

Explanation of choice of competitors



The report is regarding Velour which is a Swedish fashion company in the upper medium price segment. The company has existed for 9 years and has succeeded to sustain and also expand on the Swedish market throughout the years.

We as a consulting group have focused on Velour's women's wear collection. Under a 6 week period we have been investigating how the fashion company Velour is operating. We have looked into the main competitors to the brand which we defined as Acne and Whyred. These are also Swedish companies which have the same target audience group as Velour; young women. The companies are also using the same kind of style in their design in women's wear and are strongly involved in the artistic sphere.

The report describes Velour's strategy of purchase, assortment and their different use of sales channels. The competitive brands are presented in the same way to create a coherent impression for the reader. The purpose of this report was to develop different parts within the company to be able to achieve its growth in the Swedish market. The improvements of Velour's strategies are presented in the end of this thesis. A budget and time plan is also presented in the report.

Table of contents 1. Introduction

We have chosen Velour which is a brand based in Gothenburg. We were able to get in contact with Ann-Sophie and Hanna who are working with the brand and are also the persons who provided us with information about the company. We consider the brand to be interesting since it is a rather small clothing brand with clothes that attract us and we saw opportunities to

develop brand strategies. The brand is still small but we think that Velour has capabilities to become an even stronger brand than it currently is on the Swedish market for women's clothing. We consider the design to be timeless and stylish which can be interesting for a lot of women in the Swedish market.

Assignment

We are acting as a consultant group with the purpose of developing new strategies for the brand Velour. This is made to be able to increase the sales volume and to increase the awareness of the brand.

Method

To be able to develop these strategies for Velour we have been in contact with employees of the company and also with employees of the competitors. We have also been visiting the stores and done researches on the Internet to increase our knowledge of the brands.

Delimitations

We are only focusing on women's wear on the Swedish market. Therefore other collection lines from the brand will not be mentioned in this report, neither will international markets.

2. Industry definition

The industry contains of companies that are in the wholesale segment acting as product developing brand suppliers; that means that they are working with product development, design, marketing, purchasing and producing women's wear with a creative twist within the upper medium priced segment on the Swedish market.

3. Industry description

Below description of the industry will be presented. Choice of competitors and an explanation of the five force model can also be found.

3.1 General description

The fashion industry within textile is one of the most globalized sectors, this due to the great amount of employment opportunities the industry provides. The industry of fashion constantly changes and as a company in this industry one always has to pay attention and be first to deliver the latest trends.

What is the latest today is not the latest tomorrow. There are constantly new competitors to the industry and to survive one really has to have a strong business idea and be clear about the message of the company's brand.

<http://www.ilo.org/public/english/dialogue/sector/themes/crisis/textil.pdf>

The Swedish fashion market contains mostly of small to medium sized companies. The Swedish fashion market is of high importance for Swedish trade and today around 300 000 people work within the Swedish fashion industry and this is approximately 5 percent of the Swedish GDP. Many of the Swedish brands have succeeded on an international level. Velour is one of them and is followed by HOPE, Filippa K, Anna Holtblad, Whyred and many other fashion brands. <http://www.sweden.gov.se/sb/d/9622/a/96709>

Velour is categorized to be an upper medium price brand on the Swedish market. The industry Velour belongs to, has a target group of young women to middle age women in Sweden. The woman is someone who is aware of her approach and has a rather large interest in fashion. However she is not a fashion slave since she does not follow all current trends, instead she creates

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her own style by combining different pieces. The woman in Sweden is a person who is down to earth and is conscious about society and environmental issues (M. Solomon and N. Rabolt, 2009). In the industry Velour belongs to, collections consist of quite plain designed clothes with a creative twist that very simply create recognition about the brand. Brands in this industry have a collection that fits in a base wardrobe with tops, dresses and chinos.

Statistics kring turnover industry- mailat svensk handel

3. 2 Explanation of choice of competitors

Through the description of the brand and the description of the customer we can say that the competitors of Velour on the Swedish market for women swear are Acne and Whyred.

We choose to select Acne and Whyred as competitors of Velour on the Swedish market for women swear through issues of price, presence in the country, style and interest in arts. To begin with Acne it is a young Swedish fashion brand which was founded in 1996. Acne represents the Swedish style for women from 18 to 45 years old and is the typical brand of style without efforts. We see Acne to have the same target group as Velour and to also have the interest in arts just like Velour but more interested in graphics and design. Acne has a Swedish style of clarity, fluidity and urban design and considering the price Velour and Acne are in the same price range. Our other competitor Whyred which was founded in 1999 also has interest in arts, especially in music. Whyred's clothes are classic, with a modern twist which give them this artsy touch that inspires Whyred designers. Considering the

price Whyred and Velour is in the same range. Whyred as the other two companies have a Swedish style in their design. When looking at the three companies we can see that they all three have the same target group.

3. 3 Five force model

To understand the industry of Velour within the fashion industry we have been using the model of Porters five forces. The model is used to understand the structure and profitability within an industry. Porter states that the underlying economic structure is a factor that plays a great role of a company's strength to be competitive. The company analyzes Industry competitors, Potential establishers, suppliers, customers, substitutes. The five fundamentals in this model establish the strength for each force (Hollensen, S 2007).

3. 3. 1 Industry competitors

Strong competitors on the Swedish market to Velour are Acne and Whyred. Both this companies are Swedish and have a Swedish background. When looking at Acne and Whyred one can see that they have quite the same target group within the women collection. Both Acne and Whyred have similar design of their collection as Velour and they all three is categorized within the middle price brand. You can find the collections near each other in the same town in Sweden. Other competitors on the Swedish market are brands like Filippa K, Carin Rodebjer, Carin Wester and Hope.

3. 3. 2 Potential establishers

Both existing and potential companies in an industry can affect the profitability of the industry. As we already have mentioned the fashion industry constantly changes and the level of new players is also in constant movement. The fashion industry has a high level of new entrants and the competition for Velour we see as quite tough. This is due to new designers that more easily enter as a middle price brand than in comparison as a high price or luxury price brand. Some French brands like Sandro, Claudie Pierlot, Comptoir des Cotonniers and Maje are today not on the Swedish market but we see these brands to have the potential to become competitors on the Swedish market. They could compete with Velour if they were entering the Swedish Market. They are powerful French companies focusing on women, targeting the same group of people and really involved in arts. The price range is the same and they could offer a wider group of products, where customers could find anything: from shoes, via coats, to evening dresses.

3. 3. 3 Suppliers

Within the fashion industry the supply chain is of high importance.

Merchandise trade in the fashion industry plays a very central role and the suppliers have to take action very fast.

The bargaining power is high for the supplier of fashion companies and this is due to the fact that they mostly have the control of the production. Some fashion companies own big parts of the suppliers themselves and this results in more control for the fashion companies. The most common comment is that the fashion companies outsource some parts of the value chain to another company. Velour has manufacturers of fabrics, trimmings and garments.

Velour design within the company and own their designers. The production and distribution is outsourced to other companies and today the company has dependency on single suppliers.

3. 3. 4 Customers

We have been focusing on the companies bargaining power due to the suppliers within the industry. In the industry of fashion the buyers have a restrained power to effect to their benefits, this because there is a great amount of small buyers and retailers in this industry. Velour is selling to retailers who are selling to the end-consumers. Velour is also acting as an integrated retailer since they have their own stores.

3. 3. 5 Substitutes

Substitutes can affect the attractiveness of the industry and also influence the profitability within the industry. A substitute in an industry depends on buyer's willingness to substitutes but also of the cost performance of the substitutes. The risk of substitutes in this industry is very high and this because of the great amount of designer cloths and fashion houses. Another factor that influence is high threats between substitutes is the generic substitutes that mostly very easily enter the fashion industry. This with help from the already existing well know name that help the generic substitutes to be introduced on the market. We see luxury brands to be a substitute for Velour and this because the luxury brands offer high fashion products and also the absolutely latest trends to wear. Secondhand are also within this category and this because like Velour, secondhand products offer uniqueness and inspiration to create a style of your own. The option of tailor

made fashion we also see as a substitute and this since customers today are more aware than ever to have perfect fitted clothes. It becomes more and more usual to travel abroad and in many countries you can get your tailor made items at a very reasonable price. We think this option is going to increase and the prices should decrease if the demand for tailor made clothes gets higher. We also place made to measure and swopping with colleagues as substitutes for Velour.

Suppliers

Manufacturers of fabric, trimmings and garment

Substitutes

Secondhand, luxury brands, tailor made, made to measure, swopping with colleagues

Buyers

Retailers + Velour is acting as an integrated retailer

Potential establishers

Maje, Comptoir des Cotonniers, Sandro, Claude Pierlot,

Industry Rivalry

Velour

ACNE, Whyred, Filippa K, Hope, Carin Wester

4. Commissioned company description and analysis

4.1 General description

The Velour brand was created by Per Andersson and Johan Lundell. The idea for the brand was created through the store Nostalgia which they operated in Gothenburg. The store was opened in 1997 and the idea was to sell never worn clothes from the 1940's and 1980's. The shop found success and became popular amongst the independent scene in Sweden and design and music people found the store interesting. Per and Johan started to design t-shirts during 2001 and the Velour label was created. A third person joined the team at this time, Andreas Remling who had knowledge in finances and could handle the brands economics. [http://www. va.](http://www.va.se/nyheter/2007/01/19/bakom-kulisserna-pa-svensk/)

[se/nyheter/2007/01/19/bakom-kulisserna-pa-svensk/](http://www.va.se/nyheter/2007/01/19/bakom-kulisserna-pa-svensk/) Mattias Lind also joined the brand but left the company and started his own brand “ Julian red” in 2003. Today the company has got 14 employees working with the brand.

At first only a few basic casual clothes were designed but this soon developed into whole collections of garment. The first real collection of the brand was launched in 2001 and could be found at the Nostalgia store. In the year of 2005 a woman named Titti Andersson was hired for the design of the women's collection. [http://www. alltomstockholm.](http://www.alltomstockholm.se/shoppingmode/article29059.aos)

[se/shoppingmode/article29059. aos](http://www.alltomstockholm.se/shoppingmode/article29059.aos) The company has had several different designers working with the brand during their years in the business, one of them is Karl-Wilhelm Björk who previously worked with Vivienne Westwood. [http://www. kingmagazine. se/Markeslistning/? designer= 17771](http://www.kingmagazine.se/Markeslistning/?designer=17771)

The core values of the brand are tailoring, graphic and casual. Perfect fit and focus on beautiful details should create the opportunity for the person who <https://assignbuster.com/explanation-of-choice-of-competitors/>

wears the clothes to be able to create its own style by combining pieces from the brand. “ The overall design concept of Velour springs out of a classic preppy look with traditional garments redesigned in a new stylish, yet effortless, way. We call this Feelgood Preppy.” [1] The clothes are for people who are interested in fashion but not follow all trends that are present, Velour is for the people who wants to create their own unique style. The colors used in the different collections are mellow with colorful accents.

The brand is present in 100 stores spread through Europe countries such as Holland, Belgium, France, Germany, United Kingdom but its largest market is still in Scandinavia. Velour can also be found overseas in Canada, Australia, the United States and in Japan. The target group of the brand is people between 20-35 years. [http://feed. ne. cision.](http://feed.ne.cision.com/wpyfs/00/00/00/00/00/0D/6A/CE/wkr0010.pdf)

[com/wpyfs/00/00/00/00/00/0D/6A/CE/wkr0010. pdf](http://feed.ne.cision.com/wpyfs/00/00/00/00/00/0D/6A/CE/wkr0010.pdf)

The Velour creator Johan Lundell is no longer working with the brand and neither is Andreas Remling, however, Per Andersson has continued his work at Velour and is the head designer for the men’s collection. He is at this point alone running the brand management for Velour. The turnover for Velour in 2009 was 19, 807 million SEK. In 2008 the turnover was 13, 302 million SEK which was a small growth from the year before.

[http://www. foretagsfakta.](http://www.foretagsfakta.se/G%C3%B6teborg/Velour_By_Nostalgi_AB/989686)

[se/G%C3%B6teborg/Velour_By_Nostalgi_AB/989686](http://www.foretagsfakta.se/G%C3%B6teborg/Velour_By_Nostalgi_AB/989686)

Velour has used creative ideas in their marketing. For example in 2006 Velour held a fashion show in a tunnel in Stockholm. They got permission to block off this area and do this project.

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[se/G%C3%B6teborg/Velour_By_Nostalgia_AB/989686](http://www.foretagsfakta.se/G%C3%B6teborg/Velour_By_Nostalgia_AB/989686)

According to Velour people in the music business are dedicated to the brand and find it interesting. Velour is a brand which is inspired by the music branch and they mean that their design is following that lifestyle. <http://feed.ne.cision.com/wpyfs/00/00/00/00/00/0D/6A/CE/wkr0010.pdf> &

[http://www.businessregion.se/download/18.](http://www.businessregion.se/download/18.8afae6210a70372e0c8000236/Business1-06_klar_pdf.pdf)

[8afae6210a70372e0c8000236/Business1-06_klar_pdf.pdf](http://www.businessregion.se/download/18.8afae6210a70372e0c8000236/Business1-06_klar_pdf.pdf)

According to Velour they have a competitive advantage of being situated in Gothenburg. According to Andreas Remling their main competitors are located in Stockholm and this can result in that the brands from the same city become coherent in their design, they are inspired by each other and the uniqueness can fade. Another positive thing about Gothenburg is the good solutions for logistics and the existence of good suppliers. http://www.businessregion.se/download/18.8afae6210a70372e0c8000236/Business1-06_klar_pdf.pdf

4. 2 Value chain

4. 3 Brand promise

“ Velour’s nerve springs out of their history, eclectic inspiration and their values. Velour is offering a perfect fit and beautiful details, leaving it up to the wearer to create his or her own individual style, offering key pieces or a whole wardrobe”.

Beautiful details

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Create an individual style

Perfect fit

To claim to be offering a perfect fit is crucial according to us. Everybody is different and do probably not fit perfectly in Velour's clothes. Velour means that they are leaving it to the wearer of the clothes to create their own unique style which we think is correct. The customer is as mentioned above in the report aware of her appearance and approach and is combining different pieces to create her own individual style. They depend on the customer to be able to do this on her own which we think is the case.

4. 4 Current Strategy

In this part we will explain how Velour works with its purchase strategy and explain lead times within the company. The different lead times are regarding the different activities from idea to finished product and the time to perform the different activities. For Velour from the first day the inspiration starts to the day that the products is out in the stores it takes around 12 months. If Velour starts in August on a new collection the sales samples are done in December. The company uses different manufactures and the samples are sent to manufactures abroad and the manufacturers are choosing matching suppliers to Velour. Below the process will be explained more detailed.

4. 4. 1 Purchase strategy

Velour gets a lot of inspiration from the city Gothenburg where the brand also was founded. The studio of Velour is located in the long streets in the

Linné district in Gothenburg and this street represents a classic mixed- use variety. They all share the same precious urban oxygen and here you can find galleries, recording labs, artist studios, coffee shops and sex shop all in the same street. This gives a feeling of uniqueness to the design and the brand of Velour. The preppy classic look is the overall design concept for the company. The designers make new collection in an effortless, new stylish way with traditional garments. The Swedish west coast also influences the designer's mind when it comes to creating the right style of Velour's collection. When the inspiration and the design are finished, Velour picks sober colors to use in the collections and this with colorful touch. The choices of the colors are often grey, black or marine blue. The prints and patterns that are used together with the colors are gently created where every image, square and pigment has its place. (www. velour. se)

The inspiration together with product development and the ready sales sample takes for Velour 4 month. (Interview with Velour) The company does not have any production of its own; instead the production is handled by manufacturers abroad in countries like India, China, Portugal and Tunisia. The lead time at the manufacturers is around 3 months. Velour's manufactures are always working with different suppliers and this to be able to find suppliers that can produce Velour's needs to the price the company is able to pay. The amount of different supplier varies from season to season, usually 20-25 different suppliers are used each season. (Interview with Velour) Velour is using the full price purchase which means that the product development manufacturer place a purchase order to the producers of finished products. Then it is up to the producer to (according to the

description of the purchase order) to do the purchase of the different garments and trimmings. Then the producer send Velour a full price suggestion which consists of a total price to produce the products (Interview with Velour). This way of work can also be called purchase of ready-made garment (RMG) (Hedén, McAndrew, 2005)

The transportation is at all times made through shipping by boat and Velour always has the FOB (Free on board) agreement. When a company has the FOB agreement, the company takes the risk of the goods when the goods have been shipped and are placed on the pier. The transportation from the factories to Sweden takes around 3 months. From April to July Velour have sell-in to their different retailers and for Velour this has a show room in Stockholm were they show all new collections to the retailer. Under this period the product also is placed in stock and Velour has their warehouse in Borås. When the time is ready for the collection to be out in stores all products are sent from the warehouse in Borås to all the retailers within the Swedish market and to the single store in Gothenburg.

The company has no written code of conduct and does not follow any initiative but examines their businesses as well as they can. Velour tries to be as ethical and critical as possible regarding the process of making the clothes. In environmental aspects the clothes that are made in cotton are all made by ecological cotton.

4. 4. 2 Assortment strategy

Velour uses different types of fabrics; the company describes them as traditional. Fabrics they use repeatedly are wool, nylon, lining, acetate,

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cotton, elastane, lambswool, polyester, polycrpepe, acrylic, mohair and ramie. The cotton that is used in the garment making is ecological. The sizes of the women's collections are divided into 4 steps; XS, S, M and L. Two collections are launched each year and these are called " spring" and " autumn".

The product groups that Velour offers are visible below. This is based on the women's autumn collection 2010. The assortment in each product group are not the same in every collection, that is why for example no shoes are present in the women's autumn collection 2010. The product groups stay the same, but the number of products in each category varies from the different collections.

4. 4. 3 Sales channel strategy

Velour has only got one store of its own. This store is situated in Gothenburg at Magasinsgatan 19. The brand Velour was founded in 2001 and at this point the brand was sold through the store " Nostalgj" which was operated by the founders of the brand. However, this store does no longer exist and has been replaced by the one on Magasinsgatan. Velour is mainly sold through retail stores and department stores where the brand is presented amongst other clothing brands. Velour is also sold through their own online store which can be found at the companies' website. The reason for using this kind of sales channel strategy is because of the fact that it requires a high financially capacity to own its own stores. Through shop-in-shops which are currently used, the brand is represented in a lot of location but at a smaller amount of costs.

4. 5 Future goals

In 2006 the goal was, within a ten year period, to be one of the top fashion brands within Scandinavia.

[http://www.businessregion.se/download/18.](http://www.businessregion.se/download/18.8afae6210a70372e0c8000236/Business1-06_klar_pdf.pdf)

[8afae6210a70372e0c8000236/Business1-06_klar_pdf.pdf](http://www.businessregion.se/download/18.8afae6210a70372e0c8000236/Business1-06_klar_pdf.pdf)

5. Brief competitor description and analysis for 2 competitors

Below the first chosen competitor, Acne will be described.

5. 1 General description of Acne

Acne was founded in 1996 and the first collection of Acne clothes was launched in 1998. The company was founded by Jonny Johansson who did not have any background in design before starting the brand. The brand has been a success in Sweden and currently a well known brand among young people which are interested in fashion. Acne studios have an advertising agency, art gallery, furniture collection, magazine. (Acne Official Website) Today the Acne studio represents 5 brands (Acne Paper, Acne Advertising, Acne Art Department, Acne JR and Acne Fashion and Denim) with 200 employees and has approximately an annual turnover of 38 millions Euros. (Georgina Safe, 2010) . The company also enjoy the involvement of a Capital-Risk firm: Å-resund, which opens Acne to a wide range of possibilities in term of development and investments.

When it comes to self expression Acne sees fashion to be the best way of have that (Acne Official Website).

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The style is typical Scandinavian, with simple lines, without abundance of colours: The style is simplistic but in the same time Acne clothes can be identified to be cool and personal. They are creating an image, not only a clothing brand. They are building a “ Lifestyle brand through desirable products”. They also created an identity through their jeans with the famous red stitching. This identity is the result of Jonny Johansson’s will of a “ garment that makes you feel stronger and more self confident.” The brand is known of the denim jeans but the company don’t want to be a denim brand, instead they wanted to offer ready to wear where the denim is included as a product. According Jonny Johansson they did not wanted to categorize themselves (Nina Jones, 2009).

When Acne opens a new shop they don’t think in the way of where they need to be located, instead they use the strategy of where they want to set up new stores. They are based the store locations on friendship and people who really want to have the brand located in that particular area. Acne doesn’t believe in the strategy to put stores everywhere just to cover the map. In terms of strategy they also have an attitude of “ branding by doing”, not advertising(JC Marcus, 2010, [1]).

Acne adopted a code of conduct; they joined the Fair Trade Foundation. Acne is in accordance with their value and this “ new” value of the fashion industry: labour practices and conditions have to be taken in account to preserve social matters of the value chain. There are also two types of production, one for their own stores and the other for all the other retailers and franchises. This difference of production shortens or lengthens the lead-time.

5. 2 Value chain

Acne buys material and produces in factories in Italy, Portugal, Hong Kong and Turkey. All of the production is outsourced. They act in the textile value chain in the wholesale segment as product developing brand suppliers which means that they concentrate on design, purchase, marketing and distribution. Concentrating on distribution, Acne is present in the retail segment in several levels: as a retail branch company (they own 4 stores in Sweden), as integrated wholesalers through Corner in department stores for example, in the Internet through their website on which one can shop online and through outlets with two outlets in Sweden, one in Gothenburg and one in Stockholm and also the “ web outlet”.

5. 3 Brand promise; Create novel expression

Current strategy

We have to precise first that Acne does not have a proper strategy that leads the brand. The team does what is necessary to both realising Acne’s envies and to satisfying customers. If once they have to change their own strategy, they’d do it. In fact, the brand is lead by its “ Brand Promise”, its Values and Vision.

5. 4 Purchase strategy

Acne buys material from Italy, Portugal, HK and Turkey. These counties they also have al the production placed (S. Jönnsen & L. Lagerdahl, 2005). In the factories Acne has divided two groups: production for their own stores, and production for the other retailers. They have through this organisation different lead-times between inspiration and arrivals of the clothes on the shelves.

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6. Brief competitor description and analysis for 2 competitors

Below the second chosen competitor, Whyred will be described.

6.1 General description of Whyred

Whyred is a Swedish fashion brand which is founded by three ex-employees of H&M; Roland Hjort, Lena Patriksson Keller and Jonas Clason, in 1999. The story began with a Men's collection in 1999 and one year later the first Women's collection was in the shelves. The brand is positioned in the middle high price segment, with a turnover of 45 million SEK in (2006/2007) and 75 million SEK in (2007/2008) the brand is really growing, touching new customers. The first own shop is opened in 2001 in Stockholm, they have in 2010, 4 stores in the main Swedish cities. In 2005 they launched the shoe production line and also they set up the online outlet stores in 2007. The interesting part is that Whyred has labeled the products with Stockholm instead of Sweden, because Stockholm shows the country of origin (Sweden) and it is known as a beautiful city (Knudsen & Lind 2007).

The name of the brand comes from a radio interview with Roland Hjort's grandfather who was a famous Swedish artist. In that interview he was asked, "What is your favorite colour?" He replied: "Red" and the interviewer asked immediately "Why red", he quipped "Well, blue then". (A. K Sari, 2010) The strong inspiration of Whyred has been from the "iconic style of the 1960s" to give to the consumer the possibility of a "Clean Living under Difficult Circumstances", inspired from THE WHO's manager Pete Meaden(Whyred Official Website).

Whyred is strongly involved into the arts (especially in Cinema and Music) since the primary steps, they have project through collaborations. For instance, for their fourth art project, the short movie “ La Vitesse Et La Pierre” is directed by Igor Zimmermann and the music is composed by Yourhighness which unveiling will happen on November 2010 in Sweden (Whyred Official Website).

Moreover, they are pursuing the “ pull strategy” by publishing the pictures of well-known people who dressed Whyred garments in the magazines or the newspapers (Knudsen & Lind 2007). The brand is following simplicity by considering postmodern aesthetics, giving “ aesthetic awareness” and making “ new expressions” for their customers. They have ambition to make a brand as a “ leading European premium fashion brand” (A. K Sari, 2010).

6. 2 Value chain

6. 3 Brand promise

6. 4 Current strategy

6. 4. 1 Purchase strategy

6. 4. 2 Assortment strategy

Whyred has set up its production to tow collection per year f