THE BRITISH PREMIUM DENIM MARKET

How can premium denim brands in the British womenswear apparel market gain a competitive advantage?

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EXECUTIVE SUMMARY

The low segmentation share of premium denim in the UK indicates difficulties for this segment. This report researches into the British apparel market as well as its premium denim segment on different levels. The aim of this research is to create an overview of opportunities and threats of the British premium denim market by analysing it on a macro, meso and micro level and provide an advice for premium denim companies to gain a competitive advantage.

By discovering information about relevant factors and macro-economic developments with influence on the British apparel market the first chapter shows a shift in consumer behaviour towards experiences, a high spending power of Generation X customers and an opportunity in cross-channel retail. This could be a potential cause for the low segmentation share of premium denim in the UK amongst others.

The research on meso-level providing relevant information about developments regarding segmentation share, assortment and price structure in the British denim market shows a clear deficit in premium denim regarding its discount strategy and assortment structure which has negative influence the segmentation share.

The chapter of the micro-level research analysing the current competitor situation and the female target consumer as well as her market needs in premium denim in the UK shows opportunities in a value-based pricing strategy, customer loyalty programs and confirms a focus on the Generation X consumer as on cross-channel retailing. It also isolates fit as the main decision driver for the target group in premium denim.

The final chapter summarizes all findings and concludes in a strategic advice for premium denim brands in the British apparel industry to answer the question: ‘How can premium denim brands in the British womenswear apparel market gain a competitive advantage?’
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1. INTRODUCTION

Within the fashion industry denim has been and still is a key fabric to use. Since 1873, when the first riveted pair of jeans was introduced by Levi’s, its design and usage has changed, but it is still represented in today’s fashion. In 2016 denim accounted 56.2 billion $ of the global fashion market (Fashion United, 2016), which already rose to 56.6 billion $ in 2017 (Malcom Newberry and Wenyu Wang, 2017) and is expected to grow to 79.2 billion $ by 2022 (Global Industry Analysts, Inc, 2017). Europe is the second largest market after the United States with 19.6 billion $ (Malcom Newberry and Wenyu Wang, 2017).

Within denim fashion as in other categories as well a subdivision into different segments can be made.

- **The value and mass segments** offer lower quality denim at low selling prices attracting younger customers with lower disposable income to spend. The low prices are often achieved by substituting cotton of the denim fabric with synthetic fibres such polyester-stretch qualities (Business Wire, 2017) and accepting a quality degradation in consequence. Brands: Asos, H&M and Zara etc.
- **In the premium segment** a pair of jeans starts at prices around £60-70. Their brand image is focused on denim and fabric quality regarding high-quality cotton and cotton-blend fabrics for higher wearing comfort and offer a wide range of fits and washes to meet consumer needs and different body types. Brands: Levi’s, Wrangler or Calvin Klein Jeans
- **In the luxury segment** the prices can increase up to several thousand pounds depending on the wash and added details. It is defined by the added value through the brand name, the added details such as prints, sewn-in accessories and mostly fashion-forward designs. Brands: DSquared2, Current/Elliott

In 2015 Fashion United released a report stating a shift from premium towards value shopping in denim in the United Kingdom (UK) (Fashion United, 2015). This is confirmed by the ‘Market growth of womenswear jeans in the United Kingdom (UK) in 2014/15’ statistics, showing a 24% decrease in premium and luxury (Statista, n.d.). Attachment 1 includes a diagram on page 20.

2. PROBLEM STATEMENT AND RESEARCH AIM

Premium denim brands are threatened by the mass and value segments who currently account a share of nearly 50% in denim fashion (Edited, 2018). The consumer behaviour shift towards this segment indicates a difficulty in the premium segment which complicates strategic decision making for brands in the British denim market.

This research focuses on influence factors contributing to the current denim market situation in the UK to draw conclusions about growth and development strategies in the premium denim segment. The findings of this research will help companies in the defined segment to decide on their development strategy by gaining competitive advantage and can help businesses with lower market share to increase it as well as support existing premium denim brands in securing their current share by answering the question: ‘How can premium denim fashion brands operating in the British apparel market gain a competitive advantage?’.

The aim is to establish a strategic advice for a premium denim brand which can be translated directly to their current development strategy in the British market.
3. METHODOLOGY

The introduction in chapter one helps to understand the problem statement and the overall situation in the British fashion market.

What macroeconomic factors have an influence on the British apparel industry?
Chapter 5 analyzes demographic, economic, social, technological, environmental and political parameters with influence on the British apparel market situation on a macro level via desk research from online sources, articles and reports such as Office for National Statistics (ONS), Statista or the European Commission. The result is an overview with opportunities and threats of the British apparel market.

What influences business development at existing premium denim brands in the British apparel market?
Chapter 6 analyses the British premium denim market on meso-level regarding its online and offline presence. The online presence analyses assortment, segmentation and pricing structure of denim brands at common online retailers in the UK with the online analysis tool EDITED1. The offline analysis observes the same parameters with presentation and promotion in addition conducted during store visits in London to the 4 department stores Harvey Nichols, House of Fraser, Fenwick and Joh Lewis. The result is an overview with opportunities and threats of the British denim market with special regards to the premium segment.

What are the current main players in the competition of the British premium denim market in womenswear?
The first part of chapter 7 on micro-level analyses the competitor situation amongst players in the British premium denim market by means of their marketing mix with a standardized format to facilitate the comparison. The information was conducted through primary and secondary sources using EDITED and the gathered information from the store visits in London.

Whom is the consumer denim brands operating in premium fashion are targeting?
The second part of chapter 7 includes relevant information about the target consumer in womenswear based on the results of a consumer survey. The findings deliver relevant information about the consumer behaviour of British women regarding denim.
The combined findings of the competitor analysis and the specified target consumers will analyse the British premium denim market on a micro level which will be translated into an overview of opportunities and threats.

The last chapter of this research report will draw the final conclusion to answer the question: ‘How can premium denim brands in the British womenswear apparel market gain a competitive advantage?’

4. LIMITATIONS OF THIS RESEARCH

This report is focused on the premium denim segment but includes an analysis which can be applied for all segments in chapter 5 and 6. This research concentrates on womenswear because of its higher relevance for the premium denim segment. The competitor analysis is limited in its primary research as only 4 department stores in London were observed during with the field trip due to a lack of time and financial resources. For higher representativeness, more than 4 department stores throughout the UK need to be analysed. For the consumer analysis a survey was conducted. As a relatively small number of women participated and the survey was conducted in London, it is recommended that further research is conducted to better evaluate the female consumer throughout the UK.

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1 EDITED is an online tool to analyze pricing and product offer in the industry. It compares the online offer of over 90,000 brands and retailers. The results are of high relevance for online insights.
5. MACRO ANALYSIS

The DESTEP method as a tool for market research was used to analyse the British apparel market on a macro-economic level.

5.1. DEMOGRAPHIC ANALYSIS

In 2018 the British population comprised 65.9 million citizens (Population Pyramid, 2018) with a projected growth to 70.6 million by 2030 and to 74 million people by 2039 (ONS, 2017). This population growth can pose a threat to densely populated regions like a rise in living costs including rent. For all retail businesses, it implies higher prices for retail space. Employees might move to less urban areas which involve longer travels to work, further traffic problems and thus delays or even a fluctuation increase if these workers decide to work closer to home. Next to the workers the consumers also move which can have a direct negative impact on the turnover.

84% of the British live in England with London as its urban centre (7.6 million). Fashion businesses including premium denim can benefit from this concentration in London indicating a profitable landscape due to its population density.

578,000 people immigrated to the UK in 2017 (Migration Watch UK, 2017). In general, the immigrants are younger than the average British citizen, 53% are between 25 and 39 years old (ONS, 2016). The British fashion industry benefits from the immigration of young and high skilled staff supporting the economy. Attachment 2 includes a diagram (p. 20) comparing the employment number of UK and non-UK workers by age with a clear advantage in favour of non-UK employees (Process Book (PB), p. 10)

5.2. ECONOMIC ANALYSIS

The GDP of 2,622,433.96 million US$ in 2017 (World Bank, n.d.) and the low unemployment rate of 4.3% (ONS, 2018) - global 5.6% (International Labour Organization, 2018) - mark the UK as a country with a profitable landscape for trade, including the fashion industry. In 2017 the annual median average² of disposable income, representing the middle household income of the ‘typical’ British household was at £27,300 – an increase of 2.3% from 2016 (ONS, 2018) with a growth projection of 0.5% in 2020 jumping to 1.6% in 2022 (Statista, 2018) (PB, p. 11-12). This implements a direct effect on the fashion industry including premium denim.

Prices are decreasing in all retail sectors, but only the sectors of household goods and clothing show a price increase of 3.3% from January to February 2018 (ONS, 2018). Increased prices are often an indicator of lower growth and can encourage consumers to spend their disposable income elsewhere and thus, there is less money for fashion. In 2017 retail sales in quantity marks the lowest growth rate since 2013 with 1.9% (ONS, 2018) confirming the consumer behaviour shift towards spending their money elsewhere as on vacation or other experiences rather than on physical products which also affects the fashion industry.

5.3. SOCIAL ANALYSIS

Next to the socio-cultural changes the consumers became more informed and challenging with a direct effect on their shopping behaviour. The consulting advantage in-store has declined as many consumers inform themselves upfront online. To ensure customer loyalty and attract new customers it requires marketing excitement and brand engagement with the consumer to sustain the brand image rather than only pushing sales.

In general a society can be defined by a generational timeline (PB, p. 13). With 26.6% Generation X is the biggest age group with approximately 17,500,000³ citizens in the UK. This generation spends the most time shopping online, preferably on their private computers (Cliff Annicelli, 2017). The age group of 41–45 presents an opportunity as it is predicted with the highest consumer spending power by 2019 with £900.87 to £1,139.31 per household. However, they are likely to spend their money on vacation and lifestyle as well as education or housing (Spending Power Index, 2018). This consumer behaviour shift is a disadvantage regarding the fashion industry.

16.800,000 millennials account for 25.5% (QSR Media, 2018) of 2018’s population in the UK (Population Pyramid, 2018). This money conscious generation’s spending behaviour differentiates from the previous generations according to the Checkout Survey. Millennials are eager to find the best deal and favour online research. However, they also like to shop offline. Thus, a multi- or omni-channel concept applies to this generation (Checkout, 2018). Following the

² Taking the weight of the income distribution into account
³ Source: own calculation based on Population Pyramid 2018 data
Generation X consumer, millennials are also likely to invest in experiences (Spending Power Index, 2018) which has a direct negative impact on the fashion industry.

5.4. TECHNOLOGICAL ANALYSIS

With 5.6% CAGR* the UK e-commerce market is forecasted to grow from 86,450 million US$ (2018) to 113,640 million US$ revenue in 2023 with fashion as its largest segment accounting for 27% (Statista, 2018). With 18% of purchases in the UK executed online this channel is a significant technological development.

The importance of cross-channel retailing increases with 85% of consumers finishing their purchases on another device as at the beginning (Cara Wilson, 2018). The development of online intelligence can be a key innovation to grow the distribution channel of online shopping as product comparison by consumers before purchasing is common practice. For companies analysing prices and product offer of competitors as well as consumer behaviour is a useful tool for business growth.

Innovations in analytical intelligence through in-store observations regarding walking routes or preferred grip height will also help to better understand consumer behaviour and improve marketing strategies to reach her. The increased usage of mobile devices in combination with the internet grant unlimited information access. This leads to a more informed and thus challenging customer who is eager to find the best deal comparing products and prices online. Consumers who share their experiences publicly on social media further have influence on buying decisions of other consumers. Nowadays, the importance of online presence and a well-represented brand image online increases and companies strongly invest in this segment.

5.5. ENVIRONMENTAL ANALYSIS

In general, the UK adheres to the European Union (EU) environmental standards (Michael Coxhall, Elizabeth Hardacre, 2018). In the fashion industry the environmental impact has always been a critical aspect. As consumer awareness for sustainable produced garments rises in the UK with over 50% of consumers valuing ethical credibility according to the Morgan Stanley Research survey of 2016 (Judith Russell, 2018) the importance of reducing the ecological footprint of companies regarding waste, water and carbon savings increases as well. Thus, investing in sustainable production with public promotion to attract environmentally conscious consumers can be an opportunity. The Environmental Audit Committee has recently demanded a sustainability commitment from the online retailers Amazon, Bohoo and Missguided regarding wages, the product life-cycle and plans for environmental and social impact reduction (Parliament UK, 2018). Unsustainable produced garments can pose a threat if the consumer becomes aware of it. In the worst case, loyal consumers turn towards competitor brands.

5.6. POLITICAL ANALYSIS

With the UK's decision to exit the EU in 2016 businesses are uncertain about the future and fear to face difficulties (Anthony Hilton, 2017) depending on the final decisions to be made till March 2019. This complicates planning for companies in all sectors. With the exit the UK would not need to accept EU law before British law anymore and thus could establish its own commitments and agreements with other countries and focus on British politics. However, it involves exiting the European single market where the EU simplifies trade and competition by supporting the free movement of goods and services (European Commission, 2018) for cross-border trade. In 2017 the UK exported 445 billion US$ worldwide out of which 54.4 % was shipped to European countries (Daniel Workman, 2018). To re-enter it the UK will have to adhere the access rules set by the EU if no other agreements will be arranged such as commit to the minimum environmental standards of the EU regulations (European Commission, 2018).

Negotiations after the Brexit vote show that the UK takes the regulation of the freedom of movement within the EU into consideration as an action to minimize immigration to the UK. A lot of skilled staff in the fashion industry origins from outside the UK (Innovation in Textiles, 2017). Restrictions for immigration might complicate working in the British environment.

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* Compound annual growth rate
5.7. CONCLUSION

The following table summarizes the opportunities and threats with the highest impact on the British apparel industry on macro level:

<table>
<thead>
<tr>
<th>MACRO ANALYSIS</th>
<th>OPPORTUNITIES</th>
<th>THREATS</th>
</tr>
</thead>
<tbody>
<tr>
<td>ECONOMIC</td>
<td></td>
<td>1. <strong>Decrease in quantity</strong> of retail sales</td>
</tr>
<tr>
<td>SOCIAL</td>
<td>1. <strong>Generation X consumers</strong> as of their high consumer spending power</td>
<td>2. <strong>Consumer behaviour</strong> shifting towards experiences rather than material goods</td>
</tr>
<tr>
<td></td>
<td>2. <strong>Multi- or omni channel</strong> solutions to attract the millennial consumer</td>
<td></td>
</tr>
<tr>
<td>TECHNOCALOGICAL</td>
<td>3. <strong>Cross-channel</strong> retailing</td>
<td></td>
</tr>
<tr>
<td>POLITICAL</td>
<td>3. <strong>BREXIT</strong> <strong>cross-border business trade</strong> obstacles for products <strong>restrictions in freedom of movement</strong> for employees</td>
<td></td>
</tr>
<tr>
<td>RESULT</td>
<td>The biggest opportunity for businesses in the British fashion market lies in the social sector with a focus on the Generation X consumer with its high spending power combined with technological developments regarding multi- and omnichannel solutions to connect online and offline retail.</td>
<td>The biggest threat lies on a political and social scale. The Brexit poses several obstacles to the fashion industry such as higher costs or restrictions in the freedom of movement amongst others. However, the shifted consumer behaviour valuing experiences over material goods poses a threat on social level and the decrease in quantity of sales also present obstacles.</td>
</tr>
</tbody>
</table>
Chapter 6 elaborates the influence factors on the denim market in particular. The 5-forces analysis after Michael Porter resulted in a saturated British denim market (PB, p. 17-23). Research into the current British denim online and offline presence in womenswear was done to draw conclusions on meso level.

6.1. BRITISH DENIM MARKET IN WOMENSWEAR: ONLINE

In the British online denim market, 76,667 womenswear products account for 60,52% (as of 23 October 2018). The online retailers Yoox, Zalando, Farfetch, Asos, MyTheresa, Outnet, Bohoo, House of Fraser and Selfridges provide the largest denim offer (PB, p. 24) with 2.738 brands in favour of the premium denim brands such as J Brand, G-Star and Levi’s (attachment 3, p. 21). However, regarding the segmentation share seen in the introduction, the premium segment only ranks 2nd place with 35.8%. Considering mass and value segments together (PB, p. 26) they pose a threat to premium and luxury segments due to their quantity of products offered at lower price points. Thus, the consumer is willing to compromise at quality.

6.1.1. SEGMENTATION ANALYSIS

The sell-out analysis is a main indicator to analyse business performance. The sell-out statistics from May-October 2018 rank the premium segment the last place showing a clear deficit in premium denim (332 products sold).

The low sell-out rate leads to high mark downs risking that consumers wait for sale to buy premium products at lower price points.

Figure 3 displays the first discounted (PB, p. 27) denim products showing that more products are discounted in premium denim at an earlier stage than in any other segment. With 6,5% of total products it also presents a higher percentage than the mass segment (3,8%).

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5 The sell-out describes the number of sold products
6 Calculation with total number of products per segment, PB, p.28
The premium denim segment discounts first and more products than the other segments encouraging the consumer to wait for discounted premium products instead of paying the full price. Offering the same quality at lower prices logically results in higher value for the consumer. But with the early discount release, brands miss the opportunity to build consumer trust for the brand and its quality. Consequently, the consumer awaits the sale which goes against the indicated brand strategy.

6.1.2. ASSORTMENT ANALYSIS
As consumers constantly seek for newness (Mintel, 2017) the online product group assortment will be analysed to understand the current offer. The top 2 brands of each segment (attachment 3, p. 21) will be analysed as of their high relevance to the online shopping target group:

Luxury Segment: DSquared2 and CURRENT/ELLIOTT
Premium Segment: J Brand and G-Star
Value/Mass Segment: Forever 21 and Missguided

![Figure 4: Assortment top 6 brands by segment, Source EDITED](image)

It becomes obvious that denim bottoms are the focus product group across all segments. The chart shows that value/mass segment brands offer more variety in product groups in their denim assortment. In combination with the low price points it is an indicator for the dominance of this segment.

Both premium and luxury segment are rather limited in their product group offer. This one-sided assortment can be an obstacle to attract the consumer. However, the focus on denim bottoms can be part of a strategy, where the brand promotes itself as an expert in jeans. This involves high-quality denim and fit and size consistency as the consumer is only willing to accept maximum 2-4% size tolerance (Dr. Edit Csanak, 2018). When buying a pair of jeans at a lower price point in the mass/value segment the consumer doesn’t expect a perfect fit.

6.1.3. PRICING ANALYSIS
The pricing analysis helps to draw further conclusions on the price structure in the different segments. The low entry price point below £3 and price range between £11.99 and £28 regarding the main offer at Forever 21 and Missguided attracts money-conscious shoppers. These brands are also the only ones which sell their products through their own online shop, thus they are entirely in control over prices and discounts. Premium (entry price: below £17) and luxury brands (entry price: below £40) are predominantly sold via the online retailer Yoox. This can impact the pricing structure of brands as the wholesale partner discounts according to his strategy which can act against the brand strategy. This also ties back to the segmentation analysis. Offering premium brands at such low-price points impacts the brand image (PB, p. 29). The value a consumer perceives of a brand is related to the interaction of quality and
price. If operating as a wholesale brand, agreements with the wholesale partners are necessary to ensure a coherent pricing structure on all channels avoiding early and high discounts and supporting the brand image.

Figure 5: In Stock pricing structure including discounts of the top 6 brands by segment, Source EDITED

6.2. BRITISH DENIM MARKET IN WOMENSWEAR: OFFLINE

The following chapter focuses on the British offline denim presence. 4 stores were chosen to be analysed during a field trip as they belong to the biggest department stores in London (Ursula Petula Barzey, 2017) with an offer in premium denim: Harvey Nichols, Fenwick, John Lewis and House of Fraser (PB, p. 30-44).

6.2.1. SEGMENTATION ANALYSIS

Compared to the online analysis, value and mass segment were not represented at the analysed stores displaying an advantage in favour of premium and luxury segments. The most represented brands in 3 of the 4 stores were Paige, J Brand and Calvin Klein Jeans, which suggests a competitive advantage on their end. A peak of luxury brands like Current/Elliott completes the assortment with higher fashionability (see store-checks Brands PB, p. 32/35/39/42).

6.2.2. ASSORTMENT ANALYSIS

Due to fashion-forward prints and fabric techniques, the premium denim areas attract consumers with the aim to dress individually. To target the commercial customers there is also a distribution towards basic styles with a 20% peak of basic plus items recognizable with some fashion-forward styles like a satin bomber jacket (Calvin Klein Jeans). The average product group ratio shows a predominance in denim pants (peak: 56%) which ties back to findings in the online analysis. This focus offers less opportunity in additional sales. If the assortment also lacks in depth regarding colours, prints and fabrics this leads to an unattractive in-store assortment (see store-checks Product PB, p. 32/35/39/42). The low consumer traffic of 1 consumer confirmed the impression (see store-checks Retail Concept PB, p. 40).

6.2.3. PRICING ANALYSIS

Premium denim brands range from £87/£110 average selling price (ASP) addressing the commercial target customer to £300/£320 with a higher value for money addressing fashion conscious consumers willing to pay a higher price for fashionability (see store-checks Pricing PB, p. 32/35/40/42). Low price points in combination with a wide product group range can be an advantage to attract time and money-conscious consumers shopping for a variety of products
at one place. However, with a one-sided colour, style and product group offer the provided value for money becomes consequently lower which premium brands need to stay alert of. As in the online analysis jeans are the focus product group. It is also the most expensive group with an ASP of £373 (see store-checks Pricing PB 32/35/40/42, average ASP denim pants). The high prices for jeans suggest an expertise advantage to the consumer who aims to find the jeans with the perfect fit, a long life-cycle or an outstanding style and thus is prepared to pay a higher price.

6.2.4. PRESENTATION AND RETAIL CONCEPT
The retail concept in premium denim differs. Garments appear exclusive with a distant product presentation which enables a neat product presentation with low maintenance effort and provides a comfortable shopping environment to the consumer as for rag&bone or Paige. However, the traffic was partially limited to 3-4 customers (see store-checks Retail Concept PB, p. 33); a possible result of high price points limiting the target group able to afford the products leading to fewer sales opportunities.

Lee and Levi’s dense product presentation with an average of 18-20 jeans on a rail makes the products appear less valuable (see store-checks Retail Concept PB, p. 40). However, it leads to a higher consumer traffic of 2-13 customers as a result of the balanced product group offer at lower price points and thus increased sales opportunities (see store-checks Retail Concept PB, p. 43).

6.2.5. PROMOTION
Levi’s and Lee attract the consumer with a mid-season sale with an average markdown percentage between 20-50%. The number of display promotion is limited to 3 brands: And/Or (John Lewis private label), DL1961 and Levi’s with 1 each (see store-checks Promotion PB, p. 34/40/43). Instead of promotions brands preferably present the products on mannequins. The limited in-store promotion can be a reason for low customer traffic rates. The brands Polo Ralph Lauren, rag & bone and Levi’s equipped with brand-specific furniture for their sales areas (Fenwick). This suggests an agreement between brand and wholesale partner, which can be beneficial to the experience of the brand in-store and support the brand image.

6.3. CONCLUSION
The following table summarizes the opportunities and threats with the highest impact on the British denim market on meso level:

<table>
<thead>
<tr>
<th>MESO ANALYSIS</th>
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<tbody>
<tr>
<td><strong>OPPORTUNITIES</strong></td>
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</table>
| **ONLINE** | 1. **Expertise** in jeans - requirement: quality, fit and size consistency  
2. **Price control** by selling through own online stores in vertical company setup | 1. **Low sell-out** figures on full price lead to high mark downs  
2. **Early discounts** on premium denim at expense of brand image and consumer trust  
3. **One-sided assortment** with predominance in denim pants leads to an unattractive product offer |
| **OFFLINE** | 3. **In-store promotion** to increase customer traffic  
4. **Wide jeans offer** suggesting an *expertise* in fits and denim quality while considering the product group balance | 4. **Low customer traffic** resulting in less sales opportunities  
5. **Lack in assortment depth** with one-sided assortment |
| **RESULT** | The biggest opportunity is promotion to increase the low consumer traffic. A vertical company structure increases price and discount control. A wide jeans offer provides an expertise status, if consumer requirements are met and a balanced product group offer enables additional sales. | The biggest threat are the low sell-out figures leading to high and early discounts in the premium segment are at expense of brand image. The low consumer traffic provides less sales possibilities resulting in lower turnover figures. |
7. MICRO ANALYSIS

7.1. COMPETITOR ANALYSIS

The following chapter analyses the competitive situation in the British premium denim womenswear market. The most represented brands in the offline analysis were J Brand, Paige and Calvin Klein Jeans. However, the chart ‘Jeans brands ranked by number of users in the UK in 2017’ (Statista, 2017) based on consumer turnover figures isolates different brands in the British market. Thus, this research will consider the latter in the following chapter as of their relevance to the British consumer (PB, p. 46-76):

- **Levi’s** with its market-leading reputation (Lorna Hennelly, 2018) its influence on the premium segment (PB, p. 53-59)
- **Wrangler** as of its high average price point and wide denim pants offer (PB, p. 60-62)
- **Wrangler** as a smaller brand with a denim-focused assortment at a lower average selling price (PB, p. 63-65)
- **Calvin Klein Jeans** as 1/3 of the products are denim and the wide jeans offer (PB, p. 66-68)

These brands are analysed on basis of their marketing mix defined by the 4 P’s: product, price, promotion and place (PB, p. 52). The brands are ranked from 1-4 according to their competitiveness. In this research the competitiveness describes accessibility of the brand to its consumers by assessing their denim product offer, the price point accessibility, the amount of promotions online and offline as well as the location of its point of sales (POS). Each 2 marketing mix parameters are put in relation to one another (PB, p. 74).

**PRODUCT & PRICE** (PB, p. 69-73)

1. **Wrangler**’s 46.8% denim offer with the low ASP of £61.03 makes the brand most accessible to the consumer. The pricing strategy ties back to the production costs for the targeted quality. Hence, Wrangler uses a cost-based pricing strategy with the advantage of offering its products at lower price points.
2. **Levi’s** 49% large denim offer is sold at accessible price points with an ASP of £72.26 providing a competitive advantage. However, Levi’s operates with a price discrimination strategy which can lead to competition between different countries within the brand.
3. **Diesel**’s 27.7% denim offer is less accessible due to the high ASP of £140.89. However, Diesel sells an entire lifestyle beyond the product. The uniqueness of each item provides additional value to the customer who accepts a higher price for exclusivity. Their pricing strategy can be described as value-based pricing supporting customer loyalty and increasing profit.
4. **Calvin Klein Jeans**’ 28% denim offer is sold at an ASP of £92.46 making the products less but still accessible to the consumer. The brand sets its prices slightly higher than its competitors. A low-risk strategy, however, competitive pricing can result in missed opportunities interfering with business growth if prices are not adjusted to the brand value.

**PRODUCT & PROMOTION**

1. **Levi’s** broad jeans offer meets different body types and the fit numbering system facilitates shopping for the perfect fit. The products are promoted through a wide online and offline network increasing Levi’s chances to reach its consumers on different platforms.
2. **Diesel**’s products are promoted through a wide promotion offer online and offline with value to the consumer as the authenticity verification in Diesel products.
3. **Calvin Klein Jeans**’ also uses an index system for its jeans offer. However, as the Calvin Klein presence strategy presents all sub-brands under Calvin Klein on social media the identification of Calvin Klein Jeans products to the consumer becomes more difficult.
4. **Wrangler** has the second largest denim offer but a narrow offer to promote the product limited to online-only decreasing the chance to reach the customers.

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7 Product: percentage of denim in the product offer (PB, p. 48)
**PRODUCT & PLACE**

1. **Levi's** products are available on 4 distribution channels: Franchise and own retail stores in A-locations of own retail stores with high consumer traffic, brand representation through the wholesale business and the British online shop make Levi's highly accessible to the consumer.
2. **Diesel** products are accessible due to the quantity of POS: 31 own retail stores, 2 flagship stores and the wholesale business all at locations with high consumer traffic and the British online store. The multi-channel build-up with Click&Collect in 12 stores attracts millennial consumer.
3. **Calvin Klein Jeans’** products are available on 3 distribution channels: 4 own retails located in areas with high consumer traffic, the wholesale business and the British online shop. However, there are less POS in total which is at expense of consumer accessibility.
4. **Wrangler** lacks in availability. 3 distribution channels with only 1 own retail store in off-side location makes the brand less accessible than its competitors. The focus on wholesale business implicates dependency on these partners.

**PLACE & PROMOTION**

1. **Diesel’s** amount of in-store promotion makes the brand attractive to the consumer as special equipment for capsule collections facilitating independent shopping or a limited customization offer on the current season to personalize the products. Its own customer loyalty program D: CODE further offers members access to special promotions.
2. Regarding in-store promotion Levi’s lacks with a one-sided offer. The brand predominantly uses display promotion to deliver the collection message to the consumer and thus misses out on higher consumer traffic rates. However, the Levi’s 247 app is a customer loyalty promotion on multi-channel scale with advantages for its members.
3. **Calvin Klein Jeans’** also uses displays and the brand facilitates the search for the perfect fit with a QR code scan forwarding the consumer to the Denim Index website with explanations for each fit.
4. **Wrangler’s** in-store promotion also lacks behind. The small womenswear area of 28m² was equipped with one display delivering the Wrangler image to the consumer.

**PRICE & PROMOTION**

1. **Diesel** offers both free delivery without a minimum order value and free return with a pre-printed label which provides a no-risk feeling on consumer side.
2. **Levi’s** scores with discount offers such as student discount 10% or free shipping for orders over £49.99.
3. **Wrangler** attracts consumers on price level with 10% discount newsletter subscribing and free express delivery providing several saving options to the consumer.
4. **Calvin Klein Jeans** offers free shipping for orders above £29 with a free return within a 60-days offering indecisive customers a feeling of security.

**PRICE & PLACE**

1. **Diesel** limits its mark-down to its own retail stores which gives the brand price control over discounts.
2. **Calvin Klein Jeans** has a lower quantity of POS and thus fewer price differences within the stores. The mark-down at its wholesale partners was therefore rather limited.
3. There exist different prices for **Levi’s** products in its own stores and at retailers regarding discounts. This can have influence on the shopping behaviour if consumers shift to shop the brand at the retailers.
4. Next to the 1 outlet store **Wrangler** products are solely available at retailers. This happens at expense of price control over discounts set by the wholesale partners.

Diesel and Levi’s account for the highest competitiveness in the analysis (PB, p. 74). In general, all brands show potential for improvement regarding in-store promotions. In perspective with the value-based pricing strategy Diesel has a less accessible price point. Levi’s shows potential for improvement at in-store promotions. With significant distance Calvin Klein Jeans follows with the weakest pricing structure and lacks at POS and promotion offer on price level. Even though Wranglers denim offer is large it the ranks last place with a lack in promotion and place.
7.2. CONSUMER BEHAVIOUR

As part of this research, a survey of the British consumer was conducted. The survey was distributed in person to a focus group of female respondents in London (results PB, p. 77-92). 68 respondents at the age of under 18 to 64 participated, out of which 35% were between 25-34, followed by the age group 45-54 (25%) and 35-44 (22%). Thus, these three age groups represent the biggest part of the focus group. The combined analysis focuses on these age groups. Their income shows that the age groups from 35-54 have the highest spending power with the majority earning between £2001-£4000 (35-44: 80% / 45-54: 64%). The age group 25-34 is focused on an income between 2001-£3000. Overall age groups the majority spends an average of £101-£140 for jeans which describes the premium denim segment. However, with increasing age the willingness to spend above £140 rises by 10% (PB, p. 85). The majority of these women on average 85% tend to buy a new pair of jeans within 3-6 months (PB, p. 86).

The vast majority of respondents buy a pair of jeans because of its fit, 32% because of the fabric quality. The fit is also the most relevant value regarding the decision for a certain brand. From the 39 brands the chart shows a clear dominance for Levi’s (14,2%), J Brand (6,5%), Paige and Lee (5,9%). These brands are bought in particular due to fit reasons (33%), followed by 26% due to the fabric quality and 20% valuing durability/life cycle of the product (PB, p. 86). With 2/3 of participants saying the fit is their main decision driver and 1/3 buying premium denim brands due to fit reasons the fit marks an opportunity if meeting the consumer expectations and increase sales.

42% of participants mark denim pants as the most purchased product group in denim, followed by skirts (19%), shorts (16%) and outerwear (15%). This contradicts with the conclusion in the meso-analysis towards a one-sided assortment in favour of denim pants as it shows the clear demand for jeans. The second strongest group are skirts, not outerwear as in chapter 6.1.2. This shows a missed opportunity for sales in this category (PB, p. 83).

Only 1 participant shops for jeans solely online while 41% prefer to try the jeans on offline before a purchase. 57% use both channels (PB, p. 78). Combining these findings with the purchase frequency leads to the conclusion, that 59% of consumers shopping online and offline purchase jeans once in 3 months, while only 39% of only-offline shoppers buy at the same frequency. Overall 90% of consumers using both channels buy a new pair of jeans within 6 months, compared to 82% of offline shoppers (PB, p. 87). This indicates an opportunity regarding the connection between online and offline business with cross-channel solutions as a growth strategy.

Users of the social media platforms Snapchat, Instagram and Facebook tend to spend a lower amount of money for their jeans (PB, p. 88) in comparison to Twitter, Pinterest, LinkedIn and Tumblr users. 25% Twitter users tend to spend above £140, while 71% of LinkedIn users spend above £80 for a pair of jeans with the majority concentration at the range of £101-£140 (44%). Tumblr presents the platform with the highest spending power with a focus of £101-£140 for jeans (58%) (PB, p. 89). Thus, Twitter, LinkedIn and Tumblr can be profitable promotion channels for premium denim brands.
7.3. CONCLUSIONS

The following chart summarizes the findings of the competitor and consumer analysis in an overview of opportunities and threats:

### MICRO ANALYSIS

<table>
<thead>
<tr>
<th>OPPORTUNITIES</th>
<th>THREATS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>COMPETITOR ANALYSIS</strong></td>
<td><strong>THREATS</strong></td>
</tr>
<tr>
<td>1. Value based pricing to support brand image and increase profit; requirement: detailed target consumer knowledge</td>
<td>1. POS locations with low consumer traffic</td>
</tr>
<tr>
<td>2. Wide denim pants offer suit a wide range of consumer body types while considering product group balance</td>
<td>2. Low conversion rate due to missing customer loyalty programs</td>
</tr>
<tr>
<td>3. Mark-down limitation</td>
<td>3. Narrow in-store promotion offer resulting in low customer traffic</td>
</tr>
<tr>
<td><strong>CONSUMER ANALYSIS</strong></td>
<td></td>
</tr>
<tr>
<td>4. Target consumer between 35-54 as spending power rises with increasing age</td>
<td></td>
</tr>
<tr>
<td>5. Cross-channel build-up, as purchase frequency 8% higher for consumers shopping on both channels</td>
<td></td>
</tr>
<tr>
<td>6. Twitter, LinkedIn and Tumblr as promotion channel due to higher spending power</td>
<td></td>
</tr>
<tr>
<td><strong>RESULT</strong></td>
<td></td>
</tr>
<tr>
<td>The biggest opportunity on micro level lies in the target consumer of the age group 35-54 as of their high spending power. Premium denim brands should also aim for a value-based pricing strategy to increase profit and at limit mark-downs to maintain the premium status.</td>
<td>Missing customer loyalty programs pose a threat as they result in a low conversion rate and thus in missed opportunities for sales and brand recommendation leading to new customer acquisition. Not meeting consumer needs considering the main decision driver fit in combination with a low in-store promotion can result in competitors enticing away customers.</td>
</tr>
</tbody>
</table>

### MACRO OPPORTUNITIES

1. The spending power of Generation X
2. Cross-channel retail

### MESO OPPORTUNITIES

1. Better price control through vertical company structure
2. In-store promotions
3. Wide jeans offer suggesting expertise

### MACRO THREATS

1. Brexit
2. Shifting consumer behaviour towards experiences
3. Decrease of quantity retail sales

### MESO THREATS

1. Low sell-out leading to high mark-downs
2. Early discounts
3. One sided assortment
4. Low customer traffic resulting in less sales opportunities

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8. CONCLUSION

**HOW CAN PREMIUM DENIM BRANDS IN THE BRITISH WOMEN’SWEAR APPAREL MARKET GAIN A COMPETITIVE ADVANTAGE?**

The British denim market displays different opportunities and threats with influence on the decision making for business allowing them to outperform competitors (PB, p. 93).
<table>
<thead>
<tr>
<th>MICRO</th>
<th>6. High spending power of age group 35-54</th>
<th>8. Missing customer loyalty program resulting in low conversion rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>7. 8% higher purchase frequency for consumers using offline and online channels</td>
<td>9. Lose customers when main decision driver fit is not satisfactory</td>
</tr>
<tr>
<td></td>
<td>8. Value based pricing to support brand image and increase profit; requirement: detailed target consumer knowledge</td>
<td></td>
</tr>
</tbody>
</table>

The UK provides a profitable landscape for premium fashion business at first glance with a low unemployment rate and high GDP. Regarding macroeconomic influences London presents a lucrative area for premium denim brands with high population growth and density. At second glance the fashion sector shows price increases and a decrease in quantity of sales posing a threat to premium denim brands. They further need to react to the shifting consumer behaviour towards experiences and offer according promotions to attract the consumer. Especially the Generation X customer with her high spending power provides an opportunity in premium denim. Millennials who inform themselves upfront online and thus can be more challenging also present an opportunity regarding cross-channel retail which is strengthened by 85% of consumers finishing their purchase on another device as at the beginning. Premium denim brands should invest in this technology while further expanding their tools in online analytics to gain important knowledge about their consumers demands.

The uncertainty of Brexit clouds the economic and political environment as the exit implicates cross-border trade obstacles for products leading to increased costs and thus price increases. The restrictions in the freedom of movement for employees can lead to emigration of denim skilled staff in the premium segment originating from abroad. Premium denim brands need to stay alert of the developments and be prepared for increased fluctuation rates of immigrated employees. Possible solutions can be special offers to avoid fluctuation or substitution through British employees.

On meso level the most severe threats to the British premium denim market are caused by low sell-out figures resulting in high mark-downs. The low sell-out, however, can be boosted with in-store promotions to increase customer traffic and thus increase turnover figures. Agreements with the wholesale partners regarding displays or brand specific fixtures to support the brand image can be beneficial (concession concept). A double hanging presentation further supports the exclusivity of the product, while a dense presentation damages the premium status. The analysis further revealed the high amount of premium denim products discounted before all other segments which happens at expense of the brand perception as the consumer consequently tends to wait for the discounted premium product. This impacts the brand image negatively and premium brands miss the opportunity to build consumer trust. A vertical company structure can prevent early discounts set by wholesale partners. However, the wholesale business contributes positively to the brand presence. Premium denim brands need to rethink their pricing strategy in terms of discounts and reach agreements with their wholesale partners to avoid influence on their pricing strategy and ensure growth.

The segmentation ratio offline is set towards premium denim brands with a mix between fashion-forward and commercial assortments attracting different consumers. Especially fashion-forward premium denim brands need to be aware of where to be placed to maintain their brand image. The findings on the assortment were contradictory. A focus on jeans shows an expertise status regarding fits and quality leading to a USP for premium denim brands. At the same time this one-sided assortment can pose a threat if the overall product group balance lacks leading to an unattractive assortment without excitement to the consumer. Thus, the premium denim segment should strengthen its product group mix to attract consumers with a balance towards t-shirts or sweaters provides a bigger outfitting possibility to the consumer. This can result in additional sales and thus increased turnover figures.

The micro-analysis confirms the macro-economic finding regarding the spending power of 35-54 olds. Thus, premium denim brands should pay special attention to the consumer group of Generation X. It further strengthens the cross-channel hypothesis with 57% of consumers already using both channels and 41% prefer to try jeans on offline. Combined with the evidence of an 8% higher purchase frequency for consumers using online and offline distribution channels a cross-channel build-up presents a large opportunity in premium denim. The pricing strategy of value-based pricing presents an opportunity supporting brand image while increasing profit. However, it requires detailed target
consumer knowledge in order to strengthen the value of brand and product. Further discount control helps to maintain the premium status of the brand.

Premium denim brands should invest in promotions such as customer loyalty programs to increase the conversion rate and ensure positive brand recommendation through loyal customers resulting in new customer acquisition. The social media platforms Twitter, Tumblr and LinkedIn further present profitable promotion channels for premium denim brands. According to the consumer survey the second strongest denim product group are skirts instead of outerwear showing a missed opportunity for sales in this category. The significance of this difference should be investigated in a consumer survey with a higher number of participants. To ensure customer loyalty the main decision driver fit needs to be fulfilled as the consumer only accepts 2-4% size tolerance and to avoid competitors enticing away customers with a wider fit offer. Premium denim brands should invest in consumer insight tools to meet the expectations of their female customers and ensure their fits are consistent with a fit offer suiting different body types.

The threats in the current British premium denim market outweigh the opportunities. An investment in consumer insight tools is beneficial for premium denim brands to further analyse several research findings considering the target consumers attitude towards the implementation of cross-channel retail, discount strategies, in-store promotions or customer satisfaction regarding fits. This will help to gain valuable information about target consumer needs, react towards them and gain a competitive advantage.
9. REFERENCES


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10. ATTACHMENTS

ATTACHMENT 1: Market growth of womenswear jeans in the United Kingdom (UK) in 2014/15, by market segment

ATTACHMENT 2: International immigration and the labour market. The labour market characteristics of UK, EU and non-EU nationals in the UK labour market in 2016, SOURCE: Office for National Statistics

Figure 1: Comparison of the age distribution of UK and non-UK nationals in employment aged 16 to 64 years old

UK, 2016

Source: Annual Population Survey, Office for National Statistics
ATTACHMENT 3: Weight by brand of the 9 Top Online retailers, Source: EDITED

<table>
<thead>
<tr>
<th>Brand</th>
<th>Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>J Brand</td>
<td>1,992</td>
</tr>
<tr>
<td>G-Star</td>
<td>1,490</td>
</tr>
<tr>
<td>Levi's®</td>
<td>1,347</td>
</tr>
<tr>
<td>7 For All Mankind</td>
<td>1,014</td>
</tr>
<tr>
<td>DONDUP</td>
<td>970</td>
</tr>
<tr>
<td>CURRENT/ELLIOTT</td>
<td>952</td>
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<tr>
<td>Forever 21</td>
<td>948</td>
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<tr>
<td>DSquared2</td>
<td>785</td>
</tr>
<tr>
<td>Missguided</td>
<td>749</td>
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</table>