PRODUCT

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THE BRITISH PREMIUM DENIM MARKET
STRATEGIC ADVICE FOR CALVIN KLEIN JEANS

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1. INTRODUCTION & RESEARCH FINDINGS

The low segmentation share of premium denim in the UK indicates difficulties for this segment. During the research the environment of the British apparel market regarding its premium denim segment was investigated.

As the UK is a sales market of Calvin Klein Jeans a SWOT analysis combining external and internal influence factors is done resulting in a strategic advice for the brand.

The results of the research on macro, meso and micro level are summarized hereinafter (Research Report, p. 15-17).

RESEARCH REPORT FINDINGS: MACRO LEVEL

The UK provides a profitable landscape for premium fashion business at first glance with a low unemployment rate and high GDP. London presents a lucrative area for premium denim brands with high population growth and density.

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.

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.
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. 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.

The segmentation ratio offline is set towards premium denim brands with a mix between fashion-forward and commercial assortments attracting different consumers.

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.
The micro-analysis confirms the macro-economic finding regarding the spending power of 35-54 olds. 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. 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.
2. EXTERNAL ANALYSIS

The research displayed different opportunities and threats with influence on the decision making for business to gain a competitive advantage and allowing them to outperform competitors.

Extracted from the Research Report (p. 15-16) the following opportunities and threats were identified in the British market on macro, meso and micro level.

**OPPORTUNITIES**

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

**MESO**
3. Better price control through vertical company structure
4. In-store promotions
5. Wide jeans offer suggesting expertise

**MICRO**
6. High spending power of age group 35-54
7. 8% higher purchase frequency for consumers using offline and online channels
8. Value based pricing to support brand image and increase profit; requirement: detailed target consumer knowledge

**THREATS**

**MACRO**
1. Brexit vote
2. Shifting consumer behaviour towards experiences

**MESO**
3. Low sell-out leading to high markdowns
4. Early discounts
5. Low customer traffic resulting in less sales opportunities

**MICRO**
6. Missing customer loyalty program resulting in low conversion rate
7. Lose customers when main decision driver fit is not satisfactory
CALVIN KLEIN JEANS is a premium denim brand belonging to the PVH group with its European headquarters in Amsterdam. The brand focuses on young consumers by attracting them with a youthful and cool brand image translated in playful prints, classic shapes, colour blocking or unconventional graphic placements. Calvin Klein Jeans products are available online and offline through their distribution network of 4 own retail stores and a wholesale business. Thus, the brand relies on skilled workers in retail and wholesale for its operations in the UK. (PB, p. 66ff)

BRAND ATTRIBUTES
(Process Book (PB), p. 103-104)

EMOTIONAL

SELFEXPRESSION
Individualism within the CALVIN KLEIN JEANS family as with the Spring18 mix and match uniform

BREAKING BOUNDARIES
The unconventional translation of graphics, prints and fabric usage

HINT OF PROVOCATION
Bold logo placements and provocative material usage as transparent or sheer fabric

RATIONAL

DENIM EXPERTISE
Wide denim pants offer with an average price point below £100

DAY TO NIGHT
Day to night styles offer multiple usage opportunities

DESIGN IN DENIM
Value to the consumer through creative translation of denim with artist collaborations such as Andy Warhol
3. INTERNAL ANALYSIS

The internal analysis regarding operational strengths and weaknesses of Calvin Klein Jeans were analyzed. The information was gathered during a focus group discussion with the Calvin Klein Jeans employees (PB, p. 103-107). These were combined with my personal experience during my internship at Calvin Klein Jeans and the findings of competitor analysis of the research report resulting in the following strengths and weaknesses.

<table>
<thead>
<tr>
<th>STRENGTHS</th>
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<tbody>
<tr>
<td>1. Global brand presence</td>
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<tr>
<td>2. Wide jeans offer suggesting expertise to the consumer with a high number of washes (PB, p.49)</td>
</tr>
<tr>
<td>3. Strong brand identity</td>
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<tr>
<td>4. Better discount control through less points of sale (POS)</td>
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<td>5. Analysing online competition with the tool EDITED</td>
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<td>6. Intake of laser technology towards sustainable production</td>
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<td>7. Raf Simons as head of the creative direction</td>
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<table>
<thead>
<tr>
<th>WEAKNESSES</th>
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<tbody>
<tr>
<td>1. Consumer insight team not established yet, thus no detailed consumer insight</td>
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<tr>
<td>2. Lack in fit consistency</td>
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<tr>
<td>3. Competitive Pricing strategy leading to missed opportunities for business growth</td>
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<td>4. Less POS in the UK regarding brand presence than competitors</td>
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<td>5. No USP in promotion strategy as united presence with CALVIN KLEIN</td>
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<td>6. Limited offer in experience promotions in regards to shifted consumer behaviour</td>
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4. SWOT ANALYSIS

To establish concrete strategies for Calvin Klein Jeans a confrontation matrix (PB, p. 104) was established to decide on the most significant strategies for Calvin Klein Jeans.

It compared each opportunity and threat with a strength or weakness of Calvin Klein Jeans resulting in 4 different strategies for the brand.

EXTERNAL ANALYSIS

<table>
<thead>
<tr>
<th>STRENGTHS</th>
<th>OPPORTUNITIES</th>
<th>THREATS</th>
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<tbody>
<tr>
<td>1. EXPANDING STRATEGY</td>
<td>How can strengths be used to take advantage of opportunities?</td>
<td>2. DEFENDING STRATEGY</td>
</tr>
<tr>
<td>3. DEVELOPMENT STRATEGY</td>
<td>How can external opportunities encounter internal weaknesses?</td>
<td>4. WITHDRAWAL STRATEGY</td>
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INTERNAL ANALYSIS

1. EXPANDING STRATEGY
2. DEFENDING STRATEGY
3. DEVELOPMENT STRATEGY
4. WITHDRAWAL STRATEGY
5. STRATEGIC DIRECTION

The confrontation matrix put all parameters in relation to each other to substantiate strategies for Calvin Klein Jeans.

The most significant strategies are listed hereinafter.

1. How can strengths be used to take advantage of opportunities?
2. How can strengths encounter the market threats?
3. How can external opportunities encounter internal weaknesses?
4. Which threats are worsened by internal weaknesses?

EXPANDING STRATEGY

CROSS-CHANNEL
The efficiency of the lower quantity of POS of Calvin Klein Jeans in the UK can be increased by expanding cross-channel retail.

VERTICAL COMPANY STRUCTURE
Ensure growth with expansion towards a vertical company structure and thus increase Calvin Klein Jeans’ discount control.

DENIM OFFER
Expand denim pant offer in sizes, fits and washes and consequently grow denim-expert-status to the consumer.

VALUE-BASED PRICING
Grow the strong brand identity to establish brand value towards the consumer and switch to value based pricing strategy. This can be achieved i.e by expanding the usage of head of creative direction Raf Simons as value medium.
5. STRATEGIC DIRECTION

1. How can strengths be used to take advantage of opportunities?

2. How can strengths encounter the market threats?

3. How can external opportunities encounter internal weaknesses?

4. Which threats are worsened by internal weaknesses?

DEFENDING STRATEGY

DISCOUNTS
Calvin Klein Jeans needs to react to the low-sell out figures which lead to high markdowns by using its strong brand identity to attract consumers. This will further help to avoid early discounts and attract consumers. The discount control over the POS need to be used to avoid early and high discounts as well.

LOW CONSUMER TRAFFIC
The brand needs to overcome low consumer traffic by attracting the consumer with its strong brand image.

CUSTOMER LOYALTY PROGRAM
The brand can again use strong brand identity to encounter the problem of a missing customer loyalty program and establish the program in the next step (in the best case after the establishment of a consumer insight team).

FIT
Calvin Klein Jeans needs to use denim pant competence with wide jeans offer to fulfil consumer main decision driver fit.
5. STRATEGIC DIRECTION

1. How can strengths be used to take advantage of opportunities?
2. How can strengths encounter the market threats?
3. How can external opportunities encounter internal weaknesses?
4. Which threats are worsened by internal weaknesses?

DEVELOPMENT STRATEGY

CROSS-CHANNEL
Cross-channel retail can help to develop Calvin Klein Jeans’ brand presence as consumers can experience the brand on larger scale by connecting online and offline channels.

CONSUMER INSIGHT TEAM
The brand needs to improve by developing a consumer insight team as soon as possible (asap) to gain knowledge about its customer. The spending power of Generation X cannot be targeted without knowledge about this group and is necessary to establish a successful promotion strategy. It is also crucial to determine the brand value Calvin Klein Jeans has to the consumer and grow it further to use value-based pricing strategy to increase profit and brand image.

PROMOTION
Development of a USP in promotion for Calvin Klein Jeans. This can be translated through in-store promotions i.e with a tailoring offer for Calvin Klein Jeans products or by increase experience promotions in-store i.e with customization of Calvin Klein Jeans denim products in-store and thus attack the threat of the consumer behaviour shift.

FIT
Improve Calvin Klein Jeans’ denim offer by developing fit consistency and thus ensure wide denim offer meets consumer expectations.

VALUE BASED PRICING
Develop the distribution of Calvin Klein Jeans at POS providing high value to the consumer such as Harvey Nichols or Fenwick and consequently improve the brand presence of Calvin Klein Jeans in the UK. The brand can profit from the increased brand value by changing the pricing strategy to value based pricing.
## WITHDRAWAL STRATEGY

### CONSUMER INSIGHT TEAM
The brand is missing consumer insight about the British customer. Thus no understanding for behaviour shift and strategy to encounter and it hinders the establishment of a customer loyalty program and which limits the conversion rate.

### PROMOTION
The limitation of experience promotion of Calvin Klein Jeans acts against the consumer behaviour shift and does not encourage consumer traffic.

### DISCOUNTS
The low sell-out and high mark-downs are caused by the lack in fit consistency and as Calvin Klein Jeans has fewer POS than the competitors (Research Report, p. 13) this result in profit loss. The missing mark-downs competence can result in brand image damage and missing consumer trust.

### LOW CONSUMER TRAFFIC
The low consumer traffic at the already fewer POS leads to less sales opportunities thus profit loss.

### FIT
The lack in fit consistency prohibits the fulfilment of the consumer main decision driver fit.

## 5. STRATEGIC DIRECTION

1. How can strengths be used to take advantage of opportunities?
2. How can strengths encounter the market threats?
3. How can external opportunities encounter internal weaknesses?
4. Which threats are worsened by internal weaknesses?
6. STRATEGIC ADVICE FOR CALVIN KLEIN JEANS

Regarding the extent of options per strategic direction a clear predominance becomes visible towards Calvin Klein Jeans' weaknesses in the British market (PB, p. 115). This makes both, a development or a withdrawal strategy for Calvin Klein Jeans most relevant. Thus the strategic advice for the brand is restricted to

1. DEVELOPMENT STRATEGY
My strategic advice to Calvin Klein Jeans is to focus on the development strategies in the British market to gain competitive advantage in the first place. Especially the establishment of a consumer insight team is crucial for the development of the brand in the British market.

2. WITHDRAWAL STRATEGY
As the options for a withdrawal strategy for Calvin Klein Jeans added up to a significant amount as well, I advice the brand is to leave the British market as a second option if a development strategy due to its lack of competences to encounter the market threats. This especially addresses the problem of the high and early discounts to build consumer trust and strengthen the brand, but also the lack of target consumer knowledge due to the missing consumer insight team. Further, the unforeseeable effects of the Brexit on 29th March 2019 put the brand in a difficult position as a deal with the EU has not been reached yet. This leads to uncertainty regarding decision making in British market.
7. REFERENCES

OFFLINE


Personal experience during my internship at Calvin Klein Jeans from August 2017 to July 2018.

Research Report, Bindy Aruna (2018), THE BRITISH PREMIUM DENIM MARKET, How can premium denim brands in the British womenswear apparel market gain a competitive advantage?.

ONLINE


