

Differentiation in the marketing of fashion clothes



Consider current practices of differentiation in the marketing of fashion clothes

Report on:

a) The current situation in the UK and regional markets (market segments, key players, sales practices, trends, opportunities and threats)

The UK clothing market is essentially mature, following changes in the profile of the UK retail market for clothing during the 1990s. There was a major shift away from traditional sources of purchasing, such as department stores, clothing independents and variety stores, in favour of discounters, supermarkets and sports outlets. This reflects the 'casualisation' of the UK and the downward pressure of cheaper, imported products on retail price levels. Shopping for clothing and footwear is increasingly moving away from the traditional high street locations to out-of-town shopping centres, where families may typically spend a good part of a day browsing and shopping in a wide range of stores, rather than visiting their local high street to shop in specific outlets.

Mainstream women's clothing is still strongly populated by private labels from variety stores, such as Marks & Spencer or Bhs, and clothing specialists, such as Next, River Island and Principles. Premium product ranges remain focused primarily on department stores and there is some degree of "trading up" to labels such as Alexon, Planet, Viyella or Jaeger by consumers with greater disposable income levels (Global Market Information Database, 2005). Discounters significantly strengthened their share of consumer purchasing over the last two decades, largely due to the success of the

Matalan and Primark chains. However, there are indications in the last two years that strong growth in the position of supermarket groups, largely due to their expansion into fashion wear, is beginning to shift value-driven purchasing in their favour away from discounters, though this shift is not yet decisive. Supermarkets are becoming increasingly involved in clothing; with companies such as Asda, Tesco and J Sainsbury have all launched clothing collections under a brand identity during the past few years. For example, J Sainsbury commissioned fashion designer Jeff Banks to launch a clothing range and Asda's George at Asda range quickly became well-established, making supermarkets increasingly key players in the market. However, supermarkets still tend to focus on price, rather than fashion, and are thus not yet truly key players on the scale of Marks and Spencer, Next and Matalan (Global Market Information Database, 2005).

The UK consumer increasingly regards an item of clothing or footwear as a disposable item, rather than an investment and this has affected both consumers' approaches to purchasing decisions, and the fashion marketers' sales practices. Whilst quality remains important, as an item must be fit for use, fashion styles play a much greater role in everyday purchasing than previously, so that a piece of clothing may not be expected to last longer than one season. This, in turn, places an emphasis on price levels; and the significantly increased availability of 'value' brands in supermarkets and discounters, which stimulates volume purchasing without contributing to value sales development. There is also a growing emphasis on purchasing clothing for leisure use, which has a direct impact on the sales practices used, and on their styling. The dramatic increase in purchasing of sports

clothing and footwear during recent years was largely underwritten by fashion marketing, rather than by a significantly higher level of participation in active sports.

Although a necessary requirement of life, which requires regular replacement for functional reasons, let alone in response to fashion trends, clothing sales show an increasing trend of been strongly affected by price discounting during recent years (Global Market Information Database, 2005). Increased competition at retail level, particularly due to the growing involvement of supermarkets and discounters, is causing deflation on prices in most UK clothing and footwear. This situation has been further exacerbated by the growing globalisation of product supply, with formerly UK production increasingly relocated to low-cost production units in the Far East and Eastern Europe.

This major shift of production of clothing away from the UK to low-cost production locations, primarily in Asia-Pacific or Eastern Europe, has raised marketing threats for several UK companies over ethical issues surrounding the reported exploitation of cheap labour in these overseas production units. There was extensive media coverage of Marks & Spencer's decision to abandon its previous strategy of sourcing the majority of its products from UK production (Global Market Information Database, 2005) To compensate for this shift in production, leading UK manufacturers began to emphasise their extensive expertise in product design, which adds value to the finished product. This offers an excellent opportunity for companies with the necessary experience to design and market new ranges of products with lower production overheads.

b) Your assessment of the marketing strengths and weaknesses of the key players in terms of branding, reputation, differentiation and elements of the marketing mix.

Marks & Spencer has historically had a reputation as a leading retailer in the UK's clothing sector, and this is a position that the company undoubtedly aspires to maintain. The bulk of its turnover is attributable to clothing, approximately 50%, and food, with 44%, (Global Market Information Database, 2005). However, as competition in the apparel sector intensified in the late 1990s, Marks & Spencer struggled to maintain market share. Marks & Spencer has always positioned and differentiated itself as offering reasonably priced, high quality and well-fitting clothes, but this marketing strategy received something of a battering at the end of the 20th century, as designers and commentators alike criticised the company for the very aspects of its brand which had traditionally attracted customers to the chain. However, Marks and Spencer's marketing mix, primarily its design and quality, has received far more favourable press in recent years, and a renewed focus on casualwear and the core womenswear ranges, Per Una and Blue Harbour, have helped the company improve performance and regain market share (Strategic Direction, 2005).

Matalan's combination of low overheads, due to low cost out-of-town locations and overseas direct product sourcing, has enabled the chain to undercut high street competitors by as much as 50% on its own brands, and by as much as 35% on external branded products. Complementing its low price differentiation, Matalan also has an astute marketing mix. It operates as a clothing club: customers pay a mandatory £1 membership fee for the

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privilege of shopping at the stores. Membership information also enables Matalan to use direct marketing and to target customers with catalogues and tailored clothing lines to meet demand (Rowley and Haynes, 2005) The potential of the discount clothing market remains significant. Marginally larger than its leading competitor, New Look, Matalan looks relatively well placed to make the most of burgeoning opportunities in the discount sector. However, the recent slowdown in the clothing market does not appear to have been to Matalan's advantage. The company should be in a position to benefit from trading down by consumers in the event of economic downturn, but recent figures suggest that consumers are shopping elsewhere to get the best deals on designer names, and that Matalan's bargain image now counts against it in the increasingly celebrity image-driven fashion markets

Next is one the major success stories of the upper end of the UK clothing mid-market. A retailer of fashionable, moderately priced clothing, for trendy men, women and children, Next offers products targeted at the top end of the mass market, and aims to combine individual styling with quality and value for money. Resisting the temptation to be overly trend setting, opting to differentiate itself by offering sensible and stylish clothing, rather than highly fashionable items, Next has maintained strong consumer loyalty. Since the early 1990s, Next has resisted all attempts to increase the number of clothing brands that it operates, convinced that diversification would ultimately be to the detriment of the Next brand. The success that it has achieved over many years as a result of product development, the progressive move to larger stores and the increase in the number of home

shopping customers has convinced both the retailer itself and investors that it is right to continue with this marketing mix (Datamonitor, 2005)

c) Your marketing recommendations for any organisation wanting to enter the market.

In 2009, the United Kingdom apparel retail industry is forecast to have a value of \$45.8 billion, an increase of 18.5% since 2004. The compound annual growth rate of the industry in the period 2004-2009 is predicted to be 3.4% (Datamonitor, 2005). This indicates that there will be space for new retailers to enter the market for clothing. However, consumer purchasing of clothing and footwear is now moving away from traditional outlets, such as department stores, variety stores and high street specialists, towards grocery supermarkets and discounters. This reflects a general move to out-of-town shopping, with consumers particularly attracted to the convenience of purchasing all their clothing items at the same time, and in the same store as they regularly buy groceries (Global Market Information Database, 2005). The brand name of an item of clothing also acts as a strong influence on the purchase decision, particularly among younger consumers. Peer pressure means that it is critically important to be seen wearing the "right" brand of sportswear, and sales of children's wear have been boosted by this fact in recent years. At the same time, parents are typically enjoying a greater degree of disposable income during the review period, which is increasingly focused on spending on fashion items for their children (Coughlan, 2006).

Equally, the downward pricing trend in the UK fashion retail industry has led many retailers to focus upon profitability, rather than sales growth in recent

years. Companies are continually trying to cut costs by utilizing measures such as larger retail formats, and by shifting production or changing their suppliers to lower cost regions in Latin America and Asia-Pacific. Some retailers have cut production and entered into niche markets in an attempt to add value to their business and improve margins. The UK retail industry is thus undergoing significant changes; traditionally dominated by high street retailers, supermarket chains such as ASDA and Tesco are expanding their clothing lines aggressively and gaining an increasing share of apparel sales. Originally the supermarkets purely focused on price to make their apparel attractive to British consumers and subsequently there was a certain stigma attached to their garments. However, as time has passed and supermarket labels have become more widely accepted, they are moving their range of clothes more upmarket, placing increased pressure on traditional apparel retailers.

Given this, any organization wanting to enter the UK fashion retail market is likely to have to differentiate itself based on brand, rather than quality or price. As new entrants will almost undoubtedly lack the buying power and reach of M&S, Next, Matalan or Tesco, they would be better advised to concentrate on building a profitable niche, and the best way to do this is to make themselves a desirable brand. Given the preference for the latest fashions, at reasonable prices, with clothes only intended to last for the season they are purchased, the ability to react rapidly to changes in the market is also vital for any new entrant. This would differentiate them from the large chains, which often have structured, lean, and slow supply chains. Finally, although the need to base production facilities abroad, to take

advantage of low labour costs, is now widely recognised as being vital to profitability, there have been high levels of negative publicity over potential “sweatshop” working practices. As such, a significant advantage can accrue to an organisation which differentiates itself on the basis of providing good wages and working conditions to its overseas workers, provided that the price of the clothes can still be kept competitive.

References:

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