$

Substituting values we get:

$$V = \frac{45\,000}{(34 - 16)}$$

which gives a volume of 2500 units to break even.

If the retailer sells all 3000 garments then if the original formula (7.1) is used:

$$\begin{aligned} \text{Revenue} &= \text{Price} \times \text{Volume} = \text{Total costs} + \text{Profit} & (7.1) \\ 34 \times 3000 &= 45\,000 + (16 \times 3000) + \text{Profit} \\ 102\,000 &= 45\,000 + 48\,000 + \text{Profit} \end{aligned}$$

Thus the profit earned is £9000 or 8.82% of sales revenue.

7.7 Pricing strategies in relation to new products

The pricing objectives derived from a marketing strategy in relation to new products are to achieve growth, maximize profitability or generate

cash flow. The crucial decisions to be made prior to selecting a pricing strategy are the identification of the target market(s) and careful consideration of the other elements of the marketing mix.

7.7.1 Market skimming

This strategy is to charge high initial prices and then only reduce them gradually, if at all. A skimming price policy is a form of price discrimination over time and for it to be effective several conditions must be met.

First, the demand for the garments must be relatively inelastic. Inelastic demand only really exists for essential items that are in short supply or items that have a degree of exclusivity and a significant number of buyers who are relatively unconcerned about price. A limited edition luxury handbag by Furla would be an example of such an item. For the supplier the unit costs of producing a small volume must not be too high. Finally, the high-profit margins on each item in a skimming policy will attract competitors unless the seller can protect the garments from being copied. Such a situation usually applies to haute couture and to a lesser degree to designer ready-to-wear ranges.

7.7.2 Market penetration

This strategy is the opposite of market skimming and aims to try to capture a large market share by charging low prices. The low prices charged stimulate purchases and can discourage competitors from entering the market as the profit margins per item are low. To be effective this policy relies upon considerable economies of scale in either manufacture or retailing or both. It also depends upon potential customers being price sensitive about the particular item and perhaps not perceiving much difference between brands. An example of this sort of policy may be seen in the plain 15 denier tights sold in supermarkets.

7.8 Pricing strategies to match the competition

Pricing objectives in relation to the competition include, as both active and reactive positions, an attempt to maintain price leadership, to stabilize prices or to discourage others from entering the particular market. Such strategies may also be linked to objectives concerned with building and maintaining the loyalty of other parts of the distribution chain. Aiming for stable prices while recognizing the traditional margins in the channels of distribution are the characteristics of the marketing activities of many fashion marketing companies.

7.8.1 Price leaders and followers

In the case of the follower, the firm identifies a target market and sets prices in line with competitors who are serving the same market. A firm with limited marketing resources may simply shadow a competitor. Within fashion retailing it is quite common for sales assistants to visit other stores to monitor the price points for garments and accessories. Monitoring the competition is an essential part of any market research, but slavishly aping one's rivals' actions without a clear long-term goal is another matter. The leader in such a situation is usually the firm with the lowest costs and best profit margins. Followers hope to avoid a price war by stressing non-price aspects of competition such as a higher customer service level.

Market research may indicate, for example, that a certain income group targeted by the firm is willing to pay between £25 and £35 for a blouse. The same research also may find that the main competitor is pricing similar garments at £29.95. The conclusion may be to charge at the same price or marginally lower, say £29.50. Such a policy of price matching can avoid a price war while maintaining profit margins. The policy of matching the competition is particularly vulnerable to enterprising newcomers to the market who may be able to upset the cosy reassurance that sometimes emerges in some sectors. An economic downturn with pressures on margins or the slow sales on some product lines can easily render this policy susceptible to change.

The large retail groups may incorporate an element of matching the competition within an overall pricing strategy, by allowing local managers some discretion in meeting local competition by adjusting prices where necessary.

7.8.2 Price fixing

Overt or covert price fixing by sellers is illegal in the European Union (EU) and most western nations unless a defence can be made that such action is not against the public interest. Manufacturers are, in the main, prohibited from imposing retail prices upon retailers in the UK, and this is known as retail price maintenance. Manufacturers are sometimes able to use pressure relating to the supply or withholding of products or financial incentives to exert influence over retail prices and effectively inhibit competition. The EU has an aim of free movement of goods within and between the member states and the intense competition within the fashion market works strongly against price fixing tendencies. However, in 1993, the French perfume industry was able to claim a victory in the European Court by winning the right to exclusive distribution of perfumes, thereby protecting the

margins of outlets against the so-called grey imports. In 2001, the battle over exclusivity and free competition in the setting of prices continued with a legal case between Tesco, the supermarket group, and Levis Strauss over the distribution and pricing of jeans in the UK with Levi Strauss winning the case for exclusive distribution. However, there are strong pressures with the EU to review legislation in line with WTO principles of free trade. The role of online purchasing in international trade is another factor that is undermining the ability of retailers to control prices via exclusive distribution.

7.9 Price changes

Prices for clothing may need to change for a variety of reasons, but the administration and communication of those changes are important matters that can affect profits greatly. An overview of price changes is given in Figure 7.3. Prices can increase because of higher costs, rising inflation, excess demand for the product or simply a misjudgement of prior price levels.

Decreases in price can be attempts to drive out or meet competitors, to take advantage of lower costs or to generate more demand. As fashion is about change, garment prices usually fall over time. The only exceptions seem to be rare items previously owned by celebrities or clothing in short supply that is identified with a fast emerging cult.

Whatever the cause of the price change, it will affect customers, competitors and other members of the distribution channel. The uncertainty that accompanies the potential effect of any price change means that research and planning are essential. Buyer responses to price changes can be varied. For reductions, many may perceive the items to be end-of-season, unpopular, faulty or of lower quality. It also may be that buyers resist initial price reductions in anticipation

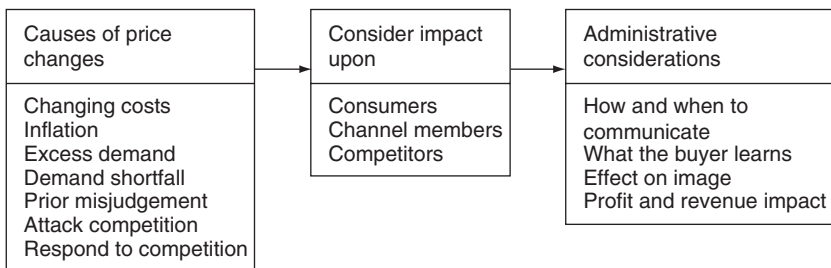


Figure 7.3 Price changes.

of further falls. Price increases are only popular with those who bought at a lower price. Increases can signal that the product may soon be unavailable or that it represented good value for money with very low margins at the old price.

All price changes, when clearly marked, can attract attention and raise buyers' price awareness levels so that purchase values may then be reconsidered. As noted in Chapter Three, the concept of learning is important as price changes 'teach' consumers what to expect. Thus, if a store always marks items down by 20% after eight weeks, then a further 20% after another two weeks, some consumers will learn not to pay higher prices. The cycle of price reductions can therefore become reinforced as more people in the target market learn to avoid paying the premium prices.

The communication to consumers of price changes requires particular consideration. Changes promoted as 'massive reductions' can alienate those customers who paid higher initial prices, while simultaneously attracting the bargain hunters the supplier is seeking. How price changes are communicated depends upon the marketing objectives of the firm and the target markets being served. Indeed some target markets are defined by bargaining pricing as shown in Figure 7.4; the drawback of this for the fashion marketer is that



Figure 7.4 Example of retail discounts.

loyalty is hard to engender with this type of customer. Announcing large clearance discounts in a sale in an outlet catering for higher income groups may be inconsistent with other aspects of the image. However, when the change is announced, it is imperative that the sales staff and customers are in no doubt what price is to be charged and when the change takes effect. Much damage to customer goodwill can be done by lack of care in announcing price changes. Given the practices of a minority of unscrupulous retailers, many consumers approach sales with a healthy degree of scepticism. Thus care is needed to avoid a small oversight being construed as a deliberate attempt to mislead.

7.10 Summary

This chapter has considered price, both as a concept and in the context of the marketplace in relation to the other elements of the fashion marketing mix.

Pricing decisions are:

- ◆ subject to a wide variety of influencing factors, internal and external;
- ◆ a strategic matter, and not to be approached in a short-term reactive way;
- ◆ to be made within the wider framework of a clear understanding of the target market, the firm's overall marketing strategy and the competition.

Further reading

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Chapter Eight

Fashion Distribution

8.1 Introduction

This chapter examines the retail sector which for many people is the 'face of fashion', describing the structure of the industry and its constituent parts, and includes an outline of recent developments. It concludes with a brief examination of criteria against which retail marketing effectiveness can be judged. The large-scale retailers are all involved in marketing activities and most have specialist marketing departments.

8.2 The importance of fashion retailing

The retail industry is important to the marketing of fashion clothing in a number of ways. First, and most obviously, it is the mechanism through which the clothes reach the consumer.

Secondly, with the growth in applying information technology, it is also able to provide, within hours at most, detailed feedback of what the consumer is buying. This allows changes in the marketplace to be quickly assessed, thus helping range renewal, particularly in such areas as replacement sizes and colours. Benetton has the tills of all its shops linked directly to its marketing and design departments as well as to its dyeing facilities so that changes in demand can be quickly observed and production changed accordingly.

Thirdly, it facilitates the application of target marketing (see Chapter Five).

Fourthly, it has been active in the promotion of design awareness to the shopping public, two well-known examples being Habitat and Next, in terms of product design and store layout and equipment.

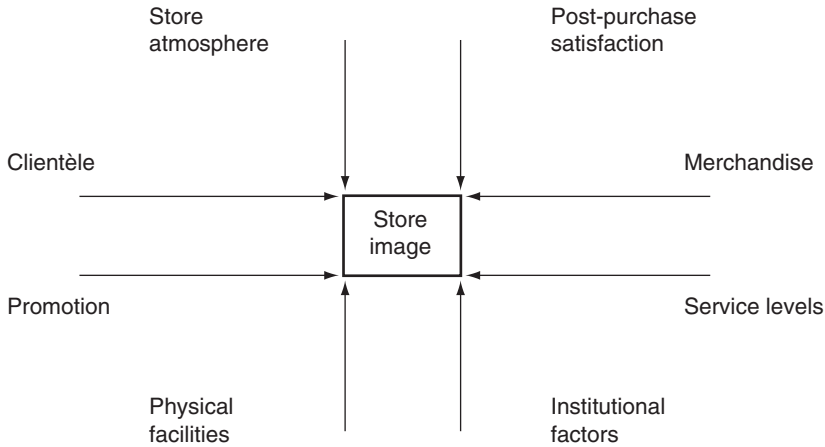


Figure 8.1 Components of store image.

Design also serves to promote market segmentation and to improve sales and productivity ratios in relation to increasingly expensive selling space.

Fifthly, manufacturers and designers can achieve stability by owning their own retail units. As Paul Smith has said of his retail side, 'it is a regular earner for us' (*Independent*, 9 August 1993, p. 19).

Finally, the retail outlet through its store image can create loyal customers who may provide a measure of stability in sales income and profits. A 1999 Verdict Clothing Report indicated that 86% of main users prefer their current main store, and that loyalty was highest in the south of England.

What goes into creating a store image? Various writers have offered suggestions, and Lindquist reviewed many studies and synthesized the following from them – merchandise, service, store atmosphere, promotion, clientèle, physical facilities, institutional factors and post-purchase satisfaction. Physical environment is an important influence on image, as Mary Jo Bitner (1992) outlines in a journal article. The main components of store image are shown in Figure 8.1.

Another factor in building store loyalty has been the introduction of store-based credit cards, which in addition to encouraging sales afford opportunities for database marketing. The Bhs Gold Card is one example and the Recognition FraserCard with more than 1 million cardholders is another.

Such is the importance of store image that some manufacturers and designers actively strive to be represented in certain stores. This, alongside other issues such as reliability, cost, stockholding capabilities

and coverage of the market sought, is a major consideration in channel management.

8.3 Structural issues

8.3.1 Basic structure

The industry has traditionally been divided into three distinct segments, which have over the years performed differently.

Womenswear, the largest segment, has traditionally shown most growth, and was worth an estimated £31 billion in 2003.

Menswear has shown greater growth than womenswear in recent years as men become more fashion conscious. The men's outerwear market was worth an estimated £6.6 billion in 2004. However, just as it seems to do relatively better than womenswear when the economy is booming, so it seems to suffer greater decline in recessionary times.

Childrenswear is the smallest of the three retail markets, at an estimated £5.0 billion in 2004. In retail fashion terms it is a difficult market to cater for, but in recent years it has seen a growth in specialist retail chains such as Adams and the introduction of continental retail brands such as Chipie and Oilily. As children become more fashion conscious at a younger age, this affords new opportunities at all levels in the retail clothing industry.

8.3.2 Concentration

In common with other sectors of the retail trade, concentration in the fashion retail market has increased over the years. All three market segments described above are dominated by variety chains and multiples except at the designer level. Clothing retailing in the UK is perhaps most concentrated in the world. The top five companies in both womenswear and menswear account for over 40% of total sales. In the childrenswear market the top five retailers account for over 40% of sales. This has been achieved through economies of scale, e.g. buying power, promotional spending and managerial expertise.

It has been suggested that customers who want something other than the mass produced and marketed clothes provided by the major retailers will enable a considerable independent sector to thrive. Others point to entrepreneurial flair and ability to cater to local needs as reasons for their continued survival.

In this context those retailers who try to combine an element of exclusivity and the benefits of scale by trading from a limited number of outlets, such as Jigsaw, seem to have done relatively well in recent years.

Multiple clothing retailers (with 10 or more branches) have over 25% of the market, variety chains slightly less and independents about 15%. Department stores, the last major grouping, have approximately a 7% market share.

8.3.3 Numbers of outlets

The Department of Trade and Industry's (DTI) periodic retail enquiry shows a gradual decline in the number of outlets. Though most closures are small retailers, they nonetheless continue to make up the bulk of the specialist outlets. This to some extent is offset by an influx of European and American clothing companies setting up retail outlets in the UK, two examples of which would be Ouiset and The Gap.

The 1996 retail enquiry figures put the number of outlets specializing in one or other of the three markets at 33 000.

The retail boom of the 1980s also resulted in a large increase in the amount of selling space, particularly in out-of-town locations. It also created greater demand for sites in town centres with Next, for example, taking over Combined English Stores so as to acquire additional prime selling space. There is now an argument for saying that the nation has too many shops, and some reduction in numbers is necessary. The development of non-shop outlets such as the Internet is likely to encourage this trend.

8.3.4 Outlet size

To the extent that clothing retailers and particularly those who serve the upper market levels continue to trade from established city centre sites, there is limited scope for increasing the size of outlet, though Marks and Spencer did build a fifth floor onto its Marble Arch store.

Moving to out-of-town locations offers the potential for increasing store size but can affect the image of the store. Out-of-town supermarkets with their larger selling areas are offering an increasing range of clothing, much of it is fashion based. Marks and Spencer now has over 40 stores of over 100 000 ft² (10 000 m²).

8.3.5 Import and export

In common with other UK industries there is a considerable amount of overseas trade and as in sectors of UK industry the degree of import penetration is high and rising. The value of exports is a small and decreasing fraction of UK imports of clothing.

The reasons for this state of affairs are many and complex and often apply equally to other sectors such as the exchange rate, comparative labour and other costs, together with tariffs and other barriers to trade such as subsidies and quotas. Free trade, that is countries being allowed to buy and sell goods and services worldwide without any restrictions, is theoretically desirable but the international textiles trade, like others, is regulated though less so with the ending of the Multi-Fibre Agreement in 2004, which resulted in a surge of imports from China. A subsequent attempt by the EU to reintroduce quotas in 2005 resulted in many millions of garments being temporarily stuck in European warehouses and many retailers fearing gaps in their product ranges.

8.3.6 Exports

Exports are mainly restricted to high value and traditional sectors such as knitwear, where cost is less important as retail customers appreciate and are willing to pay for quality and style.

Much of the UK trade in textiles is with the other members of the EU, though the USA and the Far East are important markets. British retailers that expand overseas may provide useful export markets for the manufacturers who supply their UK stores.

8.3.7 The future for UK clothing firms

Under increased pressure from low-cost producers, the British textile industry has steadily declined over the years as retailers have increasingly sought to import their merchandise from low-cost countries, originally in the Far East, particularly China.

However, there is some hope: improvements in technology and manufacturing techniques hold out the possibility of UK manufacturers being able to meet the demands for small-scale production runs. Retailers' increasing reluctance to hold large stocks and consumer pressure towards more diversity and exclusivity encourage the need for small runs and put a premium on a fast flexible response that will tend to help UK-based manufacturers. Just-in-time (JIT) inventory control and a reluctance to commit budgets early in the season also offer the possibility of top-up orders even if the main order is initially placed overseas.

Pressure from the dominant retailers has resulted in UK manufacturers increasingly making use of subcontractors, many of which are overseas. An increased emphasis on design is also being placed on the manufacturers, many of whom now have an in-house design capability, though in recessionary times these may be cut back.

8.3.8 Relationships with manufacturers

One option for clothing firms is to operate as both a retailer and a manufacturer, though this is becoming increasingly less attractive. The major disadvantage of this form of vertically structured form of organization is that considerable capital is tied up in manufacturing assets that, because of changing market conditions and increased overseas competition, provide progressively lower rates of return.

The major advantages for retailers with their own manufacturing concern were total control of the manufacturing process and security of supply, these advantages have been retained by the major retailers in their dealings with their suppliers because of their dominant role in the marketplace. Often suppliers are almost totally dependent on a particular retailer, who can in return for regular and substantial orders, demand total control over the manufacturing process and enforce narrow profit margins on the manufacturer.

Many retailers are cutting the number of suppliers they deal with. Bhs is reducing this figure from some 750 in the early 1990s to about half that number. Those that remain must meet strict terms on price, quality, delivery times, etc. Arcadia is another example of a retailer concentrating on a limited number of suppliers; over 40% of its products come from just 20 suppliers.

At the same time, the reverse is occurring with some manufacturers who believe that the time taken to service small retailers would be better spent forging closer links with their major customers. An example of a supplier adopting this policy is Hardcore, the denim company.

8.3.9 Retail buying and selling

In all large-scale fashion clothing retailers central buying is now the norm. Experienced buyers visit trade and fashion shows, overseas and UK suppliers, and use prediction services to make decisions on what to buy for the coming seasons. Often the initial order will be for only part of the expected sales, the rest being confirmed later in the season as actual sales figures allow management to estimate likely demand more accurately.

Specification buying is becoming increasingly prevalent, whereby buyers place orders against rigorous predetermined standards of fabric quality, trim, etc. Many leading high street fashion retailers have extensive laboratory facilities to monitor the quality of the clothes they sell. Some retailers also employ staff to allocate stock to their various outlets to maximize likely sales – these staff apportion new stock to the outlets by using past sales figures to estimate potential

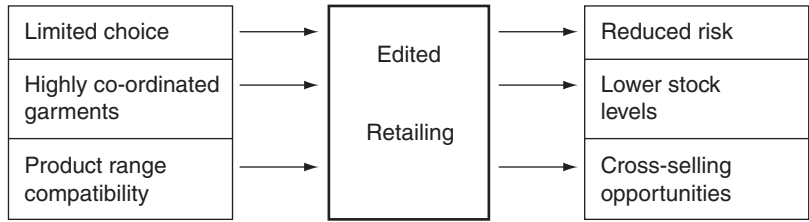


Figure 8.2 The edited retailing concept.

demand for new lines. Getting the allocations right maximizes sales and minimizes the likelihood of having excess stock in some branches which might, without a system of branch transfers to reduce it, result in this stock having to be cleared at a cost of heavy reductions. The biggest cost for all retailers is stock, so intelligent buying, good stock control and effective merchandising (see Chapter Six) are of paramount importance.

In this context several fashion retailers have adopted a concept known as 'edited retailing', whereby the customer is offered a limited though changing choice of merchandise that is highly co-ordinated, offering a high degree of product range compatibility. The concept of edited retailing is shown in Figure 8.2

Next is a good example of this approach. As well as reducing risk, stock holding, etc., it offers great scope for cross-selling, in effect buying the whole 'look'. As George Davies states in his book, *What Next?*, 'The exercise taught me one of the keys to success in retailing ... the trick is to give the illusion of choice.'

8.4 The industry's components

The retail fashion industry consists of many parts, the most important of which are outlined in this section.

8.4.1 Wholesalers

Market trends

The wholesale sector is in serious decline; the reasons for this are increased retail concentration and a more volatile fashion driven clothing market. Jaeger, perhaps anticipating these trends, withdrew in 1987, as did Jacques Vert in 1998.

The large multiples and department store groups deal directly with their suppliers, often overseas companies, through central buying departments. They are therefore able to avoid using wholesalers and the associated costs. Indeed Marks and Spencer, the market leader in many areas of the retail market, was one of the first, if not the first, to deal directly with a manufacturer (Corah) and so break the grip of the wholesalers. Besides financial savings and better control over product quality, dealing directly with suppliers allows retailers to satisfy their, or more correctly, customers' needs. A measure of exclusivity in terms of fabric, design content, etc., enables them to differentiate themselves from their competitors.

The extent to which customers see the retailer's own label as better value than other brands improves sales, especially in recessionary times when customers are even more value conscious.

Although they carry fewer overheads and staff than manufacturers or retailers, the number of wholesalers and their market share will continue to decline. No longer needed by the large retailers they find themselves catering to a diminishing number of small firms, many of whom find their services of little or no use.

Functions

The traditional functions of wholesalers are to:

- ◆ provide finance;
- ◆ break bulk;
- ◆ transport goods to the retailer;
- ◆ provide information or advice.

These may be attractive to small-scale retailers but are irrelevant to major retailers or small chains. Within the ranks of small retailers, those serving upper market levels will tend not to use them either.

Why is this the case? Each function will be examined in turn.

- ◆ *Provision of finance:* Financing stock is attractive, but even if this is less costly than other forms of finance it could be counterbalanced by possibly paying higher prices and being restricted in one's choice of stock.
- ◆ *Break bulk:* This is an attractive proposition if applied to large volume, homogeneous goods in constant demand. This to some extent applies to 'basics' such as T-shirts but for short-life fashionable clothing it is not appropriate.
- ◆ *Distribution of goods:* Numerous distribution companies exist that offer a high-quality, reliable and comparatively inexpensive service to suppliers and retailers alike.

- ◆ *Provision of information or advice:* A knowledgeable wholesaler may be able to offer this, but other arguably more relevant sources exist, e.g. trade shows, the trade press, prediction services and agents.

8.4.2 Mail order

Since the 1970s the mainstream mail order sector, providing large catalogues running to over 1000 pages, has declined in importance. Its two main advantages, easily available credit and a generous returns policy, are now offered by the high street stores. In addition, the agents who operated the catalogue were servicing on average fewer customers each year, and many catalogues are now promoted on the basis that no agency is necessary. The sector still tends to suffer from a residual downmarket image, though its image is improving. Another drawback is goods returned which can average 30%.

In recent years the more successful mail order operations have tended to be the smaller specialist newcomers catering to a specific target market, often with a higher socio-economic profile than the mainstream catalogues. These offer the convenience that is attractive to many with limited time to shop as well as an element of exclusivity and a more positive image. These specialist catalogues offer the opportunity to service niche markets profitably, sometimes where a store-based retail system would be much less successful. They are now facing increased competition from mainstream catalogues, which are featuring more designer merchandise, and of course the Internet.

8.4.3 Discount clothing retailers

As with other sectors of retailing, there exists a significant discount presence that caters almost exclusively for the lower end of the market. Sited in low-cost premises and offering keen prices on clothing of a lower quality than that available in many major multiples, they operate on very high levels of stock turnover. A second variety of discount store is the outlets run by the major retailers to dispose of excess stock from their normal branches.

Thirdly, the introduction of factory outlet centres such as the one in the Hornsea Freeport shopping village may affect sales in full-price outlets. However, it could be argued that they benefit both retailers and manufacturers since they provide outlets for out-of-date and substandard products that, if sold through normal retailers, could damage the brand's image. They also allow the retailers to dispose of surplus stock, so helping them to offer new lines to their customers.

8.4.4 Multiples and variety chain stores

The former are businesses with at least 10 outlets selling predominantly one merchandise group such as clothing or shoes. The latter, as the name suggests, sell a variety of merchandise, the three major variety chain stores with a significant clothing turnover being Bhs (part of Arcadia), Marks and Spencer, and to a lesser extent Woolworths.

Having a place in most of the nation's high streets and out of town developments, these shops represent the success story of British clothing retailing. Their sales and market share have increased year after year at the expense of other retailers. For many years the fashion element in their ranges was minimal, as mass market tastes were only gradually influenced by fashion and good profits could be earned by large volume orders placed with suppliers. Adopting a more fashion orientated range increased the degree of risk through entering a more volatile market that was difficult to monitor.

With a growing fashion awareness among their customers and increased competition from smaller, more fashion orientated retailers, they have moved to provide more fashionable ranges, often using established designers. In this they have been helped by advances in information technology such as Electronic Point of Sale (EPoS), and manufacturing techniques that make the supply and retailing of smaller quantities profitable. The adoption of segmentation policies, most notably by the Arcadia Group (see Chapter Five), has also allowed them to provide a more fashion-focused offering to their customers. Overemphasis on segmentation, though, has caused at least one failure, La Mama, where there were insufficient pregnant career women of means to justify its existence. One prerequisite of segmentation is that the market should be sufficiently large to justify catering to it.

These shops tend to have prime sites which guarantee high levels of customer exposure to their merchandise. Location is of prime importance to retailers, perhaps best summed up in the universal saying, 'There are three things of importance in retailing – location, location and location.' The enabling of consumer choice within a select shopping area is a key to success as shown in Figure 8.3. One charge levelled at these chains is that they have succeeded in creating a dreary uniformity in the high street, each one having its Bhs, Next, Miss Selfridge, etc., with the same corporate fascias and colour schemes and, more importantly, the same merchandise catering to the same middle market needs. This is a view the retailers naturally take issue with, though they are nonetheless trying to offer a more individualistic service, in which they are aided by systems such

as ACORN, MOSAIC and Townprint (operated by Arcadia), which allows them to build up a picture of the market in their immediate catchment area.

8.4.5 Department stores

Though only small in number, only a few hundred, with some 7% of the overall retail clothing market, department stores have an important role to play in retailing fashion clothing. While catering to a wide market they are particularly attractive in terms of their strong AB customer profile and appeal to older customers. For mid- to upper-market labels they often provide the only suitable outlet, other than the designer opening his or her own store. This would not only demand a considerable capital investment, but also entail obtaining a suitable location for which, because of their relative scarcity, there is often great competition.

As those involved in purchasing fashion clothing are involved in an exercise in comparative shopping, department stores have the advantage that they have under one roof a wide variety of clothing



Figure 8.3 Example of the importance of location

from expensive designer labels to comparatively inexpensive basics. In addition, department stores have a growing range of own label merchandise, such as the Linea range in House of Fraser.

Having a variety of concessions enables them to offer a range of other labels in addition to own label and bought-in manufacturers' brands.

Many department stores have reduced the number of their departmental product groups but remain strongly committed to clothing. John Coleman the boss of House of Fraser thinks its upmarket, designer fashion-led offer successfully differentiates it from Debenhams.

Department stores often attract high concentrations of overseas visitors, many of whom spend considerable sums of money.

8.4.6 The independent sector

Independents have over a number of years been losing out to the multiples and variety chains, who have economies of scale. In addition many have succumbed to large increases in rents as leases came up for renewal, which has less of an effect on those others who often own the freehold of the site from which they trade. The introduction of a uniform business rate has also proved disadvantageous to many, resulting in massive increases in rates in areas until now favoured as low-rate areas. Some of these pressures are shown in Figure 8.4.

At the upper market levels independents are still strong and are positively encouraged in some locations such as Covent Garden. However, owners and developers tend to favour large retailers as they are better able to afford high rents and are more reliable in terms of meeting long lease commitments. Nonetheless in the late 1980s and early 1990s, when most major chains were registering declines in sales and or profits, as a category independents fared relatively better.

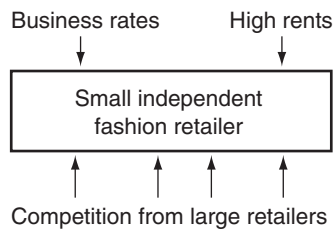


Figure 8.4 Pressures on the small fashion retailer.

A measure of exclusivity has provided some relief from these pressures through exclusivity of supply being granted to favoured independents. However, this may be subsequently lost to larger retailers.

8.4.7 Supermarket involvement

Historically the supermarket groups have not seen the fashion clothing market as particularly attractive, preferring to concentrate their own expertise and other resources on food, though competitive pressures are changing this.

Sainsburys became involved through the Savacentre operation which was originally a joint venture with Bhs. ASDA has the highest profile involvement through George, its in-store clothing operation set up by George Davies, the ex-Next chief executive. Tesco is developing an extensive and more fashionable clothing offering under its own label. Supermarkets are particularly strong in children's clothing having a 16% share in 2004.

8.5 Trends in retailing

The retail fashion market has seen considerable changes in recent years, as have other sectors of the retail trade. Some of the more important are outlined below.

8.5.1 Franchising

Franchising is defined by the International Franchise Association as a contractual relationship between franchiser and franchisee in which the franchiser offers or is obliged to maintain a continuing interest in the business of the franchisee in such areas as knowledge and training; wherein the franchisee operates under a common trade name, format or procedure owned by or controlled by the franchiser, and in which the franchisee has made or will make a considerable capital investment in his business from his own resources. The reasons for its success as a retail format are the advantages offered to both franchiser and franchisee as outlined below.

Advantages to franchisee

- ◆ Obtains the benefits of the name, reputation, brand image, etc. already established with the public.

- ◆ Less need for own capital as the franchiser helps to obtain capital; banks tend to be more sympathetic to requests for loans to the more established franchises than to those without the backing of a franchiser.
- ◆ Help in a number of areas, e.g. staff training, site selection and purchase of equipment and stock.
- ◆ Benefits of any national advertising, e.g. Benetton spends a multi-million pound budget to run the Benetton racing team.
- ◆ Exclusive sales territory granted for the duration of the franchise agreement.
- ◆ Less risk of business failure. A survey in 1986 undertaken for the *Financial Times* showed that after five years 80% of small businesses had ceased trading, while less than 20% of franchised businesses had failed – an example of the Pareto (80/20) rule.

Advantages to franchiser

- ◆ Rapid expansion is possible without causing cash-flow problems.
- ◆ 'Tied' outlets for products/service.
- ◆ Initial fee plus regular royalty payments.
- ◆ Less risk. The franchisee puts up the capital and as his or her own boss has a direct incentive to make a success of the venture.

Many niche retailers, so popular in the 1980s, were franchises. One of the earliest and most successful for many years was Tie Rack.

According to the British Franchise Association, any company offering a franchise to set ethical standards must have run its own outlets successfully for a minimum of one year.

8.5.2 Concessions

Also known as shops within shops, they can be defined as space leased by the host retailer to another retailer, wholesaler or manufacturer from which to sell its merchandise.

One of the earliest examples was Jaeger as concessionaire and Selfridges on Oxford Street as the host retailer. This concept expanded greatly in the 1970s and 1980s. Debenhams, before its takeover by Burton in 1985, had over one-third of its selling space and income from concessions. Since then Debenhams and many other retailers have reduced their dependency on this type of operation.

Examples of concessions are Moss Bros, which is both a host retailer and a concessionaire, CC formerly Country Casuals, Liz Claiborne and Jacques Vert. Many fashion clothing concessions operate in department stores, sometimes trading from a very small sales area.

Possible advantages to the host retailer provided by concessions include:

- ◆ flexibility through short-term contracts;
- ◆ benefit of specialist expertise in buying and merchandising;
- ◆ additional interest to customers;
- ◆ reduction of certain costs, such as fixtures and fittings, training and wages;
- ◆ reduced stockholding costs and risk;
- ◆ guaranteed income for the store.

Possible advantages to the concessionaire include:

- ◆ no high start-up costs for their own retail outlet;
- ◆ good exposure to host shop's high volume of customers;
- ◆ concessionaires can test market at a relatively low-cost new ideas that, if successful, could result in expansion and ultimately opening their own stores and, if not, still enable them to relinquish the concession.

There are of course disadvantages. In respect of the host retailer these revolve around the possibly adverse effect that poor concessions have on the store's image and the competitive threat to its own sales by the concession. One quoted acceptable industry figure is 8:2, eight sales to be generated from people to the store by the concessions for every two lost by the store to their concessions. The major disadvantage to the concessionaire is the high cost of the space leased, whether charged as rent per square foot or as a percentage of sales, which can be well over 25% of turnover.

8.5.3 Physical distribution

There are several transport companies who specialize in the clothing sector. This involves considerable investment in warehousing and equipment. In addition to moving and storing clothing, many customers are demanding additional services such as pressing garments.

Like others involved in the fashion industry the specialist carriers are having to change to meet new demands. Increasingly, their clients are looking for a complete supply chain with JIT supply at the end of it to allow better stock management. This situation is well developed in other parts of the retail industry, notably in the food

sector. Deliveries of new seasonal lines are also taking place later and later, so allowing less response time. Some fashion retailers have already contracted out the distribution side of the business.

The physical delivery of goods is also important to the mail order sector. Next employed as one of its selling points a better system of getting clothing to its mail order customers, and Empire Stores now promises a 24-hour delivery service.

8.5.4 Supply chain management

Managing the whole supply chain is becoming increasingly important to industry in general but more so in the retail sector and especially fashion retailing where customers, demand is always changing and has given rise to the term 'fast fashion'. One example of this in practice is Next doubling the frequency of injections into its ranges to every six weeks rather than twelve, this requires enhanced supply chain management skills. Retailers are therefore encouraged to contract out most or all of this process to specialists such as TNT Fashion Group or Kewell.

Its importance in a fashion retailing context can perhaps be best summed up as follows:

'The whole industry will continue to move further towards having faster and more flexible supply chains, not just in order to get the latest looks onto the shelves quicker, but also because it de-risks your business'.

Source: M.D. Supermarket clothing retailer quoted in Mintel Womenswear retailing, April 2004.

8.5.5 Service provision

Many retailers in a variety of sectors now see the provision of a high level of service as a way of establishing a competitive advantage.

In the retail fashion sector high levels of personal service together with good product knowledge and knowing customers' likes and dislikes have traditionally been seen as a strength of the independent sector. Provision of a high level of service is likely to be seen as increasingly important in the more mature age market, which demographically and economically will become more important in the future. The growing tendency to promote shopping, and particularly clothes shopping, as a leisure activity is another reason for offering high levels of customer service.

Common areas of service include late night shopping, free parking (for out-of-town sites only), a liberal returns policy, pleasant decor, helpful staff and a variety of payment methods. For clothing retailers

another important area is that of changing facilities, which in some stores are non-existent and in others range from poor to luxurious.

However, such provision is expensive and refurbishment costs are high, particularly so at higher market levels. The provision of high levels of personal service can conflict with a need to reduce operating costs in the form of staff levels, with many larger retailers moving towards employing part-time rather than full-time staff.

8.5.6 Internationalization

UK fashion retailers have been slow to expand overseas. Early examples such as M & S venturing into Canada and later Europe met with only limited success. Other UK fashion retailers with an overseas presence include Arcadia, Jigsaw and Paul Smith.

The successful retailers in this context tend to be those who establish their operation with a local partner, at least in the initial stages. Examples of such ventures are Arcadia entering the Spanish market through concessions in department stores, as has Laura Ashley in Japan. Marks and Spencer has an international franchise operation that enables it to recruit suitable local partners in markets where it feels the need to have one. The perceived high risk in relation to relatively low rates of return has in the past tended to discourage such expansion.

The retailers' overseas competitors have in the past few years been attracted to the UK in increasing numbers, particularly from continental Europe, with some building up a considerable branch network, such as the Spanish retailer Zara. Two of the major British mail order concerns, Grattan and Empire, are owned by Otto Verace, the German mail order house, and the French company La Redoute, respectively, and Renown (Japan) bought Aquascutum.

8.5.7 Teleshopping

Electronic ordering through the medium of a domestic television set and telephone can take place via a computer terminal. In America, the department store group Saks became the first upmarket retailer to enter the market in 1993. Its first one-hour show brought sales of \$575 000 of its own label casualwear range.

Teleshopping has the potential to effect major changes in shopping patterns. Its impact on the retail fashion market in the UK, in such areas as mail order, will develop over the coming years, influenced by consumer acceptance and its own cost effectiveness. Digital television will offer increased possibilities in this area, particularly in respect of those who lack the time or enthusiasm for more conventional

shopping, though developments in this area are likely to be heavily influenced by the growth of internet shopping.

8.5.8 Retail branding

Branding as in other areas of retailing now plays a crucial role. It helps to differentiate one retailer from another and is both a consequence of retail concentration and a factor in its continued growth.

The attractiveness of brands or labels in terms of product has encouraged some manufacturers to diversify into the clothing market and *vice versa*, often through the licensing of the brand name (see Chapter Six). Its importance to consumers is greater in the north than the south. Younger consumers also attach more importance to branding than do older age groups, as peer pressure to be seen with the 'right' label is not an issue with the latter.

Advertising (see Chapter Nine) plays an important part in building brand awareness and loyalty, and many major retailers spend heavily in this area.

8.6 The Internet

8.6.1 Growing importance

As a distribution channel the Internet is becoming ever more important as the factors that previously limited its development, as detailed below, have declined.

- ◆ Limited access – now widespread, available in most homes, also through laptops or mobile phones, it can even be accessed from the local library.
- ◆ Security of payment – advances in encryption have allayed fears in this area, even though such fears appear as somewhat irrational given many people's willingness to give credit card details over the phone, which is arguably a less secure medium.
- ◆ Cost of access – now largely limited to a small separate monthly fee though increasingly included in a bundle of other computer/communications services.
- ◆ Need physically to examine the merchandise – as customers come increasingly to trust retail and other labels this, coupled with a liberal returns policy, is less of a deterrent.

Various predictions exist for Internet usage with virtually all suggesting very strong growth in general and as a retail channel. Those who have adopted a so-called 'clicks and bricks' approach, i.e. having both an

actual shop presence and Internet site, have tended to be more successful; the classic site's only failure being Bo.Com, which launched amid much hype in 1999 only to crash the following year.

8.6.2 Limits on growth

In general, the Internet as a medium of distribution shares many of the problems of mail order and teleshopping, namely returned goods, delivery costs and other logistical problems.

Clothes shopping is often seen, particularly by the young, as a 'social experience' and as such will continue to take place in a physical environment, be it high street, shopping mall or other venue.

Another issue is that of cannabalization, which also applies to other forms of home-based shopping: Internet sales may take place at the expense of other company outlets.

8.6.3 Retailers' use of the Internet

This revolves around the following potential advantages:

- ◆ Cost savings – a physical presence on the high street or other location can involve considerable costs which can be avoided or reduced.
- ◆ Greater opportunities to segment the market more effectively and cheaply.
- ◆ The possibility of creating a truly global market.
- ◆ To complement and support the physical retail network where present.

8.6.4 Internet marketing strategies

The following options, derived in part from the work of Dholakia and Rego (1998), can be adopted:

- ◆ Ignore it.
- ◆ Develop a basic site.
- ◆ Use the site to direct customers to high street or other locations.
- ◆ Link the site with a more traditional mail order operation, i.e. as an ordering mechanism.
- ◆ Use it to support dialogue with customers, i.e. in the area of customer complaints.
- ◆ Use it as a sales tool in its own right.
- ◆ Offer an individual service, thus making the individual the basis of segmentation and relationship marketing more of a reality.

In broad terms the strategic option(s) taken will be determined by the level of retailer commitment in terms of cost, linkages to existing retail formats and involvement with customers. This indicates perhaps that the greatest number of strategic options is available to well-established and well-funded clothing retailers. To obtain a current overview of strategies, positioning and segmentation issues the reader is recommended to visit a range of the growing number of websites.

In spite of its undoubted growth in recent years, there is still in the industry, a degree of scepticism over its long-term impact; perhaps best summed up by one Chief Executive of an upmarket classic menswear retailer quote in the October 2005 Mintel report on Menswear Retailing.

'In reality the Internet is just a more efficient way of catalogue shopping which never got over 9–10% of clothing spending'.

8.7 The 'grey market'

Previously a number of clothing retailers, including some major super-market groups, had obtained high-profile, high-margin fashion brands from a variety of sources other than the brand owner, the so-called grey or parallel market. The retailers benefited in terms of increased footfall and extra sales, often at better margins together with increased publicity. Their customers had the opportunity to purchase expensive brands at a considerable discount. However, the brand owners or rather their usual stockists lost sales at the normal margin price, but perhaps more importantly the brand may risked losing credibility. This potential devaluation of the brand equity, the brand owners argued, represented a considerable loss on their investment in research and development and marketing support in creating and maintaining the brand, and can act as a disincentive to developing new brands or products.

The victory of Levi Strauss over Tesco in the European Court and China joining the World Trade Organization has virtually eliminated this problem. However the selling of fake merchandise remains a problem particularly for upmarket fashion brands.

8.8 Retail marketing effectiveness

Obviously the overall measure of success is long-term profitability. A subgoal of this is usually to increase sales in relative terms on an

Table 8.1 Entrant to buyer conversion

Segment	Entrants (%)	Buyers (%)	Conversion from entrant to buyer (%)
Fashion	7	4	16
Fashion-aware	23	18	21
Classic	9	14	42
Mainstream	42	51	37
Downstream	19	13	28

Source: Drapers Record 18-7-87.

annual or a seasonal basis. Other indicators are sales per square foot and sales per employee. Selling a lower proportion of merchandise at reduced margins is also an indication of effective marketing as well as astute buying.

Another indicator is the conversion rate, or the number of customers who buy as a proportion of the total number who enter the store. The conversion varies by consumer segment, as shown in the example of a menswear retailer (Table 8.1).

A low conversion rate may be due to a variety of factors such as inappropriate price points, unattractive merchandise, or staff lacking product knowledge and selling skills.

As much of the marketing effort in the industry comes from the retail sector, the large retailers invest considerable money and effort in market research (see Chapter Four) to measure its effectiveness.

8.9 Summary


At the conclusion of this chapter the reader should be able to:

- ◆ understand the importance of the UK fashion retailing business;
- ◆ describe the retailer's relationship with the manufacturing sector;
- ◆ explain the importance of imports and exports to the UK fashion retail industry;
- ◆ outline the structure of the industry;
- ◆ indicate how retail marketing effectiveness can be assessed.

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Chapter Nine

Fashion Marketing Communications

9.1 Introduction

Promotion, widely regarded as the fourth P of marketing, is now being renamed marketing communications to which perhaps reflect its growing importance and increased profile within the marketing mix.

In this chapter the role and scope of marketing communications will be explained, with an emphasis on fashion marketing communications. Fashion is different!

9.1.1 Defining marketing communications

The definition of marketing developed by the Chartered Institute of Marketing is widely regarded as a useful one:

Marketing is the management process responsible for identifying, anticipating and satisfying consumer requirements profitably.

Communication, from the Latin *communis* (a oneness of thought), is defined as 'imparting or – an exchange of information' (*Oxford Dictionary*).

If we combine the definitions of marketing and communication we might define marketing communications as:

A management process responsible for communicating with customers in order to inform and satisfy their needs and wants.

Therefore the focus of marketing communications is still on the consumer, but with the additional dimension of satisfying the consumer's need for information. It may perhaps be useful to reiterate that consumers cannot be 'persuaded' to buy something they do not want or need. The skill in marketing communications, just as in marketing, lies in understanding the

consumer and informing them about the benefits of your product above any other competing offers. The starting point of this mutually beneficial exchange must be informing them of your fashion offer.

9.1.2 The historical background

Marketing communications goes back a long way. The earliest example of a promotional tool may well have been the town crier who would literally call out in the streets the availability of goods or services of a seller. This would presumably have been an effective method of promotion as the general populace had low literacy levels, and the media (newspapers, for example) were therefore non-existent.

Visual symbols, for example, an image of a needle and thread for a tailor, might have been painted above the shop premises. The traditional sign for a barber's shop, a red- and- white-striped pole symbolizing blood and bandages, still remains today as a legacy of the time when barbers also doubled as dentists and surgeons.

Today we find that visual symbols are an integral part of modern marketing communications, perhaps reflecting the old saying: 'a picture is worth a thousand words'. This is reinforced by the commonly held belief that we retain 70% of what we see, compared with 30% of what we hear.

Another good example of the usage of visual imagery as a communication tool is the advertisements by Benetton, which relied on controversial images as a tool of brand recollection, separate perhaps from the Benetton product itself.

9.2 The marketing communications environment

Trevor Beattie (1999), one of the gurus of advertising who was responsible for memorable and successful campaigns, including Levi's 501s, said: 'If we whisper, we can't be heard.'

Today's consumer is constantly bombarded by visual stimuli in the form of advertising, logos, junk mail, celebrity gossip magazines, Internet pop ups and so on. It is therefore not surprising that marketing communications have to strive hard to stand out from the crowd. The modern consumer is subjected to a much more complex array of messages and media in an increasingly competitive retail environment when compared to the consumer of the past. Furthermore, modern marketing communications must take into account the fact that today's consumer is more sophisticated and discerning than the consumer of the past. It is no longer sufficient to say that your product is the best. In today's competitive retail environment where competing

products are quite similar, the consumer wants to be entertained as well as informed – this is sometimes called infotainment. Marketing communications must give the consumer a reason to purchase your product over other similar products, and creating a strong brand with an equally strong brand identity may be a way of succeeding in the competitive retail marketing environment. Nowhere is this more important than in the highly competitive and saturated fashion market, where very similar products vie for the consumer's attention.

9.3 The traditional approach to promotion

9.3.1 Communication theory

Communication theory suggests the following fairly straightforward model of communication:

Sender → Message → Receiver

The sender is the producer or seller of the goods; the message is what the sender wishes to say, which may be encoded in symbols (visuals/music); and the receiver is the consumer or the target market. However, it is not always this simple, as the receiver may not receive the intended message or interpret (decode) it in the way the sender intended. When the message is obscured or misunderstood it is called noise; this is some sort of interference. Marketing communications is not an exact science; measuring and evaluating the effectiveness of a message in terms of feedback is not always a simple process.

Another model that marketers use to describe the process of communication is AIDA:

A	Awareness
I	Interest
D	Desire
A	Action

This model suggests a linear process whereby the consumer moves from unawareness of the product to awareness, then takes an interest in the product, which in turn leads to desire for the product, which results in an action – a purchase.

In many texts on marketing communications the promotional mix is traditionally listed as:

- ◆ advertising;
- ◆ sales promotion;
- ◆ public relations;
- ◆ personal selling.

Furthermore, each of these tends to be explained with examples from a diverse range of industries. It is the aim of this chapter to explore each aspect of the promotional mix in relation to fashion.

9.3.2 An integrated approach to marketing communications

According to McGoldrick (2002), the marketing communications objectives should be clearly defined at the outset. They may be some or all of the following:

- ◆ develop new customers;
- ◆ increase expenditure by existing customers;
- ◆ increase store traffic;
- ◆ increase product sales;
- ◆ develop the store image.

Therefore, the overall strategy of the organization should be the starting point of all marketing communications. This should in turn follow what is known as an integrated approach, where each and every communication from the organization has the same 'handwriting'. A more comprehensive definition of integrated marketing communications (IMC) is:

IMC is a concept of marketing communications planning that recognizes the added value of a comprehensive plan that evaluates the strategic roles of a variety of communications disciplines (e.g. general advertising, direct response, sales promotion and public relations) ... and combines these disciplines to provide clarity, consistency and maximum communications impact.

Therefore at the outset organizations should ask themselves:

- ◆ What do we want to achieve?
- ◆ How should we achieve this? (perhaps most importantly)
- ◆ How can we measure success?

The organization may well use its internal capabilities to initiate a campaign; however, it is becoming more recognized that the services of an agency are required to develop a creative campaign and buy media space.

9.3.3 Developing and communicating a brief

A brief is an outline of the objectives that the company wants to achieve with its marketing communications. The fashion company

may well have established, usually by some research, that a campaign is needed to do one or a combination of the following:

- ◆ Confirm with present consumers that theirs is a credible brand and therefore prevent the customers from straying into the outlets of a competitor who may have a high-profile campaign. This might be the 'follow-my-leader' campaign prompted by the competition.
- ◆ Introduce a new product range/brand. This might be when a retailer launches an accessory collection, or a childrenswear offer, or opens a new outlet in a new city.
- ◆ To inform potential consumers that the brand has changed in some way. This might be a repositioning campaign.

The company will communicate 'the brief' to a number of agencies and they will then 'pitch' for the account, normally by making a presentation to the company outlining their marketing communications plan in terms of:

- ◆ creative treatment (the encoding of the message in symbols, e.g. visuals/music);
- ◆ media strategy (which channels of communication would be appropriate, bearing in mind the target market, e.g. MTV, *Vogue*);
- ◆ evaluation (feedback mechanisms to measure the success of the campaign).

This means that the agency should have the capability to deliver all these aspects of a campaign and have personnel involved in

- ◆ creativity (graphics, copywriting, etc.);
- ◆ media planning (access to space);
- ◆ research (before, during and after the campaign).

There has been a great deal of consolidation in the advertising agency sector in the recent past, including mergers and acquisitions within both the domestic and overseas sectors. This strengthens the capabilities of the agency to provide a complete package to the client and can facilitate integration of the various elements of the campaign. One recent development is advertising agencies launching fashion only subdivisions, e.g. J. Walter Thompson (JWT) has created LABEL@JWT dedicated to the fashion sector. This implies advertising agencies have recognized that fashion requires a different approach and treatment in comparison with everyday commodities.

9.3.4 An integrated approach

Fashion brand retailers are increasingly looking towards an integrated approach to their marketing communications strategies which can give some synergy and also cost economies.

If every aspect of the promotional mix is integrated then the effect is likely to be stronger and long lasting as the imagery and treatment, i.e. the handwriting, is consistent every time it is used – be it in an advertisement, on the web, in a store, or on the letter head. It becomes distinctive and is:

- ◆ Recognizable
- ◆ Repeated
- ◆ Reinforced
- ◆ Reiterated
- ◆ Recalled.

9.3.5 Case study example

A middle market retailer of women's, men's and children's clothing launched a marketing communications campaign which comprised of a series of television, magazine, and cinema advertisements. The garments featured in the advertisements were made available to the press via the retailer's public relations department. The public relations department also informed the store personnel, via briefing sheets, of the exact details of the garments (by code number, colour and size availability) which were to be featured in magazines and in the intermissions of specific popular television programmes and cinema films. These were further detailed by region in relation to stores within each region. The programmes and films were itemized, as were the approximate timings of the advertisements.

The briefing notes also alerted staff to the in-store layouts and visual merchandising treatments that were to support the external communications. As one member of staff commented: 'We knew what was being advertised and when, and could direct customers to it on the shop floor.' According to senior management, areas which had underperforming stores now found new customers.

9.4 Fashion advertising

Above the line (paid-for) advertising in fashion is relatively low in comparison with other goods e.g. FMCGs – fast moving consumer goods, which probably reflects the fact that less money is spent by consumers on fashion than on food, transport, leisure, fuel, housing, etc.

Fashion companies in the middle market, where the majority of fashion is purchased, have traditionally relied on their stores, i.e. their physical presence in the market place, being a showcase for their products. However, as competition has increased, this marketing tool (the store itself) has not had as much impact. If the consumer does not see or visit your store because they think it is not the store for them, then their physical presence alone is not enough. Fashion stores therefore advertise in order to stand out from very similar stores carrying similar merchandise.

International upper market fashion brands like Chanel, Louis Vuitton, Versace etc., are heavily reliant on advertising to maintain brand awareness. We will now consider the communication channels which are available to fashion companies.

9.4.1 Television advertising

This is the most expensive method of advertising because it reaches the maximum number of people. However, for fashion retailers it is not always cost-effective as the fashion consumer or the target market may not see the advertisement. Also, it may be lost among other non-fashion advertisements, and a short three-minute commercial cannot always show the full range of items available. Television advertising is, however, a useful medium for brand image creation. For many fashion companies, targeting specific programmes which are likely to be watched by the target market may give some precision and an opportunity for the promotion of international brands such as Levi's and Nike.

9.4.2 Outdoor advertising

Ambient media denotes advertising on billboards, the Underground, street furniture, taxis, etc. It is relatively inexpensive, and its main advantage is that it can be highly targeted to transport users within the area of the fashion stores. A disadvantage is that it cannot give a lot of information as people will only have a moment to glance at it, and it must not be too distracting in content as it could cause people to lose concentration.

9.4.3 Magazine advertising

Advertising in magazines is by far the most effective method of above the line advertising, as it can be fine-tuned to the target market of the magazine. Magazines provide media packs, which outline their

target market and pricing strategy. For example, *Vogue* is renowned as a style bible all over the world and has a very clearly defined target market: 'To be in *Vogue* is to be in fashion.'

The media pack gives demographic details on the age profile, social classification, income level and education of its core readership, and a lifestyle profile is provided for their potential advertisers. The *Vogue* reader 'is style conscious ... enjoys an affluent, active lifestyle', dining out, pursuing cultural activities, taking frequent holidays and, of course, shopping at upmarket stores, and spending on clothes.

In addition, there are very specific comparisons with other magazines and instructions and costs associated with advertising in the publication. There is also an offer to bring advertisers together with complementary products to share the costs of a *Vogue* promotion; this is co-operative advertising and can be useful for advertisers who cannot afford the full cost (sourced from the *Vogue* Media Pack).

A fashion brand/retailer can be fairly confident when advertising in specific magazines that they can match their target market with the magazine target market and therefore not waste the advertising budget.

Launched in the UK in 2004, *Grazia* is a weekly glossy which features the very latest in not only fashion, but also celebrity lifestyle. This magazine and other celebrity-focused publications have had a major impact on the fashion marketing communications mix, which will be discussed later in this chapter.

9.4.4 Radio advertising

Radio advertising is not used very much by the fashion industry, since it is difficult to communicate the brand image by sound. The exception to this might be to alert listeners to a sale event – department stores that have a one-off extended trading period or 12-hour event happening that very same day use the radio to stimulate drivers to go into town.

9.5 Sales promotion

This method of promotion revolves around offering a discount on merchandise on production of a coupon often given away in a magazine. The cost of this obviously requires budgeting into the original promotional strategy, but provides a method of immediate feedback on the success of the promotion and would perhaps turn new or occasional shoppers into regular purchasers.

Owing to the seasonal nature of fashion, mid-season and end-of-season sales are the most frequent methods of sales promotion and an effective way of reducing the stockholding in order to make space for new merchandise; however due to the rise of the 'fast fashion' phenomenon, which is the consumers' constant demand for newness, stores are often in continual markdown.

9.6 Public relations

In fashion marketing, public relations (PR) is a very effective method of promotion; however, this method of communicating the fashion brand or a particular item is not always obvious to the untrained eye.

According to Harrison (1995), there is no universally accepted definition of PR, and perhaps this reflects its relatively new and still developing role within marketing. We might use the Institute of Public Relations (IPR) definition as a useful description of the role and responsibility of PR: 'Public Relations is about reputation – the result of what you do, what you say and what others say about you'.

In essence PR can be seen as managing the corporate identity. This can simply be getting goods into the public arena at one end of the spectrum, or at the other extreme, refuting any adverse publicity that the company may face. Therefore, it is important for an organization to have a PR department in place in order to be prepared for adverse reactions from the press or public. PR, if used effectively, can be seen as the guardian of the corporate reputation.

In fashion marketing, PR may be done by an in-house department, or by an external agency. It might be suggested therefore that PR should aim to:

- ◆ raise or confirm the profile of the brand/retailer;
- ◆ place products in the public arena;
- ◆ enhance other parts of the promotional mix;
- ◆ communicate with influential media.

In fashion marketing, PR is responsible for ensuring that magazines have merchandise to feature in fashion shoots, comparative offers and editorial features. This is a role 'behind the scenes' that is not always immediately apparent. Editorials are usually taken from press releases and may be very credible to the reader as an editorial is not an advertisement on behalf of the company, but an endorsement by an influential style leader. The success of PR can be measured using the value of how much the amount of space generated would have cost if it had been a traditional advertisement. The space is calculated

using advertising rates and is known as 'rate-card value'. PR companies can demonstrate to their clients how much 'free' publicity has been generated using this method.

Of course, the brand has little control over how the product may be used in an editorial piece – it may be criticized as having the worst value for money in a comparison with other competitive products. However, this is a risk that has to be taken, and close relationships between PR and magazine companies exist to limit damage to brands' reputations.

Other responsibilities of PR are also in event management, which could include arranging fashion shows, gala events, exhibitions and sponsorship deals. This makes it sound like a very glamorous career, but of course there is crisis management to consider, especially when the brand (or a celebrity by association) gets bad publicity. Contrary to the popular saying not all publicity is good publicity, as the bad tends to get repeated before any good news. For example, despite increased sales and a high-profile advertising campaign the previous fortunes of the company are often reported in the press:

'... once ailing, M&S stages a come back ...'

9.7 Celebrity endorsement and sponsorship

PR also has an important role to play in the use of celebrities by brands. Celebrity endorsement is a particularly powerful form of promotion and is increasingly being used by companies. Linking a well-known personality with the brand can give many benefits. If a well-known personality endorses a product or wears a brand through a sponsorship deal, we may well understand that they are being paid to promote the product. However, the effect is one of credibility, particularly if the personality is admired, in which case they imbue the product with their attributes of good taste, attractiveness, etc. Endorsement can give credibility to a brand that advertising alone cannot give. If a brand is linked with a personality who is outstanding or popular in their chosen field of endeavour, then the brand and the personality will begin to share similar characteristics, and the identity of the brand and the person become linked and begin to share similar characteristics. Sportswear brands have used celebrity endorsements to great effect in matching the brand with the personality.

The major disadvantage of this is if the endorser 'falls from grace', by being accused of some scandal or wrong doing, then the product with which they are linked will inevitably suffer a similar fate, and can become tainted with the same public disapproval. One of the worst

things a celebrity endorser can do is publicly announce they don't wear or use the product with which they are linked. Overexposure is also a problem when the celebrity has too many products to endorse. It then seems as if they cannot possibly be in this for anything than the money, and this loses credibility for the brands involved. Sometimes the celebrity is bigger than the brand and viewers remember the celebrity but not the product with which they were connected. Contracts may overcome some of the disadvantages and problems for brands when linking up with people who are, only human after all. Levi's overcame this by using Flat Eric, a puppet!

9.7.1 Case studies – choosing the right celebrity

An own label retailer with a strong brand and market share was considering using celebrity endorsement for an advertising campaign. In order to establish which celebrities out of a large number would be suitable, they undertook some market research. The faces of the celebrities were shown to customers within the store environment and customers were asked to match the store personality to the celebrity personality. From this research there were five clear winners among the celebrities, and these five were subsequently used in an advertising campaign.

Kate Moss has become one of the most famous models in the world since she shot to fame for Calvin Klein, shortly after being discovered in an airline check-in queue. However, as has been widely documented – whether accurate or not – an alleged revelation of substance abuse led to a number of her high-profile brand contracts being terminated. For example, H&M as a brand aimed at impressionable youth rapidly withdrew their support for her, but many including Rimmel which is positioned as an edgy London brand were to continue their affiliation. Indeed it would now appear that Kate Moss has more contracts than she had before. At the time of writing she is the face of Dior, Louis Vuitton, Belstaff and Burberry among others. It will be interesting to observe how this continues. Indeed, in Autumn 2006, she teamed up with TopShop to launch her own fashion range.

Sienna Miller is widely attributed with popularizing the 'boho' look in summer 2005. Many retailers had failed to spot the trend and were left to play a very swift game of catch up, which gave them the expertise to use fast fashion techniques. This demonstrates the power that a celebrity being photographed by paparazzi and appearing in weekly gossip columns can have on the fashion supply chain.

It is often prohibitively expensive for companies on a limited budget to use a top model or celebrity so they may look for one who is

tipped to become a star in the future, this is known as 'seeding', and worked well for Eva Herzigovina and Wonderbra. However, if the 'star' does not materialize, the brand will not get the coverage either.

The casual clothing brand Criminal used Steven Marks a self-confessed drug smuggler as an ironic figurehead for its publicity.

David Beckham is an example of a celebrity who has become a brand in his own right.

When selecting a suitable celebrity, fashion marketers try to achieve a match between the characteristics of the brand image they wish to project and the perceived qualities of the celebrity. In practice this is often accomplished by the use of focus groups who discuss their impressions of both celebrities and brands.

9.8 Personal selling

In fashion marketing the role of the sales assistant generally varies according to the type of outlet.

Fashion outlets for the youth market tend to be self-service as the 'fashion enthusiasts' are quite happy to select, try on and purchase garments without much help or interference. However, the older consumer may require a personal service in terms of advice and alterations. Therefore, the type of sales assistant recruited by a fashion company tends to attract and reflect the target market in terms of age, size, demographics and lifestyle; although legislation against age discrimination may counterbalance this exact reflection of the brand by employees.

9.8.1 Personal shoppers become personal stylists

This type of service is offered by upmarket retailers and is now increasingly a feature of the mass market. A selection of merchandise is provided from which the customer can make a selection in some privacy and comfort. It is also popular for the busy, time constrained, working executive or for a special-occasion purchaser. As in the cult of celebrity, everyone wants their own personal stylist and stores are catering to this demand by providing a stylist service. TopShop was the first fashion chain to pick up on the trend.

9.8.2 Direct marketing

Direct marketing can be the purest form of one-to-one personal communication if it is used correctly, but all too often it tends towards the

unimaginative mass mail out and misses golden opportunities. How many times have you received a mail shot which seems to take no account of your previous purchase history (you've never bought childrenswear from them, which might suggest you don't have children), and furthermore, they have spelt your name incorrectly? This does not engender confidence that it is the personalized invitation it purports to be.

One shining example of how to use direct marketing effectively is that of the retailer Boden, which by being a predominantly mail order business, has enabled them to hone their skills in this area.

Credit card and loyalty schemes allow brands/retailers to create databases which can provide direct marketing opportunities. Stores use the store card details of their customers to invite shoppers to launch events. Mobile phone and e-mail alerts direct to customers can be a strong reminder of the brand.

9.9 Visual merchandising to visual marketing

In fashion marketing communications, one of the most important tools is the retail environment itself and deserves to have its own separate place in the promotional mix.

There is no single definition of what visual merchandising is, combining as it does for different commentators, different parts of the total retail environment experience. However, this one can be utilized as a broad approach to a definition:

Visual merchandising is the physical representation and communication cue of the brand or retailer, through creative grouping and presentation of merchandise in windows and in the store.

Visual merchandising is seldom just window display, as the store design and layout also plays a role in the creative treatment of the retail experience. The window, however, is a stage on which the retailer 'struts its stuff' as it is normally the first thing that the customer comes into contact with and this attracts the audience.

Visual merchandising, and store design and layout are now becoming widely regarded as important promotional tools to differentiate fashion store images in a crowded environment. Store designers often incorporate elements of the design process into promotional tools such as in-store graphics, but more are now visible in wrapping materials, carrier bags, T-shirts (which are then carried and worn), and become a powerful and free promotional tool out on the streets.

However, visual merchandising cannot be separated from the rest of the marketing mix. No amount of creativity and promotion can

sell merchandise that customers do not want. But assuming that the product, price and place elements of the mix are correctly assembled to match the target market, visual merchandising as a part of the promotional mix is an attractive component of store presentation.

Since it is said that we retain 70% of what we see, compared with only 30% of what we hear or read, then it would be fair to assume that the visual representation of the brand must be an important tool in fashion marketing communications.

Store windows attract customers at a distance and they carry a number of subtle messages which customers use in order to decide whether to enter or not. New and on trend merchandise, the style of the mannequins, the styling of the garments all indicate to potential customers whether this is their type of store. Once inside the store, displays can be used effectively as signage so as to avoid too many written messages. However there is one fixture in stores that has recently become a feature and that is the 'fast fashion' fixture, often labelled with a sense of urgency:

- ◆ Get it before it goes!
- ◆ Buy it now or regret it later!

The fixture and the signage provide the busy but 'fashion enthusiast' consumer with a short cut communication to the latest deliveries. A small number of garments are on this fixture which signals exclusivity and rarity, although thousands may exist in the apparel pipeline, this encourages an impulse purchase based on the premise that the opportunity may not arise again.

9.9.1 Store design and layout

There exists a whole industry based on store design and layout. However the psychology of attracting customers, via design and visual merchandising, is by no means an exact science.

Zara, in particular, presents a designer type environment which suggests exclusivity by using a lot of space in between merchandise, yet has affordable middle market pricing.

Even money retailers are recognizing the value of presenting an aesthetically pleasing environment, which in turn encourages customers to stay longer and inevitably spend more than they intend. But they also attract the bargain hunter with a pile it high, sell it cheap offer, which is consequentially an untidy image by the close of business, but it would appear that customers are prepared to forgo a cleanly merchandised environment for a keen price.

Visual merchandising can of course be used to discourage the 'wrong' target market; stores who do not put the prices of garments in the window suggest high prices. Closed, heavy doors, buzzer entry systems, small windows (like Tiffany jewellers) and uniformed 'greeters' are all visual cues to some people to stay away. In general, the bigger the price signs the cheaper the stock, and vice versa.

Layouts in fashion are different in different types of stores. A department store will use a hard surface 'race track' around the perimeter with carpeted areas at each brand concession to slow the footfall and encourage browsing. A 'boutique' layout may look haphazard, but is meant to stop and delight the customer at every turn. A 'supermarket' type of layout is suitable for large value, discount, out of town (i.e. premium priced floor space) stores where trolleys are used.

Colour, music and fragrance are all used to attract and to some extent control the customer's response and experience by activating their full range of senses. Colours can be either exciting or restful – busy environments use dramatic colours like red to signal sales, vibrancy, etc., whereas more leisured shopping environments with more expensive prices promote calm by using restful colours. It all depends how long you want customers to stay. Music with a fast-tempo has the same effect, it promotes a fast shop; whereas classical music promotes a leisurely stroll. Fragrances developed by brands and retailers are sold alongside the clothes. If a customer identifies with the brand and its values it is likely they will buy into the fragrance by association.

9.9.2 Visual marketing

Visual merchandising is much more than just 'dressing dummies'. It presents customers with a vision of what garments might look like on them before they have tried them on, and is therefore a stepping stone to a purchase. It offers ideas of how to achieve the desired look, and encourages extra sales of items especially accessories.

Visual merchandising could therefore be renamed Visual Marketing, reflecting that it combines with the product, price, place and promotion and further underlines its importance in the fashion business.

9.10 International marketing communications

Increasingly, as fashion brands/retailers expand beyond their domestic boundaries, their marketing communications have to translate visually and literally into international markets.

Marketing communications strategies must therefore be capable of international standardization or adaptation in order to benefit from economies of scale, e.g. one advertisement that can be used globally rather than the expensive multiple generations of advertisement for different markets.

This puts considerable strain on the creative treatment of international promotional material, and has led to criticism over a lack of innovation. The future internationalization plans of a company may need consideration when generating ideas for brand names and strap lines. An example of this is the brand name Next, which is difficult to pronounce in some languages, and their advertising strap line, which was innovative and imaginative in the English language: 'Bringing fabric to life', but translated badly into most foreign languages as a rather confusing combination of 'resuscitating dead material': not exactly the image with which the company wished to be associated!

Since so many companies are operating globally now, it is not surprising that their logos (visual communication cues) are popular, rather than relying on heavy text which may need translation. The Burberry plaid speaks for itself, as does the interlinked Cs of Chanel and the Nike swoosh. And rather than, including a text that signals a company's presence,

London Paris New York

in a discreet place on an advertisements, a website address is now the norm, which obviously gives far more detail and lists all their locations in whatever language is required.

Observers of Vogue in a variety of markets and languages will see that their advertisements are the same the world over, relying on strong imagery and brand handwriting rather than text.

9.11 Ethics in marketing communications

Legal constraints in terms of advertising have been introduced by most governments on the grounds of deception and false representation; however, the extent to which advertising is controlled varies between countries. Advertising to children is completely banned in Sweden.

In the UK, the advertising industry is self-regulatory, which in essence means that the industry controls itself and there should therefore be no offensive advertising or false claims made. However, this is not always the case, and there are instances when perhaps for shock tactics a company will flout the rules. The self-regulatory system

means that it is the responsibility of the consumer to complain about an advertisement (in the UK). Even one single complaint will be investigated and if the panel agrees then the advertisement must be modified or withdrawn.

If advertising agencies suspect that their creative treatment may cause some offence or is controversial in the UK they can approach the regulatory bodies and gain some advice. Some companies may just go ahead with the campaign and hope for the best.

The Advertising Standards Authority (ASA) has some case studies on fashion brands (www.asa.org.uk) which demonstrate the process from complaint to compliance. The brands range from Opium, Harvey Nichols to Diesel, Gucci and of course the ubiquitous French Connection (fcuk).

9.12 Evaluating the effectiveness of marketing communications

The issue of evaluating the effectiveness of any promotional effort is an area that generates a great deal of debate among academics and practitioners alike.

Some campaigns are reasonably easy to evaluate in terms of increased sales. However, the problem lies in measuring success over a longer period and the effectiveness of different elements of marketing communications. Was it the advertisements on television or the money-off vouchers in magazines that was responsible for increased sales? Research is the key tool to use to establish answers to these types of question.

In the UK there are a number of agencies involved in the collection and analysis of data on consumers' viewing and recall habits in the case of advertising. More difficult and expensive to calculate are the changes in attitude towards a brand over time. This requires research before, during and after promotional effort. Some methods of measuring brand awareness can be carried out before, during and after a campaign, this type of research tends to be qualitative and can be done by the company itself, an independent market research company, or a media agency.

Recall tests question whether the brand is salient (uppermost) in the consumer's mind, the recall can be related to present/previous advertising or can just be a question of when did you last shop in 'XXXX'?

The brand personality of a store can be ascertained by a number of variables as a means of comparison with the competition, in advertising

evaluations these might include:

- ◆ Exciting advertisements ~ versus ~ boring advertisements
- ◆ Different from the rest ~ versus ~ the same as the rest
- ◆ Strong image/handwriting ~ versus ~ weak image/handwriting.

Just showing advertisements to respondents without the brand name visible and assessing their recognition will answer some of these questions.

Respondents can be asked 'If this brand was a person what sort of personality would it have?' This can give interesting insights into the perception of the brand.

Like most research into consumer behaviour this area is fraught with complications, conflicting opinions and evidence. It can however yield some useful results if undertaken and applied to a marketing problem correctly.

9.13 New directions in fashion marketing communications

Whilst the demise of traditional communication channels has been widely reported, it is highly unlikely that they will disappear. Rather, they will change, develop and integrate with other tools as part of the route to the customer. It will be a test of the skills and a recognition of opportunities for marketing communicators to monitor and adapt to opportunities and changes in the fashion environment.

9.13.1 Media proliferation and direct marketing opportunities

The Internet has allowed fashion brands/retailers to establish a presence, communication channel and transactional websites. The Internet allows companies to be international, even global, without the costs normally associated with this strategy, i.e. setting up stores overseas.

Vogue, *Marie Clare*, *Elle* and *Cosmopolitan*, and the celebrity inspired titles of *Hello*, *OK* and *Grazia*, along with satellite and cable television channels, have crossed international boundaries and therefore provide opportunities for international marketing communications for global fashion brands.

Mobile telephones (GSM) and e-mail have facilitated text message (SMS) alerts to those who sign up for it. Digital technology, whilst in its infancy, is widely regarded as the next most important method for reaching target markets.

As Seen on Screen, www.asos.com, gives the fashion consumer a direct opportunity to buy what the celebrities have been spotted wearing.

Viral marketing is beginning to take off as it is such an easy medium to employ. Simply send your favourite advertisement to your friends, and in no time the advertisement has travelled the world at a little or no expense. Tracking these advertisements give companies an opportunity to test consumer reaction before launching an orchestrated campaign – it is said that the Levi's 'Flat Eric' campaign was born this way.

Product placement is a subtle form of promotion where brands are featured in films or television programmes. Although it is shortly to be deregulated in Europe, it is not yet clear how important this will become, but having established that the consumer finds PR and celebrity endorsement more credible than traditional advertising channels, it is likely to be a strong tool.

There is some evidence that user generated word of mouth, usually associated with Internet chat rooms or blogs, is becoming an increasingly popular medium similar to viral marketing, but the content is customer centric. Although companies could, in theory, join in the debate, the unregulated nature of this medium could be a problem in terms of corporate image.

9.14 Summary

This chapter has aimed to establish that fashion is different when considered in the context of the promotional mix. Fashion has caught up with the pack by moving away from an over-reliance simply on store presence. In an increasingly competitive marketing environment and looking towards an integrated approach to marketing communications, we might call this 'bathing in the brand', where every aspect has a unique handwriting or signature which cannot be mistaken for another store. This is where the store environment, graphics, display and advertising are in the same style and send a cohesive message regarding image and the product on offer. As fashion becomes increasingly global, the marketing communications may need to reflect or overcome cultural, language and geographical differences.

Useful websites

www.asa.org.uk
www.asos.com
www.brandrepublic.com
www.brandchannel.com

Further reading

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Chapter Ten

Fashion Marketing Planning

10.1 Introduction

Putting all aspects of a marketing mix together to achieve the goals of the organization is the most important fashion marketing task. Activities must be planned, co-ordinated and effectively implemented, and the results monitored. This chapter deals with the fashion marketing planning process, beginning with a broad overview of the process of planning fashion marketing, and continuing with the central role of the mission statement and marketing objectives.

The analysis of marketing activities and the marketing environment by a marketing audit are described. A synopsis is given of SWOT (strengths, weaknesses, opportunities and threats) analysis, a crucial underpinning to the development of a fashion marketing strategy. Consideration of strategic alternatives follows with reference to earlier material on segmentation and competitor analysis.

The chapter concludes by presenting a framework for producing a fashion marketing plan and examines some important issues concerned with the implementation of plans.

10.2 The planning process and objectives

10.2.1 The planning process

A marketing strategy is a specification of those markets the firm wishes to target with marketing activities and how competitive advantages are to be created and achieved. A marketing strategy is developed within the broader framework of corporate strategy and goals. The focus of this chapter will naturally be upon fashion marketing plans, but the whole context of the fashion marketing planning



Figure 10.1 The fashion marketing planning process.

process should be kept in mind. Figure 10.1 shows the broader view of the process.

Fashion marketing planning has been described as a process. It is a continuous activity and if undertaken correctly should be self-improving. The process requires the setting and communication of standards, effective implementation or corrective action and timely feedback on performance. The starting point in the process is taken from the marketing objectives, although, as noted above, these are subject to wider corporate decisions.

10.2.2 The mission statement

The mission statement should begin by asking what business is the firm in and what kind of business would it like to be in? Normally this should be defined sufficiently broadly to allow flexibility but still be specific, for example, providing fashionable eveningwear and accessories rather than selling dresses. It also should be defined in terms of customer need, bearing in mind the firm's strengths in relation to the competition. Mission statements should be short and inspiring for company employees; they provide reasons for the firm's survival and growth and are a touchstone for judging corporate behaviour and development. Mission statement should be communicated to all interested stakeholders in the firm, employees, suppliers, customers and shareholders. They are in effect an enduring sense of purpose for the organization.

For example River Island has the aim of providing 'design choice and value' as part of the mission statement. The company also has a full

range of operating principles that derive from the broad mission statement and these are communicated in the annual report and are used in advertising copy and personnel communication initiatives. As its mission statement Levis Strauss has 'People love our clothes and trust our company. We will make the most appealing and widely worn casual clothing in the world. We will cloth the world.' Part of the Mango mission is 'Dressing the urban and modern woman, meeting her daily needs, is the formula which we have analysed, adapted and applied to each country we operate in.'

10.2.3 Marketing objectives

These will be more specific than the broad mission statement and will include quantified data such as profit levels, number of new business customers and market share. As shown in Figure 10.1, marketing objectives derive from corporate objectives. The latter are broader and include all aspects of the company's operations such as production, personnel and safety, as well as marketing objectives.

Marketing objectives should be clear, written, measurable and attainable, but still challenging. They also should be specific and stated in relation to time constraints. Two examples of marketing objectives are: 'Our aim is to increase sales turnover from £31.3 million to £35.7 million in the next financial year, and to increase the gross profit margin by 5.2%' and 'to increase the share of sales via our corporate website from 4.3% of sales turnover to 8.5% within the next six months.'

10.3 Marketing audits and SWOT analysis

10.3.1 A marketing audit

To achieve marketing objectives the current situation must be analysed. Periodic reviews of the marketing goals, operations and performance of fashion companies are known as marketing audits. The concept is very similar to financial audit, but unfortunately the former are carried out less frequently than the latter. The marketing audit involves a set of detailed questions that are asked to determine the status of the firm in relation to its objectives, customers, competition and marketing environment. One of the main reasons for a marketing audit is to identify areas where corrective action may be needed. The marketing audit is usually organized into two main categories covering the firm's internal and external environment.

The audit of the external marketing environment covers the items identified in Chapter Two. Common frameworks adopted for the external

marketing audit include LEPEST or STEPLE analyses, both of which cover Legal, Environmental, Political, Economic, Social and Technological aspects of the environment. The framework in Chapter Two elaborates on the above factors and distinguishes between controllable and partially controllable variables that require monitoring and analysis. The external audit should examine current activity and projected trends in both macro- and micro-marketing environments. It is imperative that all assumptions are made explicit in the audit, so that later modifications can be made to facts about developing events. For example, an assumption about forecast inflation rates for the next 12 months will have an impact upon the company's pricing policy. Thus data from the Retail Price Indices can be used later, if necessary, to revise plans. Likewise, anticipated changes in the bank rate will impact upon consumer purchasing power and thereby impact upon sales of garments.

The scope of an internal marketing audit would cover detailed analysis of sales, profits and market share data by product life and product range. As with the external audit a series of questions are asked about objectives, activities and achievement. For example, the adequacy of the size of the sales force may be assessed in relation to changing distribution trends or the frequency of product line deletions may be examined. The audit also may question how prices are set, the sufficiency of data about competitors' prices or the effectiveness of dealing with customer complaints. The whole range of marketing activities are subject to audit and are judged against customers' perceptions and marketing objectives.

10.3.2 SWOT or situational analysis

The outcome of a marketing audit is usually a detailed document specifying achievements and suggesting, where necessary, corrective action. Another use of the audit is the construction of a SWOT analysis, which is also known as a situational assessment of the firm. The SWOT, in essence, is the key issue emerging from the audit.

SWOT analysis considers both internal and external factors about either the whole company or a particular fashion product line or range in relation to customers, competitors and trends in the marketing environment. Strengths and weaknesses concern internal factors and opportunities and threats concern external factors. Figure 10.2 shows some components of a SWOT analysis.

Obviously the marketing audit is a good starting point to prepare a SWOT analysis; however, not all companies undertake regular marketing audits. The first marketing audit is invariably the most difficult for

Internal	Strengths	Weaknesses
	e.g. Functional areas Design expertise Location Facilities/size	
External	Opportunities	Threats
	e.g. Competitor promotions Market trends in fabrics, etc. Customer attitudes to 'green' issues Intermediary activity Regulatory changes, etc.	

Figure 10.2 Strengths, weaknesses, opportunities and threats.

most companies as benchmarks or experience may be unavailable. Subsequent audits can begin with the preceding audit and marketing plan.

A few guidelines are given below to enable the preparation of a simple SWOT analysis. The SWOT should be concise and specific, and communicate the key issues facing the firm. The items identified should be related to each other and not simply an *ad hoc* collection that does not point to future action. A clearly written analysis is helpful when it points to solutions or direct consequences. For example, 'A new outlet of a large competitor threatens our childrenswear department. Allow for a potential slowdown in sales turnover of 8–10% in next 12 months.' The alternative for the above childrenswear department may be to change the marketing mix to meet the threat more directly.

An important dimension of the SWOT analysis is the need for objectivity. This argument equally applies to the marketing audit. Fashion marketers charged with producing a marketing plan can sometimes be too close to the firm to be objective, as identifying certain weaknesses can be construed as admitting past failures. Outsiders, such as marketing consultants, can bring a broader and more objective perspective, but they are expensive and they take time to get to know the operations and procedures of the particular firm. At times, it can be most useful to employ a manager from another department or branch of the same company or a retired senior executive to bring objectivity coupled with company knowledge to help with the SWOT analysis.

10.4 Marketing strategy

10.4.1 Strategic choice and marketing tactics

If the marketing objective describes 'What' has to be achieved, then the marketing strategy details 'How' the objectives are to be achieved.

Marketing strategy consists of important long-term decisions to which the competition cannot react quickly. It is the relationship of the firm with its environment. As marketing is an activity that is closely concerned with that environment, there is often considerable similarity between the corporate and marketing strategies within a firm.

The terms strategy and tactics need to be distinguished. Strategy is doing the right thing and is ultimately the search for effectiveness. Tactics are doing things right; they lead to efficiency. Unfortunately, some firms who apparently do not believe in planning have allowed short-term tactics to override strategy, as shown in the discussion of promotional pricing in Chapter Seven. Therefore, deciding upon the correct strategy and moving in the right direction are important for firms and require considerable effort.

The SWOT analysis shows how the fashion firm will fare in the future and this should be compared with the marketing objectives that were established earlier. Often there will be a gap between objectives and the current situation and the larger the gap the more risky or adventurous the marketing plan must be.

From the SWOT analysis the firm should be able to make detailed assessment of the competition, its own distinctive strengths and which market segments to aim for.

10.4.2 Assessment of the competition

A framework for assessing the competition is the same as the one used for the SWOT analysis, and some sample items are shown below:

- ◆ employment statistics and levels of expertise;
- ◆ organizational structure;
- ◆ number and location of distribution outlets;
- ◆ manufacturing capacity and flexibility;
- ◆ links with intermediaries;
- ◆ market share statistics;
- ◆ key products and services offered;
- ◆ promotional expenditure and impact;
- ◆ customer service levels;
- ◆ market segments targeted and trends;
- ◆ price levels;

- ◆ growth status – whether contracting, stable or growing;
- ◆ particular challenges to the firm;
- ◆ areas of vulnerability from the firm;
- ◆ environmental policies.

10.4.3 Selecting marketing segments

Market segmentation involves identifying separate market entities, with different needs and characteristics, so that the firm may specialize the product offering or marketing programme by segment or target.

Market segmentation was discussed in detail in Chapter Five along with consideration of a positioning statement for the firm. Segmentation strategies, such as concentration and multi-segment strategies, were also described. Examination of the company’s resources and the assessment of the competition, as determined in the sections above, should help to decide the precise strategy. Segment size, identification, profitability, access and stability also should be considered at this stage.

10.4.4 Determining a marketing strategy

The Ansoff matrix can be a useful tool to aid in the development of marketing strategy. A version of the matrix applied to fashion marketing is shown in Figure 10.3.

In the main, strategies are considered that offer new products or services to existing customers as in quadrant 2 or the same products or services to new market segments as in quadrant 3. High-risk

		Fashion product or service	
		Existing	New
Fashion markets	Existing	1 Consolidation or market penetration	2 Fashion product or service development
	New	3 Fashion market development	4 Diversification

Figure 10.3 The Ansoff matrix applied to fashion.

options should only be considered if the planning gap, identified above, is achievable given company resources. The higher the quadrant number in the figure, the riskier the option.

Consolidation can be seen as a risk-averse strategy; however, under certain circumstances it can be a shrewd move. When the market is in recession or the company is facing restructuring, for example, a consolidation strategy may be the best option. Market penetration is simply achieving a greater share of existing markets and may be gained by offering comparative advantages in pricing or services or by more effective advertising.

Market development concerns the marketing of existing products in new markets. Thus a small fashion retailer may open another store in a new city or a clothing manufacturer may start exporting to Japan. Donna Karan offered online shopping for DKNY products in 2005. Sometimes market development may be evident when a new use for an existing product is found. For example, Harris Tweed has been used in a range of trainers produced by Nike as well as being used for trim in braces and belts.

Fashion product or service development is the mainstay of most fashion marketing firms, although the rate of introduction of new market offerings varies considerably. This strategic option has been extensively discussed in Chapters Five and Six.

Diversification is where new products are developed for new markets. The degree of difference from existing markets and products can range from marginal to massive, and the greater the difference the larger the risk. A minor form of diversification for fashion firms is vertical integration where, for instance, a manufacturer sets up or buys some retail outlets or *vice versa*. A company manufacturing men's suits which enters the formal womenswear market would be making a relatively small change in direction and some expertise in design, manufacture and marketing may be transferable.

The most common move for fashion companies is into fragrance markets, Ted Baker and Guess? being two such examples. Where there are totally unrelated products and markets in a diversification move, the organization is called a conglomerate. The licensing arrangements of some larger French fashion houses make them appear like conglomerates with home furnishing, sunglasses, cutlery, shampoo, cigarette lighters and dozens of other non-clothing items all sold under the same brand name. The main benefit of diversification is to spread the risk of trading across more than one market.

Having selected the correct marketing strategy to pursue attention must be paid to more detailed planning. A marketing plan must be devised with specific marketing mix(es) for the selected target market(s).

10.5 The fashion marketing plan

The fashion marketing plan is a document that details marketing action for a specified period. It states what has to be done when, how and with what effect. The plan gives details of the marketing strategy and how the firm will achieve its marketing objectives. The plan also allocates responsibilities and resources, schedules major activities and enables senior management to monitor the implementation of the fashion marketing strategy.

There are variations in how a plan should be structured. These variations are minor and usually just reflect the house style of the fashion firm. The following sections cover the main components of a marketing plan.

10.5.1 Summary for senior management

This is self-evident and usually concentrates on profits, sales and resources. Many companies suggest that the summary should be produced on a single side of a paper.

10.5.2 Marketing objectives

These should be stated concisely and be related to the mission statement. A number of related marketing objectives may be grouped such as promotional objectives.

10.5.3 Situational analysis or SWOT

As noted above, the SWOT should be related to the competition and produce a coherent and related set of recommendations.

10.5.4 Marketing analysis

This is an assessment of market segment options, the competition, the marketing environment and major trends.

10.5.5 Marketing strategy

This is a statement of how objectives will be met by reference to segmentation and positioning of the product.

10.5.6 Marketing mix programmes

This section should detail product, price, distribution and promotional activities. This is probably the most detailed part of the plan as it states

what is to happen along with the scheduling and co-ordination of activities. The plan should also show the allocation of tasks, accountability for implementation and costs of the activities.

10.5.7 Forecast results and budgeting

The forecast sales and profits from the plan should be given along with market share data and other relevant quantifiable criteria. Some firms place the expected results in Section 10.5.2. To facilitate calculations and comparisons, it is helpful to place revenue and profit data with information on costs and budgets. Some approaches to budget setting were described in Chapter Nine. The total budget is derived from the marketing mix programme costs mentioned above.

10.5.8 Resourcing and implementation issues

This item is to outline any staffing or physical resources that may be needed to enable the plan to be effected. For example, the introduction of a marketing database, for direct mail activities aimed at regular customers, may have major implications for staff training in information technology and the purchase and maintenance of computer equipment. Possible resistance from staff or fashion intermediaries to certain strategic changes should also be identified, along with recommended action to overcome or minimize negative effects. For example, the importation of garments made in a country that generates polarized political opinion may meet opposition from sections of the workforce or certain active consumer groups.

10.5.9 Marketing control and evaluation

Measurement of the plan is essential so that corrective action can be taken if necessary. Given the objectives and expected results specified above, this section of the plan details the frequency and nature of measurements to be taken. Mechanisms for comparing actual with planned results and the reporting procedures must be shown. Some plans incorporate contingency corrective action in the event of deviations from the plan.

10.6 Implementation and organizational issues

10.6.1 Planning horizons

The time scales for fashion marketing plans vary considerably. All plans are related to the fashion calendar, usually two seasons, as noted in Chapter

Planning helps in anticipating and avoiding problems

Figure 10.4 The value of planning – an irony.

Six. They are also linked to the target market and the nature of the product life cycle. Chapter Six also describes product life cycles from the high-fashion fad to the fashion classic and these are major factors in the time scales adopted in the fashion marketing plan. All planning may be carried out for a variety of purposes, but one should strive never to forget its most basic function which is demonstrated in Figure 10.4.

Most fashion firms will have long-range plans lasting from three to five years or longer, medium-term plans for one to three years and short-term plans that may cover one season or up to a year.

All three types of plan need to be co-ordinated, therefore short-term plans become part of medium-term plans, and so on. The more complex and changeable the marketing environment that the firm faces, the greater the tendency to need long-range plans and to review fully and update those plans regularly. Except for a very small minority of firms supplying stable items of clothing, possibly functional classic items such as uniforms, most fashion firms are confronted by a volatile and competitive marketing environment.

10.6.2 Organizational culture

Another factor influencing marketing planning is the organizational culture of the firm. As noted in Chapter One, fashion is about change and many managers, in coping with the demands of immediacy, adopt a short-term perspective. Large parts of the fashion industry do appear to lurch from one deadline to another, with the consequence that many managers concentrate on dealing with daily matters and short-term issues. Given the high failure rate of fashion firms and the constant uncertainty in the market, many managers feel that long-term planning is of limited value compared with concentrating on doing immediate tasks well. Another factor inhibiting long-range planning is the mobility of staff within the fashion sector. High labour turnover and headhunting (staff poaching) activities can mean that staffing changes can jeopardize the planning process and the security of marketing plans from the competition.

The establishment of a marketing plan, particularly in a rapidly changing environment, can mean a substantial change of resources within the marketing department of a fashion firm. For example, the decision to place more emphasis on support for retailers via in-store

promotion and merchandising may mean a reduction in the advertising and publicity budgets. These changes also may mean staff redeployment or redundancies that can demoralize staff and lead to reduced enthusiasm for implementation of the plan. The lesson to be learned is that encouraging participation in the marketing planning process and concern for, and communication with, those involved in implementation is crucial for success.

10.6.3 Internal marketing

Internal marketing is the process of encouraging employees in all functional areas to have a customer focus and do their best to help deliver a good customer experience. A number of writers, e.g. Hulbert et al. (2005) and Dunmore (2002), argue that this aspect of a marketing plan is vital if objectives are to be achieved. Much marketing activity depends on the co-operation of other functional areas within the firm and without their support many projects may not be either completed or auctioned on time. Different departments have their own plans and a prime task of senior management to co-ordinate the various plans. However, fashion marketers do have a clear interest in making sure colleagues in other functional areas understand the rationale for the marketing plan and their supporting role within it. Thus the marketing plan needs to be 'sold' within the firm before it can be fully realized.

10.6.4 Management styles

The previous sections argue that planning for the long term, within the fashion sector, is difficult. It is important to note that long-term plans are essential for survival and growth, and that means commitment from senior management to long-term planning. The approaches adopted by some fashion executives can be summarized by the management styles shown below:

- ◆ *Management by conjecture*: i.e. Why worry about the future?
- ◆ *Management by crisis*: i.e. Let's deal with problems when they arise.
- ◆ *Management by subordinates*: i.e. Each fashion marketer does their own thing.
- ◆ *Management by prayer*: i.e. Things will get better, we hope!

The flaws in each style above are easily spotted. The approach advocated in this text is management by objectives, as described in an earlier section.

All fashion firms should plan for the long term. The resources and energy they allocate to that process are a function of the target

market, organizational culture, product life cycles, the particular marketing environment and the commitment from senior management. A prudent approach for many fashion firms seems to be to plan on a rolling principle so that short-term plans always exist and they are reviewed and modified appropriately to meet new circumstances and challenges.

10.7 Summary

This chapter has dealt with further marketing planning, covering:

- ◆ the organizational mission;
- ◆ marketing objectives;
- ◆ marketing strategy.

Strategic alternatives were further examined in relation to:

- ◆ marketing audits;
- ◆ SWOT analysis.

Strategic marketing plans can be constructed more easily in the light of the information thus obtained. The chapter concluded by emphasizing the importance of adequate long-range planning in the context of organizational culture, internal marketing and management styles.

Further reading

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