“A strategic expansion plan for Swedish fashion brand HOPE, about whether or not to expand into the Japanese affordable luxury segment for women and how.”
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INTRODUCTION

It was the end of January 2017 when I exchanged Amsterdam for Stockholm, to pursue my ambition of living and working in Sweden. For a period of five and a half months, I did a buying and production internship at Swedish affordable luxury brand HOPE, which after moving back, landed me a job as sales-assistant at HOPE’s Amsterdam-based store. During my visit to Stockholm early 2018, I talked with HOPE’s CEO Åsa Sånemyr about the brands’ future expansion strategy. With Asia as their focus-point, the Japanese market had not been entered yet. Being passionately engaged with the brands’ future growth potential made me decide to take HOPE’s potential expansion to the Japanese market as a starting point for my graduation project. However, before being able to create an expansion-advice, the market potential of the Japanese market needed to be distinguished. Therefore, the research report aimed to inform Swedish fashion brands, operating in the affordable luxury segment for women, about the market potential of the Japanese market. The information gathered in the research-report will function as a base for this advice report; a strategic expansion plan, with the goal of giving HOPE an advice on whether or not, and how to expand in the Japanese market. In chapter 2, the report will start with an internal analysis of HOPE, which will give a detailed view on HOPE’s organizational competencies, resources and its competitive advantage. The internal analysis will exist out of a 7S model, marketing mix and financial status, from which strengths and weaknesses will be derived. Following, in chapter 3, the opportunities and threats from the external environment in the research-report and the strengths and weaknesses from the internal environment will come together in a TOWS analysis. This analysis will identify how to use the external Japanese environment to HOPE’s strategic advantage, resulting in a strategic scenario. In chapter 4, this strategic scenario will form a basis for the entry strategy, which will exist out of the entry strategy itself, the adjusted marking mix, targeting and timing. Lastly, chapter 5 will show HOPE’s estimated potential revenue, profit and investment.

All calculations made in the advice-report can be found in the process book. Whenever sources are not included, the information is derived from my own experience of being part of HOPE’s workforce.
Figure 1: HOPE shop Malmö (Hope Stockholm, 2018).
The internal analysis will give a detailed view on HOPE’s organizational competencies, resources and its competitive advantage. Firstly, the 7S model will be applied to look at seven different internal aspects of the organization that need to be in line to successfully operate. These 7 factors include: shared values, strategy, structure, systems, staff, style and skills. (Mindtools, 2018). Secondly, the 4 p’s of the marketing mix will be described, which refer to the set of actions that a company uses to promote its brand or product in the market (Mindtools, 2018). Thirdly, HOPE’s financial status will be analyzed shortly. Fourthly, the consumer will be described. Finally, the internal analysis will create an objective view on the internal environment of HOPE, resulting in strengths and weaknesses (Mindtools, 2018).

2.1 THE 7S MODEL

2.1.1 SHARED VALUES

The shared values are key within the 7S model, as they form HOPE’s DNA, its corporate culture and its general work-ethic. An alignment between the shared values and the other S’s, is crucial for doing business. HOPE’s core values are diversity, creativity and self-expression. With these values in mind, HOPE wants to challenge the norms towards a more flexible society: letting people explore and elevate on their appreciation of individuality (HOPE, 2018). To illustrate that the company lives up to its values, in 2017 HOPE started labeling all its garments with both women’s and men’s sizes, to push the development towards a less gender-normative way of seeing fashion. Moreover, in 2019 HOPE’s online shop will start to showcase each of its garments on both a model size 36 and a model size 40, to develop a healthy mindset on body-issues within the fashion industry. Adding to this, all presentations and imaginary feature models of different ethnicities. To illustrate how the workforce shares HOPE’s beliefs, they encourage diversity through their open attitude towards all races, genders and beliefs. Next to that, HOPE’s workforce is genuinely fan of the brand, stimulating creativity and self-expression by sharing the company’s values with others. On a critical note, with the majority of the workforce being white and Swedish, HOPE could strive for more ethnical diversity within the company. However, this may be due to Sweden’s rather ethnically homogeneous population.

2.1.2 STRATEGY

To distinguish HOPE’s strategy, Porter’s generic strategies are used. Where HOPE tries to pursue strategic differentiation within a focused market, they work according to a focused differentiation strategy (Mindtools, 2017). To illustrate this strategy, HOPE tries to offer products, that are different from its competitors concerning aesthetic, features, durability and brand-image, focused on the female affordable luxury consumer. The goal of this strategy is to earn, sustain and grow profits. Its realistic attitude results in HOPE trying to reach these goals by growing organically instead of aggressively, while keeping the shared values described in chapter 2.1.1 in mind. Within their strategy, ethical and environmental responsibility has become essential. Therefore, 65 percent of products are made in Europe and the workforce’s well-being is valued over growth. To minimize waste, leftover fabrics are used in later collections. Moreover, remaining items end up in HOPE’s outlet or are donated to charity. Believing in fashion that lasts, both design- and quality wise, HOPE’s offer needs to be versatile, easy to wear and easy to combine for many years to come. (HOPE, 2018).

2.1.3 STRUCTURE

HOPE is a privately-owned company, owned by its founders Ann Ringstrand and Stefan Söderberg. As they actively stepped out of the company, the company’s current highest force is its CEO, Åsa Sånemyr, who takes final decisions about the business‘ direction. Under the CEO, the company is divided in 7 departments; a financial-, marketing-, production-, design-, wholesale-, retail- and online department, which each has its own department-manager, who manages its team. In total, HOPE’s office counts for approximately 40 people, including employees, freelancers and interns. Activities between different departments are mostly coordinated by team-meetings, but can also be arranged digitally, via e-mail. Decision-making is rather decentralized, as the department managers are responsible for decisions regarding their own department. Within the company, the main communication lines lie between the CEO and the department-managers and between the department managers and their teams. However, there are cases in which the managers are not involved. Occasionally, a direct communication line between an employee and the CEO results in quick decision-making. Although a clear hierarchy exists, the CEO and managers are approachable and open for questions and advice.
Figure 2: HOPE's double sizing system (Hope Stockholm, 2017).

Figure 3: A diverse model cast at HOPE SS18 show (Stockholm Fashionweek, 2018).
Figure 4: Head of design Frida Bard dressing a model at the head-office (Hypebae, 2017).

Figure 5: HOPE head-office (Skandistyle, 2018).
2.1.4 SYSTEMS

The main systems that run the organization and its retail-shops are called NAV and GARP, which provide HOPE with complete support for the entire business process, which include: sales and order management, variant management, warehouse and inventory management, purchasing and procurement, manufacturing and production management and financial management. For communication, e-mail, face-to-face conversations and internal meetings are used.

2.1.5 STAFF

Within the seven different teams described in chapter 2.1.3 on page 3, special positions are: distribution manager, PR manager, graphic designer, visual merchandizer and pattern maker. Recently introduced positions include a showroom- and office manager and a social media intern (HOPE, 2018). At HOPE, employee’s workloads are generally high due to a tight occupation of positions. Despite this tight occupation, the majority of the workforce is experienced. To exemplify this, head of design Frida Bard has over 12 years of experience at direct competitor Acne Studios, marketing director Ellen Dixdotter worked at Filippa K and the production-team has experience at mid-market giants such as H&M. Common characteristics of the average HOPE employee are a high company-involvement, a friendly, down to earth attitude and

2.1.6 STYLE

HOPE carries a participative management style, in which everyone shares an one open, spacious office, which creates a feeling of togetherness. Each department is divided by a group of desks, at which the department-manager sits together with its employees, which simplifies consulting within or outside a department. Together, they form real teams that work together closely. The workforce tend to be cooperative rather then competitive, applauding the success of other employees or departments. However, this team-structure can result in one team shedding responsibilities on another team. Therefore, every employee should have an understanding of the different responsibilities of all departments.

2.1.7 SKILLS

The most significant, strongest skill represented within the company its workforce believing and complying the company’s shared values. This results in a clear company DNA, which can be implemented in all aspects of doing business. This leads to the second skill, which is the level of reliability, respect and flexibility provided by the workforce. Where relationship-building is key, working at HOPE feels like being surrounded by a group of work-related friends. Continuing with the weaker skills, which are internal communication and decision making. Mainly caused by the divided departments and high work-load, it can take several e-mails or questions to initiate ideas. Adding to this, several days or weeks can pass by before decisions made by the work-force are approved by their manager. However, to tackle weaker skills, performance interviews are repeated once a month within the different departments.

2.1.8 INTERIM CONCLUSION

The 7S model provided a total overview of HOPE’s internal business environment, from which its most significant strengths and weaknesses can be derived. Starting with the strengths, HOPE’s workforce genuinely sharing the brands’ core values enables HOPE to have a strong social responsibility, in which norms are challenged towards a more flexible society. Secondly, the brands’ participative management style results in a clear hierarchy, while maintaining a feeling of togetherness and cooperation. Thirdly, for future growth or development, HOPE can benefit from its base of experienced, knowledgeable staff members. Continuing with the weaknesses, due to a tight occupation of positions, the general workloads are high. Where the production- and design department often overwork, an extra amount of work might cause significant tension. Secondly, internal communication can be slow, which slows down decision-making processes and eventually business’ actions.
2.2 MARKETING MIX

2.2.1 PRODUCT

HOPE creates high-quality fashion focussed on material, function and craftsmanship, with a nod towards classic menswear and utility pieces. The brand provides its customer with a progressive yet timeless, tailored and relaxed look, with the aim of simplifying well-dressing for everyday life and emphasizing individual style. Each collection strives to create tomorrow’s classics and fulfill the need for desirable, functional garments. The brand offers a full range of women’s apparel, accessories and footwear. Their collections are divided into one essential collection and four seasonal collections; pre-spring, spring-summer, pre-autumn and autumn-winter. The essential collection is a capsule wardrobe of reliable must-have pieces, ranging from size 32 to 46. The seasonal collections offer seasonal items, ranging from size 34 to 42. Where for HOPE, style comes before gender, all garments are labeled with both men’s and women’s sizes (HOPE, 2018).

2.2.2 PRICE

Using the McKinsey Global Fashion Index segmenting based on a Sales Price Index, HOPE is considered to be on the lower end of the affordable luxury segment. The brand is known for its reputation offering high-quality garments at an affordable price level, maintain a balance between its luxury promise and its accessibility (BOF team, 2017). Figure 1 provides an overview of HOPE’s price-range per product-category in Euro.

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>MINIMUM PRICE €</th>
<th>MAXIMUM PRICE €</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coats &amp; Jackets</td>
<td>230</td>
<td>720</td>
</tr>
<tr>
<td>Blazers</td>
<td>220</td>
<td>480</td>
</tr>
<tr>
<td>Trousers</td>
<td>120</td>
<td>300</td>
</tr>
<tr>
<td>Shirts</td>
<td>120</td>
<td>330</td>
</tr>
<tr>
<td>T-shirts &amp; Tops</td>
<td>60</td>
<td>170</td>
</tr>
<tr>
<td>Shorts &amp; Skirts</td>
<td>120</td>
<td>200</td>
</tr>
<tr>
<td>Dresses</td>
<td>150</td>
<td>450</td>
</tr>
<tr>
<td>Knitwear &amp; Sweaters</td>
<td>130</td>
<td>350</td>
</tr>
<tr>
<td>Bags &amp; Wallets</td>
<td>70</td>
<td>380</td>
</tr>
<tr>
<td>Accessories</td>
<td>60</td>
<td>230</td>
</tr>
<tr>
<td>Shoes</td>
<td>230</td>
<td>440</td>
</tr>
</tbody>
</table>

Figure 6: prices per product-category (Hope Stockholm, 2018).

2.2.3 PLACE

HOPE sells through eight brand-stores of which six are located in Sweden, one in Copenhagen (DK) and one in Amsterdam (NL). Moreover, the company sells through 5 shop-in-shops in Swedish and Danish department stores and through its e-commerce store on www.hopestockholm.com (HOPE, 2018). According to HOPE’s brand-book, next to selling retail, HOPE sells wholesale in 23 markets worldwide, in over 300 exclusive retailers and online shops. Key accounts include Zalando (Germany), Ssense (Canada), La Garconne (USA) My Chameleon (Australia) and Farfetch (UK). To reach its wholesale customers, next to having an in-house showroom in Stockholm, HOPE sells through five sales-agents, located in Germany, The Netherlands, Norway, Denmark and Korea. To be able to meet new buyers, trade-fairs in Paris and Italy are attended (HOPE, 2018). Analyzing its e-commerce position more in depth, except from Sweden, all European countries pay a shipping fee of 30 euros. Orders outside the EU are displayed excluding taxes and duties. For all international countries, the language is English and the available currencies are Swedish Crown, Euro, US Dollar, Danish crown or Norwegian crown (HOPE, 2018).

2.2.4 PROMOTION

HOPE promotional strategy is based on a low-cost advertising policy, which almost solely exists out of online influencer marketing. Having a positive influence on HOPE’s brand character and promotion, they get paid by keeping the item or earning a certain amount of money, depending on the influencer’s reach (Gerardo, 2017). Part of these influencers are micro-influencers, who due to their small amount of followers are most capable of creating engagement among their followers (Izea, 2017). In 2017, HOPE’s Instagram page @hopestockholm doubled its following to 40,000 followers in June. Next to influencer marketing, traditional marketing methods are used such as a printed look-books and being featured in magazines’ editorials. To promote its latest collection, HOPE used guerrilla marketing, inviting the consumer to participate and interact with the product. (Sugget, 2018). A group of HOPE designers, creatives, models and friends walked through the centre of Stockholm the day before Fashion Week, dressed in the new collection, handing out flowers.
2.2.5 INTERIM CONCLUSION

The marketing mix has provided a total overview of HOPE’s marketing strategy, from which its most significant strengths and weaknesses can be derived. Starting with the strengths, HOPE’s distinctive brand-aesthetic provides its consumers with unique, durable products that emphasize individual style, which enables them to differentiate itself from their direct competitors. Secondly, HOPE is known for its reputation offering value for money, which results in offering high-quality products at an affordable price level. Lastly, the brand is sold through an established, diverse network of sales channels, which strengthens brand-recognition and desirability. Continuing with the weaknesses, the most significant weakness is its limitedly developed e-commerce shop. Including shipping costs and not displaying duties and taxes which might hold back international consumers from placing orders.

2.3 THE FINANCIAL STATUS

Carl Nordstrand, Chief Financial Officer at HOPE provided a rough estimation of HOPE’s financial situation in 2017, which can be seen in figure 11.

To roughly indicate HOPE’s ability to invest, HOPE’s cash flow of €1.400.000 shows that its liquid assets are increasing. This enables the company to settle debts, reinvest in its business, pay expenses and provide a buffer against future financial challenges (Unknown, 2018). To conclude, HOPE’s financial stability forms a strength for a potential expansion into the Japanese market.

2.4 THE CONSUMER

In order to reach its current financial goals, HOPE has to reach out to more people then ever before. While the brand wants to maintain its current customer, it tries to attract its so-called customer of tomorrow to become its new financial core. HOPE’s current customer is 40+ in age and sits between a fashion leader and a conventional shopper. This loyal customer has established buying power, a mid involvement in fashion style and no influencing power on others, which is why they do not cultivate growth anymore. HOPE’s customer of tomorrow is a fashion-oriented conventional, aged 25 to 35. In contrast to the current customer, their strong digital presence, growing digital shopping behavior and expression of individuality and style results in them having a strong influencing power on others (HOPE, 2018). Although aiming at a new target-group might prove to be successful on the long-term,
2.5 CONCLUSION

Chapter 2 created a detailed view on HOPE’s organizational competences, resources and its competitive advantage. This conclusion will combine the strengths and weaknesses from the interim conclusions to formulate a final opinion on HOPE’s internal business environment. Although the 7 strengths overpower the 4 weaknesses in number, the question remains if these strengths also overpower the weaknesses in importance. HOPE’s shared values being strongly lived-by provides a strong social responsibility and clear brand-DNA. This results in a distinctive brand-aesthetic that provides consumers with a unique, durable product that emphasize individual style. Moreover, HOPE is known for its reputation offering value for money. Therefore, the brand is able to differentiate itself from its direct-competition. Being sold through an established, diverse network of sales channels raises brand-recognition and desirability. However, its own e-commerce channel being limitedly developed, might hold back international consumers from placing orders. A participative management style results in clear hierarchy, while maintaining a feeling of togetherness and cooperation among HOPE’s staff members. This management style in combination with HOPE’s knowledgeable, experienced staff and its financially stable situation, strengthens the brand’s ability to react to its environment. However, a tight occupation of positions results in a generally high workload, which means that creating a higher-workload without hiring more staff needs to be avoided. Lastly, due to this high workload, internal communication can be slow, with slows down decision making and eventually business actions. Weighing the strengths against the weaknesses, it can be concluded that HOPE’s strengths provide a strong brand positioning. Adding to this, its existing, minor weaknesses facilitate possible improvement.
3

TOWS ANALYSIS

In the TOWS analysis, the opportunities and threats from the Japanese market and the strengths and weaknesses from HOPE will come together in one matrix. To avoid a crowded analysis, the opportunities and threats are merged or picked on significance. Where a SWOT analysis starts with the internal environment, a TOWS analysis starts with the external environment, identifying how to use the external Japanese environment to HOPE’s strategic advantage. Combining these four elements will result in four strategic scenarios about whether or not and how to expand into the Japanese affordable luxury segment for women. After the four scenarios will be evaluated on, the strategic scenario giving the greatest benefit will be chosen and used as a base for the entry strategy (Mindtools, 2018).

3.1 THE ANALYSIS

Derived from the TOWS analysis, HOPE can operate according to four different scenarios. Following, these four scenarios will be weighed up to choose the most realistic scenario that will form a base for a possible entry strategy in chapter 4 on page 13. Starting with the SO strategy, in this scenario the internal strengths are used to benefit from existing external opportunities. However, expanding without trying to either strengthen and minimizing the significant weaknesses and threats would include high risks. Where HOPE prefers to grow organically, this strategy will not suit the company’s strategy. Secondly, in the ST strategy, external threats are avoided by benefiting from internal strengths. Although six out of seven threats can be reacted to by HOPE, the threat of a future potential customer decline cannot be influenced. However, due to HOPE possibly being able to avoid the majority of threats, the ST strategy would form a realistic strategy for HOPE to use. Thirdly, in the WO strategy, external opportunities are used to overcome internal weaknesses. Although benefiting from the opportunities might result in overcoming all of its weaknesses, the threats of the Japanese market cannot be ignored as they overpower the internal weaknesses in importance. Therefore, this strategy will not be suitable to use. Lastly, in the WT strategy, internal weaknesses are minimized to avoid potential external threats. By looking at the matrix, the weaknesses and threats do not overpower the strengths and opportunities. Therefore, there is no reason to exclude an expansion, which means that the WT strategy will not be used.

3.2 CONCLUSION

By creating the TOWS analysis and weighing up its four possible strategies, it appeared that the ST strategy would form the most realistic base for HOPE’s entry strategy. This strategy is chosen due to HOPE’s potential ability to avoid the majority of threats caused by the Japanese market, before expanding. However, while using this strategy, the company’s internal weaknesses will not be strengthened. Where strengthening the internal weaknesses might be a relatively easy process, HOPE would be advised to include this in the chosen strategy, to gain an even stronger competitive position on the Japanese market.
<table>
<thead>
<tr>
<th>STRENGTHS</th>
<th>WEAKNESSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>S1 A reputation offering value for money.</td>
<td>W1 A tight occupation and high workloads.</td>
</tr>
<tr>
<td>S2 A distinctive brand-aesthetic.</td>
<td>W2 Slow internal communication.</td>
</tr>
<tr>
<td>S3 Strong social responsibility.</td>
<td>W4 A limitedly developed e-commerce shop.</td>
</tr>
<tr>
<td>S4 A participative management style.</td>
<td></td>
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<tr>
<td>S5 Experienced, knowledgeable staff.</td>
<td></td>
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<tr>
<td>S6 A diverse network of sales-channels.</td>
<td></td>
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<tr>
<td>S7 Financial stability.</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>OPPORTUNITIES</th>
<th>SO STRATEGY</th>
</tr>
</thead>
<tbody>
<tr>
<td>O1 A stable disposable income in 2022.</td>
<td>Using strengths to expand:</td>
</tr>
<tr>
<td>O2 High female purchasing power.</td>
<td>S1/7, O1/7: Use a value for money reputation, a distinctive brand-aesthetic,</td>
</tr>
<tr>
<td>O3 The liberalization of trade in 2019.</td>
<td>strong social responsibility, a participative management style, experienced staff-members and financial stability to penetrate the Japanese market. The diverse network of sales-channels can be used to get in contact with Tokyo's buyers. In Japan, both the younger- and older consumer can be targeted to.</td>
</tr>
<tr>
<td>O4 Affordable luxury segment growth in 2020.</td>
<td></td>
</tr>
<tr>
<td>O5 The younger consumer trading down.</td>
<td></td>
</tr>
<tr>
<td>O6 The older consumer as prime-purchasers.</td>
<td></td>
</tr>
<tr>
<td>O7 Tokyo as excellent test-market.</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>THREATS</th>
<th>ST STRATEGY</th>
</tr>
</thead>
<tbody>
<tr>
<td>T1 A future decline of potential customers.</td>
<td>Avoiding threats before expanding:</td>
</tr>
<tr>
<td>T2 Sizing issues.</td>
<td>S5, T2: Avoid sizing issues by making use of experienced, knowledgeable staff.</td>
</tr>
<tr>
<td>T3 A language barrier.</td>
<td>S4, S7, T3: Avoid the language barrier by hiring a Japanese interpreter, which can function as bridge between the company and the Japanese market.</td>
</tr>
<tr>
<td>T4 High competitive rivalry.</td>
<td>S1, S2, S3, T4: Avoid high competitive rivalry through differentiation by combining a value for money reputation, a distinctive brand aesthetic and a strong social responsibility.</td>
</tr>
<tr>
<td>T5 High entry barriers raising selling-prices.</td>
<td>S7, T5: Avoid entry-barriers of heightened selling prices by lowering profit-margins, which might be possible due to financial stability.</td>
</tr>
<tr>
<td>T6 The consumers’ level of criticalness.</td>
<td>S4, S5, T7: Create more, smaller collections for the Japanese market by using experienced, knowledgeable staff and an effective management style.</td>
</tr>
<tr>
<td>T7 Highly dynamic store appearance expectations.</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>WEAKNESSES</th>
<th>WO STRATEGY</th>
</tr>
</thead>
<tbody>
<tr>
<td>W1 A tight occupation and high workloads.</td>
<td>Strengthen weaknesses before expanding:</td>
</tr>
<tr>
<td>W2 Slow internal communication.</td>
<td>W1, W2, O4, O1, O7: At least until 2020, disposable incomes remain stable and affordable luxury will grow. Use this time to hire staff to lower workloads and work on internal communication.</td>
</tr>
<tr>
<td>W3 Targeting 2 consumers at once.</td>
<td></td>
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<tr>
<td>W4 A limitedly developed e-commerce shop.</td>
<td></td>
</tr>
<tr>
<td>W5 Experienced, knowledgeable staff.</td>
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<tr>
<td>W6 A diverse network of sales-channels.</td>
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<tr>
<td>W7 Financial stability.</td>
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<table>
<thead>
<tr>
<th>OPPORTUNITIES</th>
<th>WT STRATEGY</th>
</tr>
</thead>
<tbody>
<tr>
<td>W4, O3: Where trade will only be liberalized in 2019, use this time to strengthen e-commerce development.</td>
<td>Not expanding, only minimizing weaknesses:</td>
</tr>
<tr>
<td>W1/4, T1/7: Focus on minimizing the internal weaknesses of high workloads, slow internal communication, targeting 2 consumers at once and a limitedly developed e-commerce shop to avoid all threats derived from the Japanese market.</td>
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</tbody>
</table>

Figure 10: Tows Analysis.
4 ENTERING THE JAPANESE MARKET

There are a variety of ways in which a company can enter a foreign market. Therefore, this chapter will start with choosing HOPE’s entry-strategy for the Japanese market. Secondly, HOPE’s marketing mix will be evaluated on to see if parts of this mix needs to be changed aimed at the Japanese market. Thirdly, HOPE’s market-positioning will be determined, including the targeted consumer and the preferred sales-channel presence. Lastly, an estimation of the recommended timing will be given.

4.1 THE ENTRY STRATEGY

To determine in which way HOPE should enter the Japanese market, entry strategies such as direct exporting, indirect exporting, franchising, partnering, piggybacking and joint ventures have been weighed up. Concluding from this, the advisable entry-strategy for HOPE would be direct exporting; selling goods directly to a customer or intermediary in an international market. Direct exporting is advised due to three reasons. Firstly, direct exporting enables HOPE to keep the control over all its manufacturing processes. Secondly, HOPE can withdraw from the market relatively cheaply and easily if needed. Lastly, in-depth information about the target-market can be required, which enables them to make future decisions about investing in facilities in the market (Roy, 2017). The two most commonly used intermediaries are sales-agents and distributors, which need to be weighed up in order to know which will be most beneficial for HOPE to use (Unknown, 2017). Chapter 2.2.3 on page 7 described HOPE using a sales-agent in South Korea. Therefore, at first sight, it would be logical to copy this strategy. The main responsibility of a sales-agent is to introduce companies to a potential customer, leaving all other responsibilities including import to the company. However, in contrary to Japan, South Korea’s free trade agreement with the EU has made the majority of customs and trade barriers disappear, which enables HOPE to take care of import-responsibilities (Chun, 2016). Where Japan’s current import-barriers are high, working with a distributor will simplify the expansion, as its main benefits include full responsibility for import, warehousing, storage, transport and retail premises. A distributor buys products from the company at an agreed price, after which is it responsible to on-sell it to its own customers. Therefore, a sale is already made once the product is sold to them (Mullet, 2016).

4.1.1 THE DISTRIBUTOR

For HOPE, working with a Japanese distributor has four significant advantages. Firstly, distributors have an established consumer base of resellers and retailers, resulting in a quick promotion and generation of sales (Reseller Network, 2017). Using a distributor’s consumer-base enables HOPE to avoid the threat of the language-barrier, to reach a wide audience and to avoid hiring extra wholesale staff (Reseller Network, 2017). Secondly, distributors’ sales and marketing expertise enables them to promote HOPE’s products in the most effective way, which includes educating retailers and setting up signage and in-store promotions (Goldstein, 2016). Where they only make profit once their purchased items are sold, they are genuinely interested in selling HOPE’s product (Reseller Network, 2017). Outsourcing the actual sales will provide HOPE with the time to focus on their product-offer, sizing and e-commerce development. Thirdly, the distributors’ responsibility for storage and distribution avoids the investment in a separate distribution centre. Their established, reliable logistics enable them to transport products quickly and cost-effectively, which is of key importance for the Japanese consumer, expecting correct and timely delivery (Reseller Network, 2017), (Goldstein, 2016). Lastly, the distributors’ customer service responsibility will save HOPE time and avoids the hiring of extra customer-service staff. Moreover, the critical Japanese consumer requires the help of educated, Japanese speaking consumer representatives (Goldstein, 2016).

Despite the advantages described above, disadvantages of working with a Japanese distributor exist. Firstly, in return for taking on trade-related risks and burdens, distributors will expect discounts and generous credit terms from HOPE. Secondly, the distributor being in charge of HOPE’s customer base, promotion and price, results less control over its Japanese marketing mix. Thirdly, a distributor needs to be fully trusted on its commitment of helping HOPE gain market-share. Lastly, distributors often demand a long period of exclusivity, which is why a general certainty of the distributor’s experience in selling similar products to a similar consumer as HOPE is required (Ni Business, 2018).
Figure 11: Infrastructure of Japan (Lonely Planet, 2017).

Figure 12: HOPE shop-in-shop at department store Åhlens, Stockholm (Hope Stockholm, 2018).
**4.1.2 CHOOSING A DISTRIBUTOR**

When deciding to work with a distributor, HOPE needs to realize that they are selling directly to them, and not to the retailer. Therefore, the real customer is the distributor, meaning that its products need to be prepared accordingly. Before choosing a distributor, HOPE should find out their approach to shipping, packaging and payment, which will help to find a matching distributor. Moreover, the distributor should be able to help HOPE get to the Japanese market as quickly as possible. This means, that the distributor of choice needs to sell to HOPE’s target-market. To find out if the distributor is successful at selling products to this target-market, HOPE’s direct competitors can form an example. Choosing one of their distributors will ensure their knowledge about this target-market. To get in touch with the right distributor, trade-shows function as meeting-points. Adding to this, retail buyers can be asked for recommended distributors, as in the process of choosing, references and customer referrals are key (Waksman, 2018).

**4.2 THE MARKETING MIX**

Before signing a contract with a distributor, to gain distribution success it is essential for HOPE to adjust its marketing mix according to the requirements of the Japanese market. A product that is not ready to be distributed will put the business at risk of not generating the needed sales. Therefore, this chapter will advice HOPE about how to prepare its marketing mix prior to the start of selling its products to the distributor (Waksman, 2018).

**4.2.1 PRODUCT**

Concluded from the internal analysis, two of HOPE’s strengths are its reputation offering value for money and its distinctive brand-aesthetic, which is focused on minimalism, functionality and craftsmanship, with a nod towards classic menswear and utility pieces. These characteristics perfectly match the Japanese consumer’s preferences mentioned in chapter 4.1.4 on page 15 of the research report, which are: uniqueness and functionality, the popularity of workwear, utilitarian and classic garments and a relaxed, loose fit and minimal embellishments. However, despite this match, 3 product-related factors should be changed to suit the Japanese market. Firstly, the threat of an expected highly dynamic store appearance is caused by Japanese brands introducing up to eight collections annually. To avoid this threat, HOPE can consider dividing its two biggest collection, spring-summer and autumn winter, in 3 smaller sub-collections according to the three different drops, in which they are currently presented to the consumer. Secondly, the threat of sizing-issues discussed in chapter 3.3.2 on page 11 of the research-report, is caused by Japanese women generally being short and thin. To avoid this threat, HOPE should consider slightly changing its patterns; reducing the length and width of garments. With HOPE’s smallest size generally being a 34 (XS), adding a size 32 (XXS) is recommended. Lastly, chapter 4.1.4 on page 15 of the research report described specific consumers’ product-preferences. To respond to Japan's skirt-trend, HOPE should add two more skirt-styles to its existing offer of approximately 2 skirts per collection. Next to that, Japanese’ favorite summer fiber being cotton and winter fiber being wool, these materials should be vastly represented within its seasonal collections.

**4.2.2 PRICE**

The threat of Japan’s high entry barriers such as trade registration fees, duty rates and consumption tax will raise HOPE’s selling-prices. Distributors and retailers getting discounts on the manufacturer suggested retail price will increases sales-prices even further (Alliance Experts, 2016), (Levin, 2011). Buying products from HOPE, distributors get an average discount of 60 percent of the manufacturer suggest retail price, due to the bulk of their orders and their number of customers. After this, the retailer gets a 40 percent discount of the manufacturer suggested retail price, to secure an available margin for all companies within the process (Levin, 2011).

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<tr>
<th>CATEGORY</th>
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<th>SITUATION 2 €</th>
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<td>MSRP (incl taxes and duty rates)</td>
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<td>MRSP (excl 10% duty-rates)</td>
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<td>Distributor discounting 60%</td>
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<td>Distributor purchase price</td>
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<td>Profit HOPE</td>
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<td>Retailer discounting 40%</td>
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<td>Profit retailer</td>
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Figure 13: Selling price and profit calculation.
Figure 4 illustrates how these discounts affect HOPE's selling price on the Japanese market. Situation 1 depicts HOPE's current general price-point in foreign markets. A suit-trouser with a cost-price of _____ and a manufacturer suggested retail price of _____ would only result in a profit of ______. Therefore in situation 2, the suggested retail price is raised to _____, which would raise HOPE's profit to _____.

To gain profit, slightly raising selling-prices is recommended, as HOPE's positioning on the lower side of the affordable luxury segment leaves room for price-raises. However, another option to maintain profit is arranging fixed purchase prices for the distributor, which will stop discounts of growing percentage-wise when selling-prices are raised. Moreover, once established in the Japanese market, bigger production-quantities will possibly lower HOPE's cost-prices.

4.2.3 PLACE

Before entering the Japanese market, HOPE should strengthen its weaknesses of a limitedly developed e-commerce shop. After analyzing its direct competitors in chapter 3.2 on page 7 of the research report, a successful brand expansion into the affordable luxury segment for women in Japan, requires an assessable online store, preferably translated in Japanese. Working with a distributor creates to possibility to sell online through a special e-commerce store run by the distributor itself, which would simplify distribution and the display of prices in Japanese currency including all import duties (Reseller Network, 2017). In chapter 4.3.2 on page 17, HOPE's advised sales-channel presence will be further elaborated on.

4.2.4 PROMOTION

HOPE's brand-awareness in Japan is low. Therefore, the distributor will carry the responsibility of making its retail buyers enthusiastic to start buying HOPE products. As described in chapter 4.1.2 on page 13 of the research report, the younger generation of Japanese affordable luxury consumers often trades down to more considerate, lesser-known, niche brands. For HOPE, this might form an opportunity to be marketed as an exclusive, Swedish niche brand, attracting the fashion-conscious Japanese. Where HOPE's current promotional strategy almost exclusively exist out of social media marketing, for the Japanese market, some traditional methods need to be taken into account. To start of, HOPE can try to gain presence in Japanese fashion magazines and distribute its existing look-book over its selling-points. For its existing influencer strategy, HOPE’s challenge is to find the right Japanese ‘micro-influencers’.
4.3 TARGETING

Although working with a distributor involves HOPE handing over the control of its Japanese customer base and promotional mix, consultation will continuously take place between HOPE and its distributor. Therefore, this chapter will provide an advice on HOPE's target-customer, the location of expansion, the recommended sales-channels to be present in and the recommended timing.

4.3.1 THE CONSUMER

As described in chapter 2.4 on page 9, HOPE currently tries to attract its customer of tomorrow, which will forms its new commercial core. Aged 25 to 35, this fashion-oriented conventional values the expression of individuality and style and has big influencing power on others. Where operating according to this existing strategy will create consistency, HOPE should take advantage of the opportunity of Japanese customers aged 25 to 44 trading down from absolute luxury brands. Where this younger generation of Japanese consumers highly values the expression of individual style, they share HOPE's core values. In this case, HOPE's low brand awareness might even form an opportunity as this consumer trades down from absolute luxury brands to more considerate, lesser known niche brands. Moreover, for them, mixing affordable items with slightly pricier ones is key. As seen in chapter 4.1.2 on page 13 of the research report, this generation represents 4.1 million consumers, from which 54,4 percent spends over €385 annually on affordable luxury goods. As for the older consumer-generation, this percentage is significantly higher, the assumption is made that the younger generation of consumers represents 42 percent of total affordable luxury segment, which is €1,4 billion.

4.3.2 LOCATION AND SALES CHANNELS

On the Japanese market, HOPE is advised to continue its existing international strategy of selling to exclusive retailers and online shops. However, this will depend on the established consumer-base of the distributor of choice. Nevertheless, an advice about location and sales-channels will be provided. One of the opportunities derived from the research-report was Tokyo's reputation as excellent test-market. Therefore, HOPE is advised to start expanding in Tokyo. To reach the younger generation aged 25 to 44, within Tokyo they should preferably be present in the neighborhoods Shinjuku or Shibuya. Their direct competition being present in a diverse range of channels leads to the advice of HOPE being present in a combination of select-shops and department stores. Firstly, as seen in chapter 4.2.2 on page 15 of the research report, select shops form an opportunity due their growth as vectors of style identity for consumers aged 20 to 30. Examples of select shops to be present in are Beauty and Youth and Estnation, which are both located in Shinjuku (Estnation, 2018), (Beauty and Youth, 2018). Secondly, being present in department stores will ensure the reach of the remaining part of the younger generation, aged 31 to 44. Despite the fact that department stores are losing share, they still reach 70 percent of affordable luxury consumers. However, it is essential to pick department-stores that still appeal to the younger generation of consumers. With shop-in-shop presence of direct competitors Calvin Klein, Acne Studios and Marimekko, an example would be department-store Isetan, located in Shibuya.

4.3.3 TIMING

HOPE will need time to adjust its marketing mix aimed at the Japanese market and find the right distributor to sell their products. This being a time-consuming process, no estimation can be made about the exact time this will take. However, three opportunities derived from the research-report can be used to create an advice on the timing of the expansion. A stable disposable income in 2022 illustrates that there is no reason to hurry the expansion. Moreover, to avoid the threat of high entry-barriers, is recommended to wait for the opportunity of the trade-liberalization starting early 2019, as the reduction of duty rates will result in a lower raise of selling-prices for HOPE. Where for now, Japan's affordable luxury segment growth is only predicted until 2020, it would be advised to expand anytime between early 2019 and the end of 2020.
Figure 14: Select shop Esnation, Tokyo (Esnation, 2018).

Figure 15: Select shop Beauty & Youth, Tokyo (Beauty & Youth, 2018).
5 FINANCIALS

5.1 ESTIMATED REVENUE AND PROFIT

In chapter 3.1 on page 7 of the research report, the assumption is made that the majority of 150 brands operating in the affordable luxury segment have a market share of 0.2 percent or lower; a maximum revenue of €6.6 million annually. Where HOPE’s revenue of €14 million in 2017 was derived from being present in 23 markets worldwide, gaining a 0.2% market-share or €6.6 million revenue in the first year of expansion is unrealistic. To set a realistic goal for the first year of expansion, direct competitor Marimekko is taken as an example. In 2017, 12.8 percent of Marimekko’s total revenue or €13.1 million, was derived from 12 brand-stores and 18 shop-in-shops in the Japanese market (Marimekko, 2017). To simplify this, every shop had an average revenue of €437.000. Where Marimekko is already present in Japan for over 15 years, HOPE can not expect to reach a revenue comparable to theirs. Moreover, where the expansion plan does not include opening brand-stores and shop-in-shops, HOPE’s revenue needs to be derived from floor-presence in department-store and select shops. Where HOPE prefers to grow organically, a realistic goal to set is selling through 2 department-stores and 4 select-shops.

With a profit of €49.000 and an investment of €79.000, in the first year of HOPE’s expansion into the Japanese affordable luxury segment for women, the brand is expected to make a loss of €30.000. However, HOPE’s cash-flow of €6.6 million will be able to cover this loss. In the following years after the expansion, costs concerning research and the hiring of an external pattern maker and Japanese speaking freelancer will be lower, as the base is created. Therefore, these actions can be carried out by HOPE’s current workforce. Next to that, once the brand has been present in shops and department stores, marketing costs will be lower. Combining this with the assumption that HOPE will be able to increase its presence, its business in the Japanese affordable luxury segment for women is expected to become profitable in the second or third year after the expansion.

5.2 ESTIMATED INVESTMENT

Due to the use of a distributor, the expansion into the Japanese market itself will not be a costly investment for HOPE. However, the preparations towards this investments will require both money and time. Firstly, HOPE might want to look into another research-report, such as Euronomitor International’s report about the Japanese affordable luxury segment, which costs €1.000. Secondly, existing patterns of garments will need to be slightly changed and one size smaller needs to be added. For this, an external pattern-maker can be hired for 4 weeks, which will cost €8.800. Thirdly, HOPE’s CEO and wholesale manager will need to go on a business trip to Japan to either visit shops, a trade-show or a future distributor. Estimated costs of this trip would be approximately €3300. Before entering the Japanese market, its Japanese e-commerce shop needs to be developed. For this, a Japanese speaking freelance can be hired for 4 weeks to create a set-up, which will cost €6.800. To gain presence in smaller, local fashion magazines in Tokyo, an advertisement page in 5 different magazines will cost €4.000. Where HOPE’s look-book will be divided over its future sales-channels, an addition of 200 look-books will need to be printed which will cost €350. After the preparations described above, HOPE will need to create a marketing-budget for the distributor. The marketing budget is estimated to be €50.000. Assuming that HOPE will at least transport 4 seasonal collections separately to its distributor by sea-fright, one separate container of 10 ft, with a maximum of 1600 items, will cost HOPE €650 per container and €2600 in total. Although these numbers are rough estimations, the total investment cost for HOPE before starting selling to its Japanese consumer would be approximately €80.000.

5.3 CONCLUSION

With a profit of €49.000 and an investment of €79.000, the first year of HOPE’s expansion into the Japanese affordable luxury segment for women, the brand is expected to make a loss of €30.000. However, HOPE’s cash-flow of €6.6 million will be able to cover this loss. In the following years after the expansion, costs concerning research and the hiring of an external pattern maker and Japanese speaking freelancer will be lower, as the base is created. Therefore, these actions can be carried out by HOPE’s current workforce. Next to that, once the brand has been present in shops and department stores, marketing costs will be lower. Combining this with the assumption that HOPE will be able to increase its presence, its business in the Japanese affordable luxury segment for women is expected to become profitable in the second or third year after the expansion.
The goal of this strategic expansion plan was to give HOPE an advice on whether or not, and how to expand into the Japanese market. As a base for this advice, the research report was used, which aimed to inform Swedish fashion brands, operating in the affordable luxury segment for women, about the market potential of the Japanese market.

Will HOPE be able to expand?

By analyzing HOPE’s internal organization with the 7S model, it appeared that HOPE has a participative management style, an experienced, knowledgeable workforce and a strong social responsibility. The different factors of the 7S model being in line, means that HOPE is able to function successfully. Moreover, by analyzing its marketing mix, it appeared that HOPE’s brand is strong, including a distinctive brand aesthetic and a reputation of offering value for money. Adding to this, its financially stable situation enables the company to settle debts and reinvest in its business. Despite these strengths, solvable weaknesses exist such as a high-workloads, slow internal communication, and a limitedly developed e-commerce shop. However, by combining HOPE’s internal organization, marketing mix and financial situation, it can be concluded that HOPE possesses the necessary skills to be able to expand.

How will the expansion strategy look like?

The second question that needs to be answered is with which strategy HOPE will expand. To create a base for this expansion strategy, the TOWS analysis combined the external with the internal environment. The external analysis provided significant opportunities such as affordable luxury segment growth and high female purchasing power, which increase HOPE’s chances of a successful expansion. However, significant threats exist such as a future decline of potential customers, high competitive rivalry and high entry barriers. Therefore, a crucial part of HOPE’s expansion strategy is to avoid the external threats by using its internal strengths. Moreover, internal weakness should be strengthened to ensure a stronger competitive position. With this strategy as a base, HOPE’s advised entry strategy is direct-exporting, which will enable the company to maintain full control over its manufacturing process, facilitates an easy withdrawal from the market and enables the acquisition of in-depth target-market information. Within this strategy, HOPE is advised to work with a distributor, which will buy products at an agreed price, after which it will on-sell them to its own customers. By working with a distributor, the threat of Japan’s high entry barriers can be partly avoided as the distributor will be fully responsible for import, warehousing, storage, transport and retail premises.

How should HOPE adjust its marketing mix aimed at the Japanese market?

Before signing a contract with a distributor, HOPE is advised to adjust its marketing mix according to the requirements of the Japanese market, as this will lower the risk of an unsuccessful expansion. Product-wise, 4 factors need to be changed. Firstly, to avoid the threat of highly-dynamic store expectations, 8 smaller sub-collections need to be created. Secondly, to avoid the threat of sizing-issues, the length and width of existing patterns should be reduced and a size 32 (XXS) should be added to the size-range. Thirdly, to respond to Japan’s skirt-trend, the skirt offer needs to be enlarged. Lastly, the fiber cotton should always be present in HOPE’s collections. Price-wise, a threat that cannot be avoided is Japan’s high entry barriers raising HOPE’s selling prices, as the distributors’ discount will increase prices even further. Therefore, slightly raising selling-prices is advised, as HOPE’s positioning on the lower side of the affordable luxury segment leaves room for this. Place-wise, strengthening HOPE’s weak of a limitedly developed e-commerce shop is simplified by the possibility to sell online through a special e-commerce store run by the distributor. Promotion-wise, to respond to the opportunity of the younger generation trading down to lesser-known, niche-brand, HOPE is advised to market itself as an exclusive, niche-brand. Secondly, instead of only using influencer marketing, traditional marketing is needed, such as gaining presence in Japanese magazines.
When will HOPE be able to start expanding?

The opportunity of a stable disposable income in 2022 illustrates that there is no reason to hurry the expansion. Moreover, to avoid the threat of high entry-barriers, it is recommended to wait for the opportunity of the trade-liberalization, starting early 2019, as the reduction of duty rates will result in a lower raise of selling-prices for HOPE. Where for now, only predictions exists about Japan’s growing affordable luxury segment growth until 2020, it would be advised to expand anytime between early 2019 and the end of 2020.

How should HOPE be positioned in the Japanese market?

To operate according to its existing strategy, HOPE is advised to target the younger generation of Japanese consumers aged 24 to 44. This consumer-group exists out of 4,1 million women that are responsible for an annua[blank] billion. To be able to reach this consumer, HOPE is advised to start selling in Tokyo, which as excellent test market forms an opportunity. Within Tokyo, HOPE should be present in a combination of select shops and department stores in the neighborhoods Shinjuku or Shibuya. Select shops form an opportunity due their growth as vectors of style identity for consumers aged 20 to 30. Examples possible customers are select shops Beauty and Youth and Estnation, and department-store Isetan.

What is the estimated profit or loss in the first year of the expansion?

When operating trough 2 department-stores and 4 select-shops, a profit of [blank] can be generated. With an investment of €80,000, the brand would make a loss of [blank] which will be covered by HOPE’s cash-flow. In the following years, the assumption is made that costs of investment and development will be lower and revenue will be higher. Therefore, the estimation is made that doing business in the Japanese affordable luxury segment for women will become profitable in the second or third year of the expansion.
REFERENCES


