

Strategic marketing plan for the french fashion house marketing essay



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In the ninety's the brand took a new direction: diversification and internationalization. From now, the company offered a wide range of product so women can dress from head to foot in Caroll. Also, the French company aimed bigger: shops, affiliations, and franchises locations in department stores appeared worldwide.

Thanks to its strong two figures growth for the past few years, China became the favorite new destination for companies. Shalendra Sharma, associate professor of political science, University of San Francisco says that “ with an estimated 300 million Chinese consumers with much disposable income, it is an opportunity that should not be missed”[2], even if the current economic environment requires caution. According to the CCI and Cotton Incorporated Global Lifestyle Monitor™ Survey, apparel tops the list of items Chinese consumers prefer to shop for (31%), Notice that women are largely more interested than men (39% versus 22%).

Figure 1: Lifestyle Monitor™ Survey Definitely, China represents a great opportunity for clothes retailer. The country made its name and growth by assuring the role of world supplier, especially for clothes. Since the economy became better, Chinese want to enjoy more western lifestyle. That is why Caroll developed a growing interest for Chinese market. However, Chinese are specific needs, expectations and behavior that Caroll must understands and faces. The aim of the following analysis is to try to define how Caroll could tackle into the middle market in China, using internal and external analysis, outlining issues and opportunities for the brand.

Situation Analysis

An academic report written by several professors, Heiko Gebauer, Thomas Fischer and Elgar Fleisch, name " Entering the Chinese mid-market segment: key to long-term success?" pointed out major mistakes when entering the Chinese market:

Misunderstood of the Chinese consumers, their needs and expectations.

Companies overestimate their image value.

Managers miss opportunities in focus on few cities only such as Beijing or Shanghai

In order to handle those issues for Caroll, I will design a strategic marketing plan consisting in an analysis to match market opportunities to the resources and capabilities of the company. In this case, I will follow different steps to establish a SMP for Caroll:

Environmental Analysis (PESTEL)

Identifying Customers

Competitor

The company in its environment (Porter's Five Forces and SWOT analysis)

The company

Marketing Mix: The 4 P's and 3 V's

Value Creation (Value Chain, Boston Box and Ansoff matrices)

The analysis is based on information found on Internet and on my personal experiences as women clothes consumer and Asian person and knowledge since I studied how to do business in China during five month at the SEM Tongji University in Shanghai in 2011.

PESTEL analysis focuses in following area; political system and stability, economic stability, socio-cultural practices, technological advancements, environmental efforts and legal and judicial systems. It gives a global view, the “ big picture”, of the environment in which the brand is interested to. It provides a strong framework of opportunities and risks.

P for Political

Political advantages

Political disadvantages

Not Relevant

Government stability

Labor law

Political stability

Regulation/Deregulation

Social/Employment Legislation

Tariffs

Tax Policy

Trade Restrictions

Bureaucracy

Corruption

Freedom of the press

Environmental law

Government type

China is based on communism political system with on unique party, the Chinese Communist Party. Because of the unique party China is not seen as a real democratic country by foreigners. However the country enjoys political and government stability thanks to strong control and obedience. Indeed, no substantial political opposition groups exist (Central Intelligence Agency, 2012). So, even if some issues exist like ethnic unrest in Tibet, they do not represent threats to its political stability.

Since Mao Zedong, former president of China, the country uses capitalist economy in order to make China the first economic power. The path is still followed and the government decisions are design to ensure continuous economic growth. The country shows goodwill, regulations, tariff and tax policies are favorable to business and especially for foreign companies; reduction in taxation to foreign companies, creating designated free trade zones such as Shanghai and Shenzhen, investing in public amenities and facilities to attract foreign investors, and continuously liberalizing their trade regulations to create attractive and impactful investment centre.

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Nevertheless, corruption is strongly embedded in China government. It is called the “ East Asian paradox”: countries displaying exceptional growth records despite having thriving corruption cultures (China economic review, 2012).

E for Economic

Economic advantages

Economic disadvantages

Not relevant

Consumers' Disposable Income

Economic Growth

GDP/GNP growth

Globalization

Labor cost and supply

Exchange rate

Interest rates

Inflation rate

Business Cycle Stage

Likely Economic Change

Unemployment Rate

As I said earlier, China adopted for open market concept. China's continuous and gradual reforms started with phasing out agriculture activity; followed by liberalization of prices, fiscal decentralization, open banking and financial system, creation of share market, large amount of private sector investment, and large foreign direct investment (Central Intelligence Agency, 2012).

Thanks to its efforts, in 2010, China became the number two world economy in term of size. China benefits from a solid two figures growth even with the crisis.

However, the country faces inflation and increasing local government debt which could represent a threat regarding " government gifts" for company and reduce the buying power of consumers. One of the main China economic challenges is to encourage local demand that is why the government's 12th Five-Year Plan, adopted in March 2011, focuses on the need to increase domestic consumption in order to make the economy less dependent on exports in the future (Central Intelligence Agency, 2012).

S for Socio-Cultural

Social advantages

Social disadvantages

Not relevant

Age distribution

Career attitude

Educational structure

Attitude to work

Social mobility

Cultural taboos

Health Consciousness

Population Growth Rate

Perception of safety

Employment patterns

China has 1, 344, 130, 000 people and reached a 7. 298 trillion USD GDP in 2011 (World Bank, 2011). In 2012 73, 5% of the people is aged from 15 to 64 years old, 51, 4% male and 48, 6% female and the median age is about 36 years old (Central Intelligence Agency, 2012). In 2010, 47% of the population lives in urban areas and China tends to become more and more urban. Indeed, people move to cities looking for job and life improvement.

Official language is mandarin; however, there are more than 100 dialects in China. Students and executive employees are encouraged to learn English. When I was in China, I notice that the language was really important for Chinese. For example, you will get a different price when negotiating if you speak English, Chinese or the local language.

The Chinese culture is influenced by Confucianism, Buddhism and Taoism. I think the most famous Chinese word is Guan Xi, meaning relationship; business practices in China focuses on building relationship. Also, as for

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many Asian cultures, the image is very important in China. They have a strong sense of shame and pride.

Related to the importance of the image, Chinese, especially the upper and middle class society, have developed a sense of materialism where owning (luxury) goods and designer items give them status in the society. Deng Xiaoping, one of the important figures in the opening of the market said « to get rich is glorious ». Contrary to western people, Chinese freely discuss about money, how much they earn, what they have ...

T for Technology

Technology advantages

Technology disadvantages

Not relevant

Impact of Internet (reduce communication costs)

Rate of technological changes

R&D activities

Technology incentives

Technology transfer

Degree of automation

Emerging technologies

To be honest, technological advancement is lower than in developed country. However, China does not ignore the importance of technology and has invested and still invests a lot in engineering, telecommunications, and manufacturing and information systems. China took advantage that many high end technology companies as Apple or Huawei are established in China to acquire new technologies. Indeed, when a company wants to settle in China, the law requires that half of the managers must be Chinese and part of employees too. Moreover, the government is trying to attract “ brains” in China in order to not only copy others’ technologies but to develop their own. As for many areas, China wants to be the first and the best.

E for Environmental

Environmental advantages

Environmental disadvantages

Not relevant

Environmental consciousness

Weather

Climate changes

There is more than one documentary on pollution in China; the country suffers from its rapid growth and the activities linked. Even if the Chinese government thinks that environment is a serious issue that must be handling. However corruption and wish of development made environmental control difficult. It could either be an opportunity (cost) and a threat (image).

L for Legal.

Legal advantages

Legal disadvantages

Not relevant

Employment law

Antitrust law

Consumer law

General framework

Health and Safety laws

Discrimination law

China's legislature is mainly derived from the soviet and continental civil code of principles. China has set up international trade and economic arbitration in order to attract foreign company and develop international business. However, Chinese prefers the use of arbitrator; it represents a saving time (Central Intelligence Agency, 2012).

According to me, the legal point represents the biggest threat for doing business in China. When I study in Shanghai, I had the chance to have a class about Chinese laws and I can affirm that the law and its application are designed to advantage Chinese part, always. For example, only a Chinese lawyer that is to say a lawyer who was graduated in a Chinese Law School is

competent. Also, several cases show that it is usual that foreign court decisions are not enforce by Chinese courts.

The PESTEL analysis of China point out that it represents a great opportunity for Caroll to tap into the Chinese market; huge potential, increasing buying power and middle class, sense of materialism, development of infrastructures, goodwill of the government ... Several other fashion clothes brands already entered the Chinese market and has registered high sales and profitability.

Nevertheless, threats are as big as opportunities. As I just said, it is not good to have issues in China. I remember a story that my Chinese friend told me; in China, cars have the priority over pedestrians. He told me to be careful, because in the case a car hit me, even if the driver past the red light, as I am a foreigner I am wrong and all Chinese will defend the driver (strong collectivism value). I think that this point totally highlights that the Chinese culture is way different from the French culture and this represents the second threat: Caroll does not know the market and consumers.

Exhibit 2: Growing mid-market households in China in millions. Boston Consulting Group

The exhibit above shows that middle class are emerging, the study conducted by the Boston Consulting Group (2010) estimates that in 2020 about 69 million people will be considered as middle class, more than the French population! Furthermore, it has been forecasted that by 2025, this segment will increase to 590 million with a whopping US\$ 1. 3 trillion spending power.

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Helen Wang, author of *The Chinese Dream: The Rise of the World's Largest Middle Class and What It Means to You* said that to be middle-class in China the person would earn between \$10, 000 and \$60, 000 a year. Considering the cost of Chinese life and living standards, much lower than in western countries, a middle class can afford pretty huge apartment, longer and better education and spends in entertainments and apparels. These citizens are mostly urban, engaged in services and have a modern world view; this new middle class represents China as a consumer society. As we saw earlier, the image is an important value for Chinese that is why they spend in good quality products or non-essential consumption in order to show their success (status). Families tend to buy more discretionary and small luxury items and the share of the household budget that goes food, clothes and other necessities shrinks (The McKinsey Quarterly, 2006). Mostly, middle class consumers are looking for famous product which showed they are part of the community and meanwhile tailored product; they need to keep their personality. With increasing product knowledge and surging purchasing power, mainland consumers in China are developing higher demands for quality and comfort in clothing. They usually prefer apparel made of natural fabrics (International Trade Centre, p. 50, 2011). According to the China Textile Development Report in 2010, Chinese consumers ranked comfort at the top priority.

Even if they are able to afford more expansive product, middle class consumers still buy cheap product. They consider cheap and expansive products strongly different and pay attention to details (distribution channel,

store, services...). It will be a huge mistake to think that they are not price consciousness.

J. Roy says[3], " Most people only buy clothes online when they are looking for something cheap, not when they are looking for style. It would be a mistake for an American retailer like J. Crew or Gap to emphasize e-commerce over their in-store shopping experience", customer experience is highly appreciate by Asian consumers. According to the Global Monitor, web sites are used to read customer reviews and compare prices (59%) and browse the latest styles (58%), followed by buy clothes (55%).

Also, customers tend to be more loyal to a brand. It is important for Caroll to create a good relation with consumers even if the maximal potential is not reached yet, Guan Xi. Chinese consumers develop a strong environment conscience, an important factor to consider if Caroll want to create a long term relationship.

Understanding and adaptation are key words, for example Levi's had launch a specific line designed specifically for Asian physiques and tastes, with different cuts and tighter fits. It common knowledge than Asian people are smaller but it another thing to redesign clothes to fit to their size. I think that is difficult to understand the Chinese middle class needs and expectation only based on studies. I had the chance to study with Chinese student in marketing that help me to better answer to this part but the analysis is not enough deep.

Y. Chen[4]says that “ given the competitiveness of the market, it is only advisable (for retailers) to enter China if they are serious about it and also put required investments behind it”.

The domestic clothing market in China is dominated by brands of European origin and other imported products, such as Giorgio Armani, Cerruti 1881, Hugo Boss, Dunhill, Chanel, Dior, Ermenegildo Zegna and Salvatore Ferragamo. The middle and low end of the market has a product mix of foreign and domestic brands, with most of the goods being manufactured in China and least developed countries (Bangladesh, Egypt, Morocco, Portugal, Spain, Turkey, and Viet Nam) such as Nike, Adidas, Tommy Hilfiger, Zara, C&A and H&M. However, we can notice a growing competition from Chinese brand as Bosideng, White Collar, Kaiser, Lily, Girdear, JNBY, Peacebird, Sierli and Gloria (International Trade Centre, p. 35, 2011).

In 2001, the China accessed to the World Trade Organization and after a short period, foreign brands started to target Chine; 2007 for H&M, 2008 for Zara and Marks and Spencer, 2009 for Tommy Hilfiger ... Competitors to Caroll are already established in the Chinese market and so get a great advantage since Chinese consumers are more loyal and focus on long term relationship.

Figure 3: Main foreign Apparel brands in the Chinese market (source ITC, 2011)

Figure 4: Main domestic Apparel brands in the Chinese market (source ITC, 2011)

SWOT Matrix

Strengths

Weaknesses

International experience, in particular in Japan, first contact with Asian culture

Trendy clothes

Works with world famous fashion clothes designers

Comfortable products

Good quality product

Prices policy, price of Caroll clothes are a little bit too high for middle class but far too low to be consider as luxury clothes

Many unhappy opinion on the quality of service (customer reception, information ...)

Fails to create a sense of belonging to a community despite different attempts

Opportunities

Threats

Increase of the middle class, the target

Increase of purchasing power

Low labor and estate cost

Growing interest for clothes shopping

Open market, government policies to attract foreigner (taxation, tariff ...)

Strong established competition

Open market = upcoming competition

Legal system and corruption

Inflation = raise of cost

Unknown in China

I will not spend more time on opportunities and threats since we already spend times on it with the environment and competitors' analysis; I will only repeat that opportunities are as great as threats are big. The SWOT analysis tends to demonstrate that Caroll has several strengths in order to fit with the Chinese demand. However, the company has to work hard on consumer experience and price that represent key drivers for change. Once again, adaptation is a key solution. In another field, we can take the example of Best Buy, an electronic retailer pretty successful who failed to tap into the Chinese market. Indeed, bargaining is a strong value of Chinese culture and the company didn't give the possibility to bargain in Best Buy Store. Within two years, the brand closed all its stores in China since it was unable to satisfy Chinese consumers.

Porter's five forces model

Threat of new entrants

High threat

Low entry barriers with encouraging government policies, economy of scale and other costs advantages and really attractive market.

Switching cost almost inexistent.

In balance, significant capital requirement and well established huge players.

Sustainable industry growth rate.

Supplier bargaining power

Moderate

High supplier concentration (in 2008, China represented half of textile and clothes supplier).

Low suppliers' differentiation.

Low switching cost.

In balance, notable threat of buyers' integration (growing Chinese competition).

Low dependence with buyers.

Industry Rivalry

Highly competitive market

Highly concentrated market with numerous and diversified competitors including some huge in size (like Zara or Mango).

High fixed cost (physical store).

Almost no switching cost.

In balance, high industry growth rate in a product differentiation model with significant customer loyalty.

Low exit barriers

Customers bargaining power

Moderate

Consumers highly sensitive to consumers' experiences and differentiation.

Demanding market.

Low switching cost.

In balance, significant customer loyalty.

Low buyers' volume.

High number of buyers relative to sellers.

Threat of substitutes

Low / Moderate threat

Enormous choice of substitute at lower price and quality.

Switching cost almost inexistent.

In balance, substitutes are considered in a total different way with a total different consumers' behavior and habits.

The Porter's Five Forces analysis totally complies with the environment, competitors, market and consumers' analyses. The biggest threats are represented by the highly competitive market with existing and future competitors. Concerning customers and suppliers buying power, I will say that one word, Guan Xi. Everything is based on relationship; understanding and answering. Chinese are more willing to show loyalty than Western people, so the threat can be handle by creating good relationship. And last, the substitute threat is not really significant as customers are able to make a clear distinction between products.

The marketing mix

Product

Price

Variety product: several line

– casual

– working clothes

– evening clothes

Quality: high quality product with noble and still comfortable fabrics

Design: use of famous worldwide clothes designer = design + value for customers

Brand name: Caroll is a well-established French company in Europe and can offer a certain image (elegance, wealthy ...) to the customer.

Service: attempt to reach the most complete and valuable consumers' experience.

Price: right match with the quality of the product and service and the image.

Currently, I think that for the Chinese market, the price of Caroll is not justified.

Promotion

Place

Advertising: China is a giant advertising place. Marketing and advertising are everywhere. This is an opportunity for Caroll to build solid brand awareness by using diversify communication

- event
- billposting
- commercial
- Internet

Public relation: be present, involved is really important. Public relation is a key factor for success.

Distribution channel: as we saw in order to tap into the middle market, Caroll must open physical store better than only online selling.

Location: when I was in Shanghai, I was impressed by the number of mall, there are malls everywhere. Availability and good location will be an help to develop the brand into the Chinese market.

The target is the middle Chinese class. The intended position is to represent a high valued brand representing the elegance, offering high quality product at reasonable price.

Strategic Segments – Align 3 V's

Valued Customers – middle class working women living in urban area

Value Proposition - high valued and high quality fashioned clothes and accessories

Value Network - physical store enjoying satisfying customers' experience.

Value

Value

The Value Chain

Firm infrastructure – 400 stores, 274 in France, 123 worldwide

Support activities

Human resource management - About 1200 employees

Technology development - Design

Procurement - Elegant and noble fabrics

Operations

Specific line product

Outbound logistics

Warehousing

Services

Customer support

Online store

Marketing and sales

Advertising and promotion like fashion shows.

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Inbound logistics

Inventory control

Storing

Chinese and least develop country for supply

Primary activities

Service

The Boston Box matrix

The following Boston Box matrix is based on personal perception of the market since no information was found.

Evening clothes (dress for party for example)

Casual clothes

Working clothes

Accessories & shoes

Ansoff matrix

Market Development

Diversification

Chinese middle class represent a new market for Caroll, new customers' needs and expectations so new business model and strategy.

Target different geographical markets at home or abroad.

There is no need to diversify more the brand. Carroll is already offering a wide range of products (clothes and accessories).

Market Penetration

Product Development

Going to the Chinese market is one thing but stay strong in the European market is another. Even if the Chinese market offers great opportunities, this is a major issue to reinforce our position in existing market. Carroll has to work harder on:

Introduce a loyalty scheme = community

Increase and improved sales force activities.

It is important to design specific line to fit with Chinese demand

Design specific line for Chinese (taste, size ...)

Improve customer service or quality.