What potential strategies for multi brand stores can countervail the increasing competition from mono brand stores?

PROCESS BOOK

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Date: June 13th, 2016

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1. Research Report

1.2 Introduction

During my internship semester at Oger in 2015, I experienced and observed the fashion industry from another perspective than I have before. As a Creative & Buying Intern I became involved with brands, which are offered in the stores, and that segment of the fashion industry in general. A development that continues to influence the Oger stores was that brands, offered in Oger stores, are changing their business strategy by opening their own mono brand stores. To give an indication of the situation, three brands have opened stores in the same shopping street as the Oger Amsterdam store. The significance of this research report can be helpful for retailers affected by similar developments. Therefore this research report will analyze the development occurring in fashion retail and will investigate potential strategies that could counter the occurrence. I believe this research report will be helpful for myself as well, as I see myself working for a fashion company or having a retail location of my own. So therefore I find it important to analyze the fashion retail market.

I believe this research will be helpful for myself as well, from a professional and consumer standpoint. As a consumer I will be able to recognize what efforts a company or store has gone through to improve their store’s shop experience, as a response to the changing customer behavior. I will also gain knowledge from that from a professional standpoint, as being a fashion student I see myself working for a fashion company or having a retail location of my own. Working on this research will give me the framework on how to respond to changes in fashion retail and buying behavior, and how to respond accordingly to maintain a successful business.

1.3 Problem Definition

The problem definition is that multi brand stores have found themselves in a situation where mono brand stores are outperforming them and businesses are going bankrupt. In order to understand the situation, research must be done in order to find out what has caused this development.

1.4 Approach

To research these developments I used extensive field and desk research to analyze the fashion retail environment starting from when the issues originated.

I used desk research to discover the different types of retail and combined it with field research to further analyze the developments occurring in each retail platform. In order to study the mindset of consumers, I conducted a survey that would present the altered preferences of consumers when they go shopping. Once I understood what consumers demanded from retailers I could start looking for retailers that have been able to remain successful. After that I analyzed innovative retail concepts to support the consumers’ preferences of demanding an enhanced and facilitated shopping experience.
1.5 Retail platforms

Discussing retail formats I used online desk research to source the best descriptions and examples so the reader becomes more familiar with the terms. When I needed to analyze the developments occurring in fashion retail I went online to gather as much information about the occurrence as possible. When studying the developments around department stores, the story about Vroom&Dreesman popped into my head, so I started doing research using many reliable sources to find out on what caused the bankruptcy of the company. As this was an example of what could go wrong, I wanted to make a comparison. The ideal company in that case was Bijenkorf, who has been repositioning itself in order to survive. I believed that a comparison would shine a light on how dedication can shape the future of a company.

1.6 Fashion retail developments

For multi brand stores I didn’t want to go in too much detail with companies, as I would do that in another chapter, but I did want to highlight the faults that many retailers are making that increase the effects of the developments. These findings were selected and analyzed from business websites and fashion-databases to ensure truthful information. This was also the case for the online developments, as I decided that showing financial information would show the scale of the growth and impact of online shopping has affected bricks-and-mortar stores. As I was analyzing the market from the side of the retailers, I had to analyze it from the perspective of the brands themselves as well. The membership Öger has for retail analysis-corporation Altagamma was helpful as it enabled me to use retail information that isn’t available publicly.

1.7 Consumers

The only thing missing of the market research was an analysis of consumers buying behavior. Besides doing desk research to study buying behavior, I also used field research in the form of an online survey, using surveymonkey.com. I used online platforms such as Facebook, Reddit and ‘style’ oriented websites and forums to reach out to as many respondents as I could get. Unfortunately the lacking interest of filling out my survey left me with only 72 respondents. But as I was analyzing the respondents’ answers, I notices that they correspond with the information I found using desk research. The results of the survey are attached to this document. Once I analyzed the consumer information, it showed that it corresponds with the findings done whilst analyzing the retail developments.

1.8 Accustomed retailers

As a research sub-question was how retailers are operating in view of the developments, I made a list of retailers that could be used as examples. Once I made the list I started reaching out to the stores to get responses from them concerning the developments. I managed to get a hold of one company on the list to personally respond to my requests, being Öger. The others never replied, even
after repeating emails and phone calls. Therefore I decided to visit the stores in Amsterdam to get a shop-experience of my own, but also focus on desk research. I started sourcing as many interviews with the founders or CEO's from the companies online, discussing the matter, to gain as much information as possible, and I believe I have done sufficiently.

1.9 Retail innovations

I would finalize my research report with an overview of innovative retail-concepts. When searching for concepts I kept in mind that I should use concepts that could be applicable in the majority of the retail establishments, therefore robot employees were out of the question. I decided to source concepts that I noticed were missing during my own shopping experiences, or could be improved using new innovations. FashionRetailFuture.com gave me the access to a large database of retail innovative concepts. Once I found concepts that could realistically improve the shopping experience, according to the change in buying behavior, I searched for reliable sources to substantiate the concept-ideas.

1.10 Final conclusion Research report

To conclude, I would like to reflect on my research for this report and how I managed to complete the research. Overall I am happy with the final outcome of the research report and the structure of the report. I have produced a research-report that is not only informative but also interesting to read. By using primary and secondary research data, qualitative and quantitative research methods, and desk and field research, I have shown that I have been doing extensive research on the matter. When the research was being held up due to the lack of respondents for my survey, and responses from retailers, I was assertive by sourcing the information in other ways, to ensure qualitative research results. By using professional and high quality online sources and literature, combined with extensive field research, I am convinced that my research report will showcase an interesting and informative overview of the developments in fashion retail.
2. Advisory Report

2.1 Introduction

Before I started writing my advisory report I reflected upon myself on what influences my shopping experiences. Working in a luxury multi brand store and being a demanding consumer myself, I started to think of what I find important as a consumer. When I aligned that with the findings in the survey I conducted I started to understand what course I should take with making the structure of the advisory report. I knew it would be important to construct strategies that can be modified to the retailers’ needs, as long as they understand the importance and benefits of following them.

2.2 Problem Definition

The problem definition of the advisory report is that multi brand retailers do not know how to tackle the effects that they’ve been experiencing, caused by the development in fashion retail. In order to survive in today’s harsh retail environment, I have constructed a framework for retailers to increase their competitive advantage amongst other multi brand retailers and countervail the increasing competition of mono brand stores.

2.3 Retrospect

The study of fashion retail, analyzed in my research report, thought me that multi brand retailers have lost their identity, not knowing who their actual target market is and how to target them in the right way, in order to enhance and facilitate the shopping experience that consumers have been demanding. The retailers that have been successful in delivering a clear identity and enhancing the shopping experience are brand-owned mono brand stores. This has impacted the multi brand retailers so severely that multi brand retails of all shapes and sizes had to close up shop, or still struggling to survive in the harsh retail environment.

2.4 Approach

I was so intrigued by the developments and the effect of them during the writing of my research report, I wanted to find out if there was a way for supply luxury multi brand retailers with a framework of strategies that would make them regain their competitive position, innovate their business on multiple levels in order to comply with the demands of today’s shoppers, and therefore countervail the increasing competition of mono brand stores.

When it became time to write the advisory report I started thinking on what elements influence the views of consumers on a fashion retailer. As multi brand stores now have to compete with mono brand stores, it meant looking at what makes mono brand stores so successful. As I was working on a structure for my report I thought of my own experiences when I would go shopping and what
influenced my shopping experience. I noticed that when I am on a shopping journey I pay attention to 3 elements:
The first being the quality of the exterior of the store, such as visual merchandising and signage, the type and quality of the products displayed in the store window, and if the identity of the store is in line with how it is communicated.
The second being how I experience the store on the inside, the way it is merchandized, the proliferation and offering of brands and products, the way employees represent themselves, how they offer their service, and how the store further communicates its identity.
Third is, how the store is how they are able to trigger me into coming back to the store, by updating their collections, and what their level of after-sales customer-service is like.

I found out that by thinking as a consumer, I was able to fabricate a structure for retailers on what to invest on and innovate in in order to regain their competitive position in fashion retail.

2.5 Attracting consumers to the store

When I knew what the structure of my advisory report would be I started to tackle the first issue; how to attract customers to the store. In order to present usable strategies for luxury multi brand retailers to apply, I had to research which brands and companies were successful on this topic. From there I could construct strategies for the retailers.

2.5.1 Visual merchandising and the communication of your store identity

As I reimagined my own shopping journeys and used the results of the research report’s survey, I knew that I needed to investigate the art of visual merchandising. Before I even started with writing the report, I knew that I wanted to obtain information from professionals in the field of my topics. So when I had to research visual merchandising, I contacted a former colleague at Oger and currently Visual Merchandiser for Brunello Cucinelli, Marnix Quint. I chose to contact him because I knew that Brunello Cucinelli invests a lot in the branding of their stores: how they communicate their company identity and values. Unfortunately I wasn’t able to conduct a personal interview, so I sent him an email with questions so he could share his knowledge and expertise on the matter. When he provided me with the information I requested, I was able to research more about the subjects and its significance for consumers’ perspective.

When I looked back on my research report I remembered that department store Bijenkorf had difficulties targeting a particular target market. The research showed that the company tried to target as many consumer groups as possible, with the backfire that consumers could no longer relate to the company’s identity and felt alienated, resulting in a discontinuation of shopping in the retail locations. This got me to investing the importance of knowing your identity and values and how to project them correctly, by narrowing down the target group of your business. I used two examples; Bijenkorf who had to adapt their
communication, and they did, and Colette who perfected their organization’s concept, identity and values, and communicating them correctly.
As I continued on writing about visual merchandising, I wanted to use examples so that it would be more understandable for the reader. With these examples I was able to create balanced strategies on how to tackle the issue of visual merchandising.

2.5.2 Brand offering and knowing your target group

Displaying products in an attractive way isn't enough for consumers to enter a store; the products offered must also attract a shopper to enter. In order to investigate how to create a brand offering with a healthy sell through I decided to choose multiple research methods. I first looked for companies and stores that possess a successful brand offering. When I used that information I looked at how a retailers should construct its brand portfolio, and how to assess a brand when adding it to the portfolio. Through online desk research I learned that it is also crucial to know and define your target market and what their preferences are of a brand offering. In order to study those elements I used my own experience, desk research, but also a discussion with a professional. This professional is Deputy Creative & Buying Director, Menco Nieuwenhuis. His success to the Oger-company has made him a great source for gathering information on building a successful brand offering for a store’s target group.

2.5.3 Promotion

Based on my own experience at Oger as an employee and an intern, and through desk research, I learned about the importance of promoting your company with other means, in order to attract people to your store who aren't near your retail location at that moment. A trend with consumers is that they are more appealed to a store when their digital presence is strong, as is discussed in the research report. Because of this I research and presented omnichannel strategies for retailers to apply.

2.5.4 Conclusion

Obtaining information from multiple channels on what attracts consumers into a store has been very interesting to analyze. Because I already had an idea on what elements are important, I was able to use the right sources and methods to be able to advise strategies for every chapter on the topic of attracting customers to luxury multi brand store.

2.6 Enhancing the shopping experience

The biggest factor influencing the consumer’s affiliation to a store is the shopping experience. Studies in the research report prove that a consumer’s shopping experience must be enhanced and facilitated in order to get their approval and loyalty. As I was researching elements that influence the shopping experience of consumers I found out that the visual merchandising of the store
and its brand offering must be communicated seamlessly. What is just as important is the engagement of the store employees and the quality of their customer service. In order to gain a competitive advantage I decided to further analyze retail innovation that are applicable for every multi brand retailer, as it was already researched in the research report.

2.6.1 Visual merchandising

When I was researching the communication of the company identity and values through visual merchandising to attract customer into the store, I learned that the same goes for the merchandising in the store. As I was focusing on enhancing the shopping experience in a store, I looked at the methods of mono brand stores. This resulted in me understanding that I also needed to focus on the interior look of the store in order to accomplish that. I used the discussion I had with Marnix Quint as a base to start constructing the strategy for visual merchandising. This entailed concentrating on the store interior, the merchandise used for the store and the proliferation of the products offered in the store. I decided to use Oger and Brunello Cucinelli as an example to construct my strategy, making it applicable for other retailers.

2.6.2 Customer service

As luxury retailers are selling valuable products, it was logical for me to also investigate the importance of quality customer service. As I was researching the topic I learned how important it is to not only have quality store employees, but also how important it is to have employees that are motivated and engaged. To support the information I found online, I had a discussion with an colleague at Oger, that also hosts sales trainings, Martijn Vlaming. Once I found more information about how that topic can influence the shopping experience of consumers and therefore the profitability of a store, I knew I had to incorporate it extensively in the advisory report in the form of the strategies I provided.

2.6.3 Omnichannel & Retail innovations

From understanding the importance of the shopping experience, studied in the research report, I noticed how influential omnichannel could be on that experience. By letting physical and digital work seamlessly with one another, the shopping journey could be facilitated and enhanced. Research resulted in understanding that the digital presence and incorporation of a store will strengthen the customer's buying decision but also enhance customer loyalty. Therefore I chose to add the utilization of omnichannel as part of the strategies.

The physical strategies were added to give retailers options on which they would want to incorporate, as these were more applicable for a larger audience of retailers. The strategies explain the importance of facilitating the shopping experience in easy ways. These strategies were researched through field research, being my own experience, and desk research, online sources.
2.6.4 Conclusion

Working on strategies that enhance and facilitate the shopping experience of consumers made me understand important it is to offer more than just a good product. Every element of your store must be communicated in a way that visually translated your identity and values. Enhancing and facilitating often go hand-in-hand, because when you make the journey easier for the customer, the experience is enhanced because it was streamlined. Keeping things streamlined depends on the quality and engagement of your employees, strongly influences the shopping experience of consumers and the probability of retaining those customers. As I was researching this I was baffled that Oger doesn’t invest in employee engagement, making the symptoms easy to recognize. An element that Oger does focus on and is paying off is the investment in CRM. Being able to structure every bit of information about your consumers, makes a very powerful weapon that every multi brand retailer should take advantage of.

2.7 Assurance of returning customers

While I was working on omnichannel and learning more about CRM, I learned that a retailer could increase its profitability more by focusing on customer retention instead of customer acquisition. This gave me the reason to focus the last chapter on this topic. Methods used

2.7.1 Customer retention

When I started to do research online I discovered how many studies are conducted on customer retention and its benefits. I choose to interlink the importance of retention with the utilization of CRM. As customer service enhances the shopping experience of consumers, the best way to retain those consumers is to deliver after-sales service by increasing customer intimacy, using CRM. To more the service is adapted to the needs of the consumer, the stronger the customer loyalty will be. From the discussion with Menco Nieuwenhuis I understood the importance of keeping your brand portfolio updated. Using that in my research I constructed an easy guideline for retailers on how to innovate their brand offering. To finalize the topic of customer retention in a physical manner, I choose to add a strategy that implements all the facets mentioned in this chapter. By combining the strength of CRM, the tailor-made customer service and the innovation of the brand offering into 1 strategy, will make a powerful weapon that mono brand stores will have difficulty to compete with.

2.7.2 Conclusion

Whilst researching the subject of customer retention I learned that by implementing my strategies, retailers reading this report will be able increase their competitive advantage amongst multi brand and mono brand retailers.
2.8 Final conclusion Advisory report

To conclude, I would like to reflect on the research I did for the advisory report and how I managed to create a usable framework for luxury multi brand retailers. I am very happy with the outcome of the advisory report and its structure. The structure of the report is logical, making it easy for retailers to follow the strategies as they are presented. By using numerous research methods and approached, I was able to conduct extensive research on the topic in order to present a report that is well founded and offers valuable information. By implementing the input of professionals who posses the expertise of their fields into the amount of extensive desk and field research, I am convinced that my advisory report will be a great source of strategies for luxury multi brand stores to regain their competitive advantage amongst other retailers and countervail the increasing competition of mono brand stores.
3. Appendix

Conducted Interviews & Documented Discussions

Wesley Valstar – E-Commerce Manager - Oger

1. Which tools should retailers use to attract potential customers to their store?
Luxury retailers such as Oger operate in a niche segment of fashion retail. As the brand offering contains labels that have a high online search frequency, it is easy for retailers to make use of this to improve the SEO of their website. Which tools they want to use depends on what customers they desire to attract.

2. What tools should retailers use to enhance the shopping experience in the store?
Modern physical retailers approach their stores as an online environment. Using online enables possibilities of making measurements and tests. Many physical stores merchandise their stores based on styling, but rarely on the basis of data. There are a number of heat-maps and in-store analytics tools based on camera-technology. Usable programs are Monolith, Prism and Axis Vizualise. Using these programs will enable stores to analyse how certain shelves and departments of stores perform.

3. What tools should retailers use to attract existing customers back to the store?
In order to attract customers back to the store, personal communication is required. When a customer's journey is documented, retailers can send personalized messages to them. To realize this will require a powerful CRM-system to unite all forms and channels of communication. This way, an employee could produce a more pro-active and tailor-made customer service for its customers.

Menco Nieuwenhuis – Deputy Creative & Buying Director – Oger

1. What makes a brand portfolio successful?
A brand portfolio can only be successful when it meets the wished of the customers. When operating with a smaller retailer, it is imperative that the brands are able to mixed with each other, not only in price but also in sense of style. And it needs to match the store’s identity.

2. How does a retailer find the right balance in its brand portfolio?
That is closely related to building a successful portfolio. You want the brands to match with one another, but at the same time you want to show diversity. There are always those brands that retailers must have in their store, but might not always work with the customers’ preferences. Make sure the brands appeal to the customers.
3. When should retailers consider adding new brands to their portfolio?
Adding a new brand isn’t always a conscious decision; sometimes it’s a chance meeting with the possibility. It isn’t so much about ‘when’ as it is about ‘why’. First, you must believe in the commercial potential of the brand. Secondly, it is important to show customers new brands and products. Thirdly, enabling employees to innovate their sales-opportunities.

4. Should brands influence the identity of the store or should the identity influence the choice of brands?
I think it can be both. Some brands are added to rejuvenate the store (like Eleventy), whereas other brands have to be added to the portfolio for matching so perfectly with the store identity (E.Marinella). What is most important is to keep innovating your brand portfolio, as that will trigger customers to come back to your store.

Marnix Quint – Visual Merchandiser – Brunello Cucinelli

1. When has a store been successful in its visual merchandising, and what are your criteria of what is a well-merchandised store and window display?
Let me begin with differentiating the type of stores and customers, as there are differences. As your case is focusing on luxury retailers, I’ll exclude the middle and low segment.

The only criteria I have to achieve with a store window is:
- Attracting customers’ attention
- Inspiring customers
- Representing the store/company identity as strongly as possible
- Storytelling; taking your customers into a ‘dreamworld’

Attracting customer’s attention:
This is the main goal of a window display. When the customers don’t notice the window display, the chances are slim that they will enter the store. In order to attract customers, they must be able to identify themselves with it. In order to accomplish that you must keep your target market in mind. Mannequins are used in every store window these days, think of new and creative ways for your window.

Inspiring customers:
Inspiring customers is important, as they tend to be too lazy to assemble their own outfits whilst shopping. In the luxury segment you often deal with loyal customers who demand a level of customer service along with the valuable offered products. Therefore, presenting outfits that customers want, combined with good service, will be a guaranteed success.

Representing the store identity:
The store window is the signboard of your company. Working in the luxury segment means high-demanding customers are used to being constantly triggered. Ensure that you project the identity of the store, but continue to innovate.
Storytelling:
You want your store window to be an extension of your store image and the purpose will be to make your customers part of this ‘dreamworld’. Fashion is about exciting emotion; the bigger the effect the better the added value of your products will have. It depends on the budget on how this can be utilized. The purpose is to influence customers into feeling privileged for being that product, in your store.

When we’re talking about the proliferation in the store, people want to get the feeling they’re buying something exclusive. This means that no less than 3 and no more than 5 pieces per item should be presented. The lower the quantity, the higher sense of exclusivity. It is also important to provide customers with inspiration; therefore I suggest using total-looks in the proliferation of the products. Avoid mixing similar color tones, as contrast will be more inviting for customers to look at.