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1 - INTERNATIONALIZATION OF FASHION BRANDS

INTERNATIONAL MARKETING (B - INTERNATIONAL FASHION MARKETING) 2018-2019

<i>Retail sales ranking to top 250 global retailers</i>	<i>Company name</i>	<i>Company origin</i>	<i>Retail revenue in 2014 US\$M</i>	<i>International revenue in 2014/ % of international revenue to total retail revenue</i>	<i>Number of countries covered</i>
41	LVMH	France	\$36,039.2	\$31,775.7 (88.2%)	76
44	Inditex S.A.	Spain	\$23,717	\$18,864.5 (79.5%)	89
49	H & M Hennes & Mauritz AB	Sweden	\$21,935	\$20,873.3 (95.2%)	54
60	Marks and Spencer Group	UK	\$16,625.3	n/a	48
61	The Gap Inc.	USA	\$16,228	\$3556 (21.9%)	54
76	Fast Retailing Co. Inc.	Japan	\$13,605.5	\$5059.5 (37.2%)	30
93	L Brands Inc.	USA	\$11,454	\$1349 (11.8%)	58
109	C&A Europe	Belgium/ Germany	\$9733	n/a n/a	21
143	Kering S.A.	France	\$13,323.4	\$9139.2 (68.6%)	90
144	Associated British Foods plc/Primark	UK	\$6673	n/a	8
147	Foot Locker Inc.	USA	\$7151	\$2175 (43.7%)	30
162	Belle International Holdings Ltd.	HK	\$6465.1	\$58.2 (0.9%)	3
163	Nextplc.	UK	\$6552.9	\$576.4 (8.8%)	74
170	Nike, Inc.	USA	\$30,601	\$16,861 (68.3%)	49
180	Shimamura Co. Inc.	Japan	\$6015.2*	\$45.8 (0.8%)*	3
186	E. Land World Ltd.	S. Korea	n/a	n/a	15
190	Ascena Retail Group Inc.	USA	n/a	n/a	3
209	Coach, Inc.	USA	\$4191.6	\$1724.1 (69.9%)	17
219	Abercrombie & Fitch Co.	USA	\$3744	\$1335.6 (39.7%)	22
224	Forever 21, Inc.	USA	\$4000	n/a	39
225	PRADA Group	Italy	\$4599.6	\$3875.1 (84.2%)	42
228	Groupe Vivarte	France	\$884.7	n/a	64
244	Tiffany & Co.	USA	\$4249.9	\$2216.4 (50.5%)	25
245	Ralph Lauren Corporation	USA	\$7620	\$2543 (33.4%)	47

Many fashion brands operates internationally

2014 situation

Rank 2017	Company name	Origin	Retail revenue 2017	Number of contries entered
32 (+)	LVMH Moët Hennessy-Louis Vuitton S.A.	France	33,289	70
35 (+)	Inditex, S.A.	Spain	28,891	96
43 (+)	H & M Hennes & Mauritz AB	Sweden	23,197	65
56 (+)	Fast Retailing Co., Ltd	Japan	16,815	21
59 (+)	The Gap, Inc.	US	15,855	46
96 (+)	NIKE, Inc. / NIKE Direct	US	10,428	65
98 (+)	Kering S.A.	France	10,274	95

LVMH



Inditex group

INDITEX

ZARA

PULL&BEAR



Massimo Dutti
• SINCE 1985 •

Bershka

OYSHO



UTERQÜE

ZARA HOME

Fast Retailing Co., Ltd



Theory



COMPTOIR DES
COTONNIERS

PRINCESSE tam•tam
PARIS





J BRAND

Kering



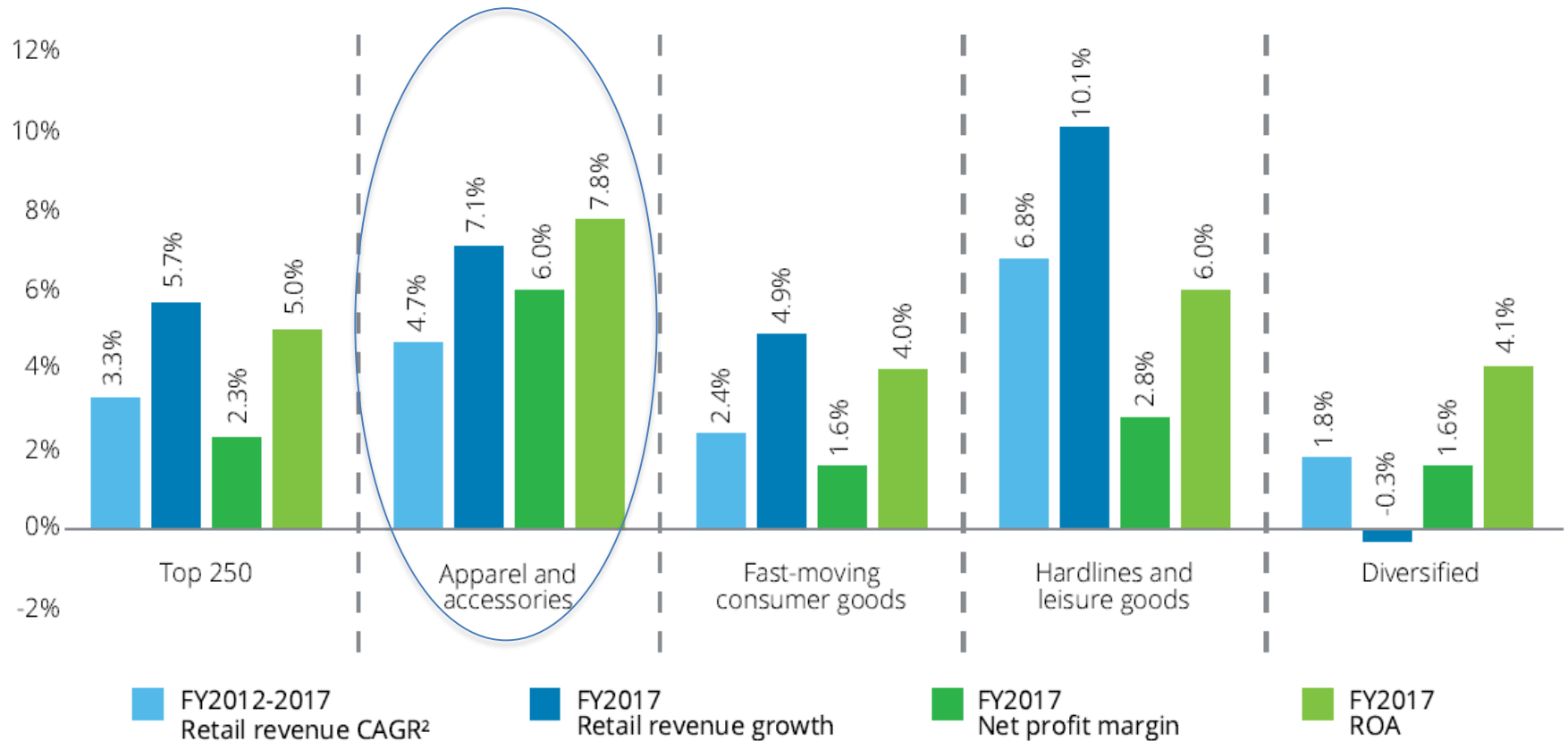
Product sector profiles, FY2017

Level of globalization by product sector, FY2017

	Number of companies	Average retail revenue (US\$M)	Share of Top 250 companies	Share of Top 250 revenue	% Retail revenue from foreign operations	Average # countries	% Single-country operators
Top 250	250	18,120	100%	100%	23.6%	10	34.4%
 Apparel and accessories	40	11,045	16.0%	9.8%	40.4%	26	15.0%
 Fast-moving consumer goods	138	21,746	55.2%	66.2%	21.7%	6	40.6%
 Hardlines and leisure goods	50	16,348	20.0%	18.0%	22.5%	7	32.0%
 Diversified	22	12,271	8.8%	6.0%	21.5%	8	36.4%

Source: Deloitte Touche Tohmatsu Limited. Global Powers of Retailing 2019. Analysis of financial performance and operations for fiscal years ended through June 2018 using company annual reports, Supermarket News, Forbes America's largest private companies and other sources.

Retail revenue growth and profitability by primary product sector¹, FY2017



¹ Sales-weighted, currency-adjusted composites

² Compound annual growth rate

Source: Deloitte Touche Tohmatsu Limited. Global Powers of Retailing 2019. Analysis of financial performance and operations for fiscal years ended through June 2018 using company annual reports, Supermarket News, Forbes America's largest private companies and other sources.

The fashion industry is one of the most actively internationalizing sectors in retailing.

One of the reasons may be that, compared to other sectors such as food and home improvements, **fashion requires small-scale retail space, entailing little financial investment and low management setup costs**, so that economies of replication can be maximized in the international market

International activity by fashion brands is not a new phenomenon.

Hermès, for instance, started to sell their saddles to elite clients worldwide in **1880**, and **Burberry** opened their first store in Paris in **1909**.

Later, **mass-market brands** such as Levi's and Nike as well as fast-fashion brands such as H&M started internationalization: H&M first entered international markets in 1964, Levi Strauss in 1965, Nike in 1972, Ralph Lauren in 1981, Gap in 1987 and Zara in 1988.

Biggest differences between a fashion brand company and other consumer goods companies

1st The number of SKUs (Stock-keeping units) managed in a year

A fashion brand company creates an entire collection in a season, not one or two models a year.

There is an enormous range of sizes within a single style in fashion products. In the USA, a pair of pants, for example, can be offered in sizes from 00 to 14 (00, 0, 2, 4, 6, 8, 10, 12, 14). The range can be doubled or tripled with the addition of petite and plus sizes, resulting in a large number of SKUs per season.

An apparel company typically develops 15,000 SKUs in its collection. The concept of economies of scale is therefore less relevant in fashion production.

Biggest differences between a fashion brand company and other consumer goods companies

2nd Demand unpredictability

It is extremely difficult to produce accurate forecasts of consumer demand to size level. Unlike other consumer goods, fashion products do not need to be purchased regularly. This demand unpredictability makes stock and supply chain management even more complex.

Biggest differences between a fashion brand company and other consumer goods companies

3rd Clothing has social and psychological functions

Clothing brands are a way of publicly defining one's group membership, so brand names are more relevant in fashion than in any other goods. In clothing and cosmetics product quality depends mostly on brand image; thus, **the symbolic meanings created by brand image play a bigger role in evaluating fashion products than their functionality.**

Internationalization models

Frequently discussed theories in the fashion brand internationalization literature are

- the stage model (Uppsala model or U-model)
- the “born global” model.

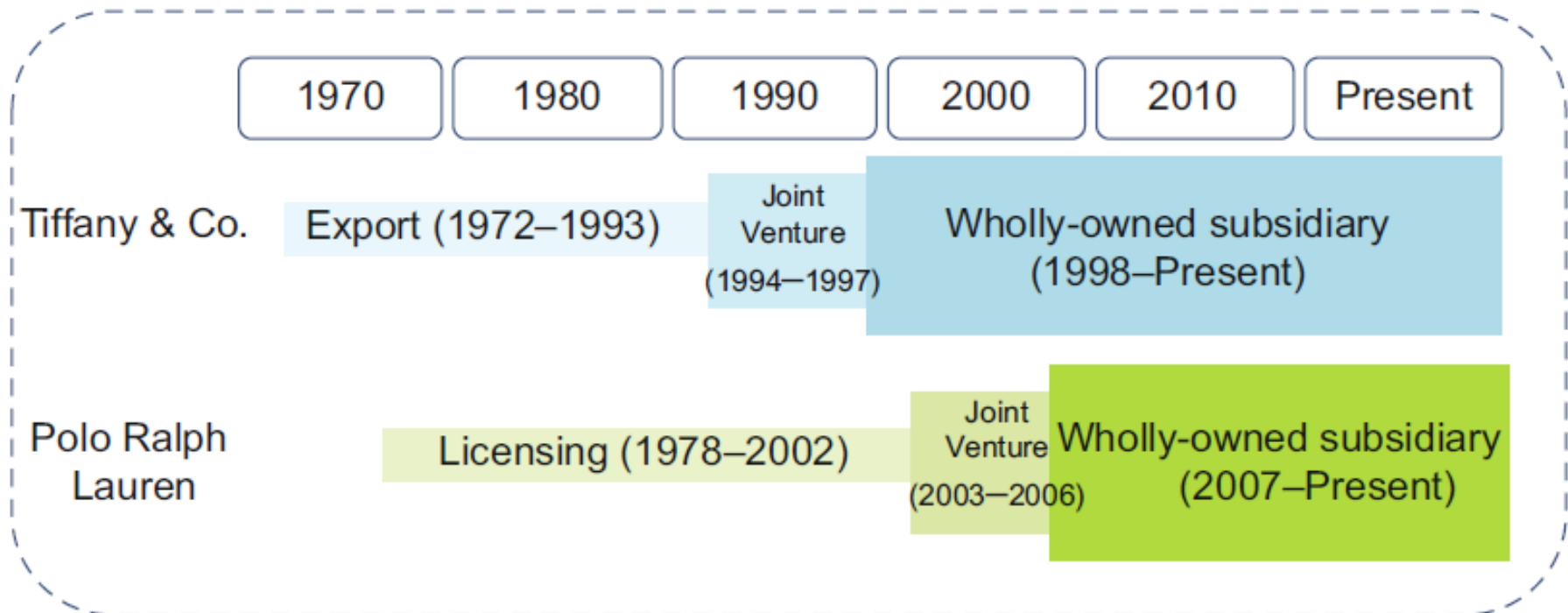
The stage model

The Uppsala model has a behavior-based learning approach. The main assumption of the model is that lack of international market knowledge hinders internationalization; thus, **firms start their business in the domestic market and then gradually internationalize** as their market knowledge, learning and experience increase.

Risk minimization is key to their decision making since the model also assumes that internationalization entails uncertainty.

A firm begins with export (the lowest level of resource commitment) and then progressively increases its commitment to licensing/franchising, joint ventures and then finally to direct investment, that is, wholly owned subsidiary (the highest level of resource commitment) as its experiential learning increases.

Entry modes



References for your study

1. Jin B. - Cedrola E. *Fashion Brand Internationalization* Palgrave Macmillan, New York, 2016 – Chapter 1

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