How can the Japanese specialty retailers of private-label apparel (SPAs) go into the German fast fashion market?

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Abstract

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Title: How can the Japanese specialty retailers of private-label apparel (SPAs) go into the German fast fashion market?

Introduction: Japan is one of the largest and most sophisticated clothing markets in the world, and its fashion designs and products quality enjoy high reputation from world-wide. Because of keen competition in the domestic market, fashion retail chains find it necessary to search for new markets Asia’s potential has been already extensively exploited for decades. Thus, in order to further expand, Europe should be considered for the next step in internationalization. Germany seems to be a good choice, since it has huge population, large market value and is located in the centre of Europe. There has been a number of studies published about foreign retailers entering Japan, however, only few researches consider moves of the Japanese retailers to other countries, to Asia in particular. In order to fill in the information gap the current study was conducted. It focuses on investigating the German menswear and womenswear markets from the perspective of potential for the Japanese SPAs.

Purpose: The purpose of the thesis is to describe German apparel market and to examine how the Japanese SPAs can enter it. The research is limited to the German menswear and womenswear markets, which target men and women aged 15 and above. Finally, the research is aimed at providing recommendations for the Japanese SPAs regarding planning marketing strategies when entering the German market.

Method:

Primary: The primary data was received through conducting three semi-structured interviews with experts in fashion industry in Germany, who can give professional overview of the German fashion market. The aim was to obtain the latest information related to the fashion market conditions, consumers’ expectations and their purchasing habits, as well as factors that are not covered by the previous studies, but are crucial for the current research.

Secondary: The secondary data was collected mostly via Internet; however a number of printed publications was used as well. Market reports by such marketing agencies as CBI, Datamonitor, ACNielsen and Euromonitor became the basis for the research. Other scientific sources were retrieved through electronic databases such as ABI/Inform, EBSCO, Emerald, ELIN@Mälardalen, Google and Google Scholar. Journal of Fashion Marketing and Management and books Fashion Marketing: Contemporary Issues (Hines & Bruce, 2007) and Fashion Design (Jones, 2005) provided latest insights into current trends in fashion marketing, as well as introduced main concepts of the studied area.
**Theoretical Model:** Existing studies contribute a lot to identifying crucial variables concerning fashion marketing. However, there is no available model that can fulfill the purpose of the current research. That is why a new model was developed in order to achieve the aim of the thesis. Since the purpose is to describe the German fast fashion market four factors influencing it were identified. They are categorized as follows: Market Environment in Germany, Competition, Activities in the Market and German Customers. Within each factor a set of variables was distinguished and analyzed. Market Environment in Germany factor covers macro and micro environments; Competition factor is analyzed in terms of positioning and branding of the major competitors; Activities in the Market factor discusses 4Ps and customer service; and German Customers factor reveals consumer behavior aspects as well as attitudes of Germans to branding and country of origin. German sizes are also covered within this factor. The created model helps identify market situation the Japanese SPAs will face when entering the German fast fashion market.

**Analysis and Conclusion:** The study revealed that though the German apparel market is highly competitive it is also an attractive one for apparel companies and there is a place for newcomers who can differentiate themselves from the majority. Since there exist some gaps in the market supply in terms of quality/price and fashion/quality ratios, those Japanese SPAs who will be able to cover these gaps can have good potential in the German fast fashion market. This means that those Japanese SPAs who can supply apparel of good quality, with fashionable designs, but at the same time at competitive prices can find favorable positions in the market. In addition, as newcomers the Japanese SPAs need to ensure that they can satisfy quick response requirement which is crucial to the fast fashion industry, and this can become a challenge. Also, the research revealed that the German customers are brand conscious, thus it is important for the Japanese SPAs to build brand awareness and brand reputation among Germans. Moreover, the Japanese SPAs need to identify target segments which they can serve at their best. A set of recommendations provided in the thesis regarding marketing strategies shows how the German market conditions can be used for creating advantages for the Japanese SPAs.
# Table of Contents

1. Introduction ........................................................................................................... 1  
   1.1. The background of the research ...................................................................... 1  
   1.2. Purpose .......................................................................................................... 2  
   1.3. Disposition ..................................................................................................... 3  
2. Methodology .......................................................................................................... 4  
   2.1. The Creation of Theoretical Framework ....................................................... 4  
   2.2. Method of collecting data ............................................................................... 4  
   2.2.1. Collection of secondary data ..................................................................... 4  
   2.2.2. Collection of primary data ........................................................................ 5  
      2.2.2.1. Selection of Interviewees .................................................................. 6  
      2.2.2.2. Method of conducting interviews: ..................................................... 8  
      2.2.2.3. Place of conducting interviews: ....................................................... 9  
      2.2.2.4. Duration of interviews: .................................................................... 9  
      2.2.2.5. Interview guide: ............................................................................... 9  
   2.3. Method of analyzing data .............................................................................. 11  
3. Analysis model of the German Fashion Market in German for the Japanese SPAs ... 13  
   3.1. Factors of Model ......................................................................................... 14  
   3.2. Variables of the Factors .............................................................................. 15  
      3.2.1. Market Environment in Germany ......................................................... 15  
      3.2.2. Competition in the German Fashion Market ......................................... 16  
      3.2.3. Activities in the German Fashion Market ........................................... 17  
      3.2.4. German Consumers ............................................................................. 18  
4. The Apparel Sector in Japan .................................................................................. 21  
   4.1. The Retailing of the Japanese Fashion Market ............................................. 21  
   4.2. Product Designs of the Japanese SPAs ....................................................... 22  
   4.3. Supply Chain of the Japanese SPAs ........................................................... 23  
   4.4. Internationalization of the Japanese SPAs .................................................. 24  
   4.5. Branding of the Japanese SPAs .................................................................... 25  
5. Findings and Implications ..................................................................................... 26  
   5.1. Market Environment in Germany ............................................................... 26  
      5.1.1. Macro Environment ............................................................................ 26  
         5.1.1.1. Demographic Characteristics ......................................................... 26  
         5.1.1.2. Economic Characteristics .............................................................. 28  
      5.1.2. Micro Environment .............................................................................. 30  
         5.1.2.1. Market Size and Market growth ..................................................... 30  
         5.1.2.2. Market Structure ........................................................................... 31  
         5.1.2.3. Cultural Dimensions of Fashion ................................................... 33  
         5.1.2.4. Fashion Trends .............................................................................. 37  
   5.2. Competition in the German Fashion Market ............................................... 39  
   5.3. Activities in German Fashion Market ......................................................... 44  
      5.3.1. Product ................................................................................................. 44  
      5.3.2. Place ..................................................................................................... 47  
      5.3.3. Price ..................................................................................................... 50  
      5.3.4. Promotion ............................................................................................ 51  
      5.3.5. Customer Services .............................................................................. 53
5.4. German Customers ........................................................................................................56
  5.4.1. Consumer Expectations ..........................................................................................56
    5.4.1.1. Product ........................................................................................................56
    5.4.1.2. Price ...........................................................................................................57
    5.4.1.3. Place ...........................................................................................................58
    5.4.1.4. Promotion ..................................................................................................58
    5.4.1.5. Customer Services ......................................................................................59
  5.4.2. Consumer Behavior .............................................................................................60
    5.4.2.1. Consumers self-concepts ..........................................................................60
    5.4.2.2. Potential audience /Reference group .......................................................61
    5.4.2.3. Branding ...................................................................................................64
    5.4.2.4. Country of Origin Effect ..........................................................................66
  5.4.3. German size .........................................................................................................67

6. Summary .......................................................................................................................70
  6.1. German Market Environment ..................................................................................70
  6.2. Competition in the German Fashion Market ..........................................................71
  6.3. Activities in German Fashion Market ......................................................................72
  6.4. German Consumers ...............................................................................................74

7. Recommendations .........................................................................................................77
  7.1. Positioning .............................................................................................................77
  7.2. Product ..................................................................................................................77
  7.3. Price ......................................................................................................................78
  7.4. Place ......................................................................................................................78
  7.5. Promotion ..............................................................................................................79
  7.6. Customer Service .................................................................................................80

Reference ...........................................................................................................................82
Appendix I – Presentation of interviews ........................................................................96
Appendix II – Interview Contents ..................................................................................99
Appendix III – Pictures and price lists of the Japanese SPA fashions .........................112
1. Introduction

This thesis is a study of the German fast fashion market in the womenswear and menswear sectors in order to analyze potential for the Japanese specialty retailers of private label apparel (SPAs) to enter this market and provide them with some strategic marketing recommendations.

1.1. The background of the research

Fast fashion is a term used to describe clothing collections which are based on the latest fashion trends on the cat-walk, but which are designed and manufactured quickly, are affordable and are aimed at mainstream consumers. Concept of fast fashion has become a major one in the global apparel market within recent years (Muran, 2007). Specialty retailers of private-label apparel (SPAs) are the fashion companies who apply fast fashion policy in their business model, which makes it possible to integrate planning, production and sales, thereby encompassing the complete distribution channel and customer service. The SPA business rose in the 1990s and now they take over traditional department stores as the main sales outlets with 40% of market share in Japan. (European Business Community in Japan, 2005). Regarding the target segment of the Japanese SPAs, it comprises men and women; some SPAs have target groups from children to aging people while others aim at young and middle-aged men or women only. But men and women who are aged 15 and above are the main target segments of the Japanese SPAs. Depending on a company’s concept, the style of clothes range from basic models up to fancy and sophisticated ones, thus satisfying different consumer tastes. Being fast fashion companies the Japanese SPAs sell their apparel products within low and medium price ranges.

The Japanese apparel market is the world's second largest after the U.S. with a total retail apparel market value of €63 Billion in 2003. Japan is one of the largest and most sophisticated clothing markets in the world. And the fashion designs and products quality from Japan enjoy high reputation from world-wide (Men's Casual Fashion in Japan, 2008).

Because of keen competition in the domestic market, fashion retail chains find it necessary to search for new markets. As the founder of the leading fashion chain store in Japan, Uniqlo, Tadashi Yanai said: “Japan is isolated”. (Jana & Woyke, 2007). Thus, it is important for the retail companies from this island to be internationalized in order to access overseas markets. Asia is the stepping stone for most of the Japanese apparel companies to go abroad, and they extensively exploit Asia’s potential. However, in order to further expand and find new opportunities, Europe should be considered for the next step in internationalization. A central location of a new market is also important for the fashion retailers from Japan, an isolated island, to access surrounding markets. From this perspective Germany seems to be a good choice, since it is located in the centre of Europe; moreover, CBI, one of the leading world’s marketing agencies, in their research (2007) conclude that Germany is an attractive market for producers of outerwear. To set up marketing strategies in the German market, the Japanese SPAs need to understand the market environment first. Thus, the key factors influencing market situation should be carefully examined. Understanding of market trends and developments as well as
competition in the market is very important since this helps build strategies according to the situation. Also, in order to attract and satisfy target customers their attitudes and expectations should be analyzed. So, the current study will analyze the German market from these perspectives in order to provide valid data to the Japanese SPAs.

There is a significant number of business reports from international marketing databases, such as CBI, Datamonitor ACNielsen and Euromonitor providing an overview of the German fashion market and focusing on product categories significant in menswear and womenswear sectors. For example, CBI (2007) distinguishes the following clothing categories: menswear (coats, outdoor jackets, suits, blazers, leather, trousers, jeans, shirts, knitwear, accessories) and womenswear (coats/furs, suits, jackets, dresses skirts, trousers, jeans, blouses, knitwear, accessories). However, these reports present only general information about the market. Also, they are not written for any specific group of fashion companies to enter the German huge fashion market.

The British Clothing Industry Association and UK Fashion Exports have conducted a German fashion sector research (2008) suggesting strategies for the UK fashion exporters to go into the German fashion market. Yet, there is no research targeting on the Japanese SPAs. As Larke (2004) states, there has been a number of studies published about foreign retailers entering Japan, but only few consider moves of the Japanese retailers to other countries. As for Larke's (2004) research, it only concentrates on the Japanese retailers in Asian countries, but not Germany.

In order to fill in the information gap, this study aims at presenting and analyzing the data about the German womenswear and menswear market from the perspective of opportunities and challenges it provides for the Japanese SPAs. This thesis will give an overview with detailed analysis of the German fashion market based on product categories identified by CBI (2007) for the Japanese SPAs who are interested in expanding to Germany. Empirical data and its analysis presented in the thesis will equip decision makers of the Japanese SPAs with the necessary information regarding the German market situation. Moreover, some practical recommendations will be also given to suggest them how to plan their marketing strategies when entering the Germany fashion market.

### 1.2. Purpose

The purpose of the thesis is to describe German apparel market and to examine how the Japanese SPAs can enter it. The research is limited to the German menswear and womenswear markets including the product categories identified by CBI (2007) market survey, which target men and women aged 15 and above. Finally, the research is aimed at giving recommendations for the Japanese SPAs regarding planning marketing strategies when entering the German market.
1.3. Disposition

This study is organized as follows:

Chapter 1: This chapter gives an introduction to the Japanese SPAs. And the purpose of the study is also stated.

Chapter 2: This is the Methodology chapter which explains the research process, methods of creation of the analysis model, collection and analysis of the data. The main factors of the developed model are explained to show how these factors reflect the purpose of this study.

Chapter 3: This is the Analysis Model chapter which introduces the developed model applied in this study. Also, the selection of variables categorized under the main four factors is discussed.

Chapter 4: In this chapter, an overview of the Japanese SPAs sector is summarized.

Chapter 5: Findings and implications regarding the German fashion market are presented according to the created model.

Chapter 6: It provides a summary of the research.

Chapter 7: Possible and practical marketing strategies to the Japanese SPAs to enter the German fashion market, which stem from the summary chapter, are covered.
2. Methodology

As formation of the purpose is explained in the previous chapter, in the methodology part, the research process, creation of model, methods of data collection and analysis are discussed.

2.1. The Creation of Theoretical Framework

The main criterion of selecting a theoretical model is that it should facilitate answering the purpose of the research. The purpose of this thesis is to investigate how the Japanese SPAs can enter German apparel market. Also, according to the purpose, a theoretical model has to provide explanations regarding how the market will be described, as well as allow offering suggestions as for how to plan market entry. Since this is a study regarding fashion marketing, the applied model also needs to include the variables and factors influencing the fashion marketing strategies.

Plenty of existing studies research the German fashion market. They contribute many crucial factors that are influential to the market attractiveness and marketing strategies of fashion retailers. However, as mentioned in Introduction Chapter, there is no available study as well as model reaching the purpose of this research; a new model is designed to fulfill the purpose of the thesis. Suggested by Fisher (2004, p.43), a new model is developed by adapting the important relevant variables offered by the previous researches and studies. Chapter 3 will provide a detailed explanation of the developed model from the perspective of factors and variables determined within the factors in order to give the overall understanding of the research.

2.2. Method of collecting data

To fulfill the research purpose both secondary and primary data has been collected. The methodology of gathering both types of data is discussed below.

2.2.1. Collection of secondary data

The aim of collecting secondary data is to support the intended research. The obtained information provides a necessary background for the current study. Mainly, secondary data is aimed at presenting information describing the market environment, such as market size and growth, market trends, economic and demographic developments, etc. Also, discussion of competition and marketing activities of the main players is provided on the basis of the secondary data. Some characteristics of German customers’ purchasing habits are revealed with the help of secondary data. In addition, secondary data was used to cross check primary data from the interviews where it was possible in order to ensure reliability of the collected information. Moreover, secondary data served as a source of information about Japanese SPAs and their strategies.
The secondary data is collected mostly via Internet; however a number of printed publications is used as well. The key words and word combinations for Internet search were as follows: fashion marketing, menswear and womenswear markets in Germany, German fashion market, Japanese fashion, Japanese SPAs, fashion trends, German customers’ expectations towards fashion, Japanese culture in Germany, attitudes to brands in Germany, customer service in fashion, major competitors in fashion in Germany. It is obvious that information presented in the Internet and printed publications might lack accuracy. In order to ensure credibility of the obtained data the information for the research is mainly taken from market reports provided by such world-renowned agencies as CBI, Datamonitor, ACNielsen and Euromonitor. Credible reputation of these marketing agencies confirms reliability of the data obtained from their reports. In addition, information gathered from electronic peer-reviewed marketing journals and corporate websites of the apparel companies mentioned in the thesis is used for the current research.

In order to guarantee that the research is based on adequate data some scientific sources were reviewed and analyzed. They were mainly retrieved through such electronic databases as ABI/Inform, EBSCO, Emerald, ELIN@Mälardalen, Google and Google Scholar. To facilitate studying of German apparel market research reports from CBI, Datamonitor and ACNielsen were used. The data regarding the Japanese SPAs was obtained from the companies’ websites and annual reports. Some of the earlier studies and researches obtained from the listed electronic databases are also adopted in this thesis. However, they are all further supported by latest researches and findings which ensure the data presented are valid and reliable. There are also data gathered from some English speaking forums such as Toytown regarding fashion in Germany. The data collected are used to represent opinions of the German consumers because the forums are platforms for the German peers to express their views about fashion in Germany. And this could contribute different ideas from the potential customers to the Japanese SPAs. However, it should be pointed that the data obtained from forums is never regarded as the main data; rather it serves to support and cross check the information received during the interviews and from secondary sources. So, the data gathered on forums is used as one more supportive argument for the current research.

Among the reviewed marketing journals Journal of Fashion Marketing and Management became particularly helpful since it provided an overview of the contemporary issues and trends in the field of fashion marketing, both from global perspective and in terms of separate country’s overview. Many articles published in the journal discuss tendencies in German fashion market.

Such books as Fashion Marketing: Contemporary Issues (Hines & Bruce, 2007) and Fashion Design (Jones, 2005) appeared to be crucial for the present research. Having been published in 2007 and 2005 respectively, the books provide latest insights into current trends in fashion marketing, as well as introduce main concepts of the studied area.

### 2.2.2. Collection of primary data

The aim of collecting primary data is obtaining information that cannot be retrieved from secondary sources. In the contemporary fashion market fast fashion is the main strategy that majority of apparel producers pursue. With launching more than 10 collections a year fashion companies stimulate quick changes in consumers’ preferences and attitudes (Winterman, 2006).
How can Japanese SPAs enter the German fast fashion market? Ka Yu Seto
Olena Zastezhko

As a result, marketing research sometimes is unable to keep pace with fast changes in consumer behaviour. Thus, it was decided to conduct interviews with experts in fashion industry in Germany, who can give professional overview of the the German fashion market. These interviews became of great value to the research since they helped obtain the latest information related to the fashion market conditions in Germany, German consumers’ expectations regarding fashion apparel and their purchasing habits. Also, conducting interviews provided a deep professional insight into German customers’ perceptions and attitudes towards Japanese fashion and brand image of the Japanese apparel companies. In addition, interviewees gave suggestions as for prospective customer segments for the Japanese SPAs, as well as provided considerations regarding potential the Japanese SPAs have in the German competitive market. The information obtained from the interviews was cross checked by secondary data, thus secondary data was used to support experts’ opinions and provided more solid ground for the research.

It was decided to conduct semi-structured interviews. This approach allows the interviewer to have a schedule to remind him about the issues that need to be covered by the respondent. However, at the same time, this kind of interview does not restrict the respondent in his answers and he responds to the questions in the way that is logical and sensible to him (Fisher 2004, p. 133).

2.2.2.1. Selection of Interviewees

Before determining the number of interviewees in this thesis, it was decided to interview experts of the German fashion market with three main different background:

1. A German expert who is also a fashion consumer in the German market.

2. A fashion professional who has knowledge not only about the German fashion market but also about the Japanese fashion.

3. A fashion professional who has knowledge both about the German fashion market and potential market competitors to the Japanese SPAs.

Through personal connections of the authors as well as snow ball sampling, which means the people interviewed are then asked to nominate people they know who would also be good respondents (Fisher, 2004, p.142), one interviewee from each criteria above was selected. The snow ball sampling method was applied since it allows easier access to experts in fashion field in Germany. Specialists which are recommended by the interviewees have valuable experience and can provide professional ideas as well as latest data concerning multiple aspects of the German fast fashion market. The first interviewee, Ms. Ning Bulgrin, has education and working experience in the fashion market in Germany. And she could also reflect the opinions of the German consumers. The second interviewee, Ms. Julie Wilkens, is working in a sourcing company for the German fashion retailers located in Asia. Also she has good knowledge about both German fashion market and the Japanese fashions. The third expert, Ms. Scarlett Liu, has strong working and educational backgrounds in fashion marketing. She is working for Norintra Ltd. in Hong Kong, which is a German design studio selling the brand Quelle by catalogues in Germany. Because Quelle is one of the biggest home shopping retailers in Germany and is
known as one of the competitors to the independent fashion retailers in Germany, her opinion allows the Japanese SPAs to understand the market from the point of view of other fashion retailers in Germany. After the interviews had been conducted with these three experts, their opinions appeared to be very similar and there was no contradiction between their replies. And therefore, it is believed the interview results include no bias and are representative to the German fashion market. Hence, it was decided to have no further interviews. So, in total three interviews were conducted for this thesis. Besides, the interviewees’ opinions are all further supported by the secondary data in the current research, to ensure the findings presented are reliable and valid.

Interviewees’ personal data, reasons for selecting these interviewees, as well as the date and time of conducting interviews are presented in Table 1 below:

<table>
<thead>
<tr>
<th>Names of the Interviewees</th>
<th>Choice of the Interviewees</th>
<th>Background of the Interviewees</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ms. Nina Bulgrin</strong></td>
<td>Since this study targets on the German fashion market, ideas from Germans who are professionals in the German fashion market can provide more in-depth points of view and information. And therefore, some German students in Västerås, Sweden, where the authors are currently studying, were contacted in order to get some possible connections to the German fashion professionals. Finally, Ms. Bulgrin was referred by one of the students because of her background in fashion and textile education and working experience in a German fashion company.</td>
<td>Ms. Bulgrin is now studying at the LTD Nagold, a academy for fashion and textile in Germany. Graduates in this institution mainly work in the German fashion market. Ms. Bulgrin has finished her internship in the wholesale department of a famous fashion designer company. Her education and internship experiences can provide professional and most up-to-date information about the German fashion market, such as fashion trends, customer preferences and expectations.</td>
</tr>
</tbody>
</table>
| **Date:** May 07, 2008  
**Time:** 18:30-19:10 | | |
| **Ms. Julie Wilkens**    | Hong Kong is the 3rd leading exporter of clothing in the world (Hines, 2007). Also Hong Kong is one of the garment centers in Asia, merchandising and selling textiles and garments manufactured by China, Taiwan and other South East Asian countries such as Thailand and Vietnam to the rest of the world. Pan and Holland (2006) called these areas as “the world factory and “power house” for global high-street retailers and brand houses/designers bridge womenswear”. And thus, professionals working in Hong Kong textile or fashion companies exporting clothing to Germany, or linked in other ways to German market appear a very | Ms. Wilkens is the senior purchase executive of Gracedon Knitters Ltd (South Ocean Group), which is one of the largest companies in the Hong Kong Garment and Textile industry. Ms. Wilkens has worked in the fashion industry for 6 years. And she is a purchaser for the German fashion market. Because of her job nature, Ms. Wilkens has good knowledge about the demand and trends of the German customers regarding fashion and textile. Also, her experience of working in Japan division in the purchasing department allows her to provide professional ideas about both the Japanese fashions and the German |
| **Date:** May 12, 2008  
**Time:** 13:00-14:00  
(19:00-20:00 HK time) | | |

Group 1987
How can Japanese SPAs enter the German fast fashion market? Ka Yu Seto
Olena Zastezhko

| Ms. Scarlett Liu | Date: May 14, 2008 | Time: 13:20-14:40 (19:20-20:40 HK time) | See above | Ms. Liu is introduced by Ms. Julie Wilkens. She is currently occupying a position of Product Developer for womenswear in a German design studio Norintra Ltd. in Hong Kong, which is involved in selling the brand *Quelle* through catalogues in Germany. *Quelle* is one of the biggest home shopping fashion retailers in Germany which is one of the competitors to the independent fashion retailers in the country. Ms. Liu graduated from Hong Kong Polytechnic University, Master course of Fashion and Textile and has been working in the industry for about 10 years. Her educational background and working experience ensure that she possesses the latest knowledge in the field of textile and fashion market information in Germany |

Table 1. Interviewees’ profiles

2.2.2.2. Method of conducting interviews:

Interviews were conducted via telephone and Skype, which is free internet software for phoning and messaging. Fisher (2004, p. 143) pointed out that telephone interview is an appropriate way to obtain access to people who never find time to meet for an interview. Because of the busy schedule of the interviewees, telephone interviews allow the interview to be conducted at anytime at the interviewee’s conveniences. But Fisher (2004, p. 143) also argues that telephone interviews have to be kept short, and further he adds that it is not easy for interviewees to answer on complex matters while responding on the telephone. So, Skype interviews were also conducted. This enabled longer interviews duration with more complex questions. Before the interviews were conducted, the interviewees had been presented a price and product lists of the Japanese SPAs, in order to let the interviewees to compare with the market situation and customers expectations in Germany. Since the selected interviewees are already familiar with the Japanese fashion designs and product offerings of the SPAs, the presented pictures of the products aimed at just reminding them about SPAs fashion styles. The pictures were chosen according the product categories and price ranges. First, the product categories of the selected pictures are limited to tops (blouses, camisoles, one pieces, T-shirts, shirts or Polo Shirts),
jackets and bottoms (jeans, skirts or trousers), from the e-shops of the corresponding SPAs. Second, because the Japanese SPAs have different product lines with different price settings, the picture selected were composed on the basis of medium prices of different SPAs’ product lines ranging from low-priced to more expensive ones. Details of the product and price list are revealed in Appendix III. At first, the interviewees were asked regarding professional ideas about their perception of the Japanese clothings and potential of the Japanese SPAs in the German market. This allowed the interviewees to express their opinions related to the research topic. The interviews also aimed at collecting information about the latest market trends in the German apparel market, brand image of the Japanese fashion in the market, possibilities for the Japanese SPAs to reach the needs of the target customers in terms of marketing mix, the German customers’ consuming behaviour. Also, some missed ideas and necessary factors that are not covered by the previous studies could be suggested by the interviewees from their professional points of view.

2.2.2.3. Place of conducting interviews:

The interviews were conducted in leisure environments. Because the interviews are done by telephone and Skype, interviewees could stay at home or places where they feel most comfortable to answer the questions. Fisher suggested that the place at which the interview is conducted is very important since a comfortable surrounding can encourage interviewees to open up and to challenge their own assumptions (2004, p. 142).

2.2.2.4. Duration of interviews:

The interviews were conducted from May 07, 2008 to May 14, 2008, during evening hours (of the interviewees’ local time). This allowed the interviewees to answer the questions at convenient periods when they had free time and needed not hurry. And this enabled them to reply the interview questions in depth.

2.2.2.5. Interview guide:

The followings are the interview questions to guide the interview content relevant to the purpose. The interviewees are also encouraged to express their opinions about the German market freely which can inspire new ideas about the research topic. The interview guides are designed basing on the variables in the created model. Basing on the first interviewee’s reply, there were two extra questions added in the second interview. For the details of how were the interviews presented to the interviewees and the interview results, see Appendix I and Appendix II for reference.
How can Japanese SPAs enter the German fast fashion market?

Ka Yu Seto
Olena Zastuzhko

I. Interviewee’s background regarding German fashion market:

• Could you please give us the information regarding your occupation and working experience related to the fashion field?

II. Questions regarding Japanese fashion in Germany:

a. Interviewee’s professional ideas about the Japanese fashion styles and their potential in Germany

• What do you think about the Japanese fashion styles?
• Can you please give some examples of those low priced retailers as you mentioned? (extra question in the second interview)
• Do you think there is any potential for Japanese fashion apparel in the German market? Can you give reasons?
• As you mentioned about the competition in market, could you please suggest some major market players in the German fast fashion market that the Japanese SPAs need to consider? (especially the low to medium price segment) (extra question in the second interview)

b. Marketing Mix

• From your point of view, are Japanese fashion designs attractive to the German customers?
• (Give the price list example to the interviewees). Do you think these price settings of the Japanese SPAs are competitive in the German fast fashion (low to medium price) market? Will such prices match the expectations of the target customers?
• Which distribution channel (such as department store, retail shops or shopping malls) will be the most appropriate for the Japanese SPAs to reach their target customers?
• In your opinion, which promotion channels will be the most effective for the Japanese SPAs to reach the target segment?

c. Market Environment – Market trend

• What are the coming fashion trends in Germany? Do you think the Japanese SPAs’ designs can match these new trends?

d. Branding and Country of Origin
• Are Japanese clothing brand names known in Germany? How do the German customers feel about fashion from Japan? What kind of images does Japanese clothing give to the German consumers?

• Do you think branding of Japanese SPAs is important for them to enter the German fast fashion market?

e. **German Customer behaviour and expectations**

• Do you have any suggestions on celebrities or social communities and groups that the Japanese SPAs can collaborate with in order to gain awareness and brand recognition from the target group?

• Which groups of customers do you think would appreciate the Japanese fashion styles more?

• What do the German customers expect on the services when they buy clothing? Do you have any suggestions how can the Japanese SPAs reach their expectations in this aspect?

**III. Interviewee’s further recommendations to the Japanese SPAs**

• Do you have any further recommendations which Japanese SPAs have to consider when they enter the German menswear and womenswear markets?

• Do you think there are any aspects regarding the Japanese fashion in the German market we have not covered in the interview? Do you have any additional suggestions?

• Also, could you please kindly introduce some people you know who have professional knowledge of the German fashion market to us for some interviews? Your reference will be very helpful to us.

**2.3. Method of analyzing data**

The secondary data, which comprises information regarding the German fashion market characteristics, are analyzed using coding technique (Fisher 2004, pp. 155-157). As for the primary data collected from the interviews, it is interpreted using the same approach. The analyzed data is presented as a narrative account.

The empirical findings were collected and organized based on the analysis model employed in the research. The collected data is also analyzed in the same aspects.

The information presented in this thesis is analyzed according to the empirical findings. Since the purpose of this study is to examine the opportunities and challenges of the German womenswear and menswear markets to the Japanese SPAs, all the collected data discussed under
How can Japanese SPAs enter the German fast fashion market?

Ka Yu Seto
Olena Zastezhko

each variable will be analyzed in the manner of finding out implications of opportunities and challenges to the Japanese SPAs.

To analyze the opportunities and challenges of the German market to the Japanese SPAs, all the variables under each factor will be compared with the current marketing strategies or competitive strengths of the Japanese SPAs. Chapter 4, The Apparel Sector in Japan, provides an overview of the apparel industry in Japan, as well as the marketing strategies of the main Japanese SPA players. The data presented in this chapter will be used for comparison with each variable of the German market, under the structure of the created model. The factors of Environment, Competition and German Consumers are presented in order to examine whether the Japanese SPAs have opportunities or challenges in the market. So they are analyzed in the comparison manner. In the comparison process, the stronger the fit between the market variables and the Japanese SPAs’ strategies or features is shown the higher the opportunities of the German market to the Japanese SPAs. Meanwhile, the bigger the differences between the German fashion market variables and the Japanese SPAs marketing strategies and features, the stronger market challenges will be found. Thus, abilities of the Japanese SPAs to respond to the market situation in Germany can be used for measuring the degree of fit between the Japanese apparel companies and German menswear and womenswear markets. This is also supported by CBI market survey (2007) which implies that it is an opportunity if organizations can respond to the market situations; otherwise, it is a threat to organizations. Therefore, in addition to analyzing the fit and possibilities and abilities of Japanese SPAs to respond to the market conditions, the German market environment will be also considered. If the Japanese SPAs have abilities to respond to each market variables, it will be regarded as high opportunity for them to enter the German fashion market and vice versa. Meanwhile, the factor of Activities in the German market is to examine the current activities of the current major market players and evaluate whether those marketing strategies could be applicable to the Japanese SPAs. The marketing strategies of the current players are compared with the customer perceptions of the strategies. Marketing strategies that perceived positively in the market and are applicable to the Japanese SPAs could become potential marketing strategies to the Japanese SPAs and vice versa.
3. Analysis model of the German Fashion Market in German for the Japanese SPAs

In this chapter, the factors and variables of the constructed model are explained, supported by current researches and studies. Figure 1 below shows the details of the model developed for this thesis:

![Diagram of the Analysis model of the German Fashion Market](image_url)

**Figure 1. The factors affecting the Japanese SPAs opportunities and challenges in the German fashion market**
3.1. Factors of Model

Studies of Cateora and Ghauri (2006) and Porter (1998) introduced some general concepts to determine the essential factors causing opportunities and challenges of a market to a certain company or group of companies. In order to develop a model concentrating on fashion marketing, articles in the book “Fashion marketing: Contemporary issues” (Hines & Bruce, 2007) became the main references to find out the major factors and variables particularly important for studying fashion markets.

The variables derived are categorized under four factors: **Market Environment, Competition in the German Fashion Market, Activities in the German Fashion Market and German Consumers**. Only variables related to the fashion market in Germany are discussed under these four factors ensuring this study reveals data which reflects the purpose of the thesis.

Moore and Burt (2007) suggested that the “foreign market pull factors” encourage fashion retailers to go overseas. In addition, Cateora and Ghauri (2006, pp.8-10) also pointed out that the environmental factors of a foreign market are uncontrollable to marketers. The difficulties created by a different environment and culture are the international marketer’s primary concern. On the other hand, adjustment or adaptation of the business activities (controllables) to the market environment can bring a successful outcome. Pechoux, Little & Istook (2007) concluded that “the marketing of fashion goods is not an isolated process, socio-economic trends prevail and need to be interpreted…..(these) help determine what influences they may have on future consumer behavior and fashion”. And thus, the environment factor in the German fashion market is a challenge but also an opportunity to the Japanese SPAs.

Both market analysis report of CBI (2007) and Datamonitor (2007) also revealed that market competition or rivalry affects opportunities for new comers to the German fashion market. As Cateora and Ghauri (2006, p.278) suggested, in order to make a market entry, the marketer needs to carry out a competition analysis to establish whether it will be possible to capture a desired market share or not. Also, Porter (1998, p. 164) claimed that competition in a market encourages companies to be innovative and to upgrade. And therefore, the Competition factor is included as it is a driving force of marketing opportunities and challenges for new market comers.

Activities in the Market mean the 4Ps (product, price, place, promotion), customer service, branding and country of origin effect in the German market. Other than traditional marketing mix, Product, Place, Promotion and Price (4Ps), customer service is included in this model because it is related to service, and apparel industry involves a lot of service elements. The traditional marketing mix is more product oriented (Gronroos, 1994). Meanwhile, customer service becomes more and more important to the retail industry because it enables to be more competitive. Hines, Cheng and Grime (2007) stressed that the fashion retailers need to differentiate themselves from competitors by all marketing strategies. In the retailing sector, apart from promotion of products, service and communication, both at internal and external levels, are important in determining an organization’s corporate identity as so to differentiate itself from competitors. This shows that the study of customer services help the Japanese SPAs design their marketing strategies and distinguish themselves from the current market players, in the other words, to enhance their opportunities to get market share in the German fashion market. Besides the 4Ps and customer service, the fashion marketing concept of branding and country of origin effect are also influential to evaluate the Japanese SPAs’ opportunities in the market. The
German customers’ preferences as for branded clothes are very essential to the Japanese SPAs, who are the new comers and have low recognition levels in the market currently. Also, the perception of the German consumers towards the Japanese fashion is also under consideration. The more positive image the German consumers have regarding the Japanese fashion, the higher opportunities for the Japanese SPAs to enter the market. Also, understanding of the marketing mix of the current players and German customers’ preferences as for branded clothing and their perceptions of fashion from Japan will help the Japanese SPAs determine their differentiation and design their marketing strategies. Therefore, the factor of Activities in the German Fast Fashion Market is distinguished in the model in this thesis.

The last factor is German Consumers. One of the most important tasks for the marketers is to encourage consumers to take action and purchase. They are concerned with encouraging repeat purchases (Evans, Jamal, & Foxall, 2006, p.86). The research of “European Business Community in Japan” (2005) showed that learning about the customer behavior and expectations towards the fashion products are necessary for the new market comers. Banister and Hogg (2007) also claimed that the information about consumer behavior in the fashion markets can be used in decision-making: from design, buying and merchandising, through to the formulation of effective promotional strategies. Hence, it is necessary to study the German consumers’ behavior to fashion. The ability of the Japanese SPAs to realize expectations of the German consumers and to reach their demand is the key to success.

As mentioned in Chapter 2, Methodology Chapter, the created model is aimed to answer the purpose of this study. The developed model contains four factors supported by the previous studies. The factors included have significant influence on the German fashion market in terms of providing opportunities and challenges to the Japanese SPAs. The corresponding results of analysis lead to guidelines for planning marketing strategies for entering the German womenswear and menswear markets.

3.2. Variables of the Factors

3.2.1. Market Environment in Germany

The first factor is the Market Environment in Germany. It is divided into Macro and Micro environments. Moore and Burt (2007) argued that environmental differences made standardization of the fashion retailers’ marketing mix across a range of markets impossible to achieve. So it is necessary to study the market environment and adjust the marketing strategies.

The Macro Environment includes the demographic and economic variables. The Demographic environment factors discussed in this thesis concentrate on demographic trends which are developing in the German society. In the article of “Implications on the fashion industry: The 2000 census in Japan shows several significant demographic changes” (2008) indicated that the demographic changes such as age and social status of the consumers are highly related to their demands and expectations of fashion products. Pak and Kambil (2008) also pointed out that the consumption power of the aging people is higher and the aging population nowadays is more...
How can Japanese SPAs enter the German fast fashion market?

Ka Yu Seto

Olena Zastezhko

Concerned about their dressing styles, thus making them a strong potential market segment to the fashion retailers. Therefore, studying the market demographic characteristics can help analyze the German market environment which allows Japanese SPAs to understand the size of potential customer market. The Economic environment of a country also influences the investment conditions and possible profit for a company. Quoted by Moore and Bunt (2007) in their article, Alexander (1997) noted that variables of good economic condition, such as high GDP and economic development, and favorable exchange rates are the pull factors of a market to fashion retailers.

Regarding the Micro Environment market size and market growth, market structure, cultural dimensions of fashion and fashion trends are the variables that mainly influence the fashion retailer’s possibilities to enter the market. Moore and Bunt (2007) also quoted from Alexander (1997) that big market size and high market growth make a market more attractive to fashion retailers. Market structure is discussed from the perspectives of the current market developments and trends, degree of concentration and competitiveness as well as import levels which influence the German apparel market. The cultural issues which Japanese fashion retailers need to consider while entering German market include knowledge of German fashion centers with strong cultural spirit, attitude of German customers to Japanese culture in general and their perception of Japanese culture from the perspective of fashion. Jackson (2007) suggested the attributes that can be manipulated to reflect changes of fashion trends such as Color, Fabric, Print, Pattern, Silhouette, Styling details and Accessories. The new fashion trends of the German market will be examined under these attributes. This will provide understanding whether the Japanese fashion styles can cope with the new fashion trends, and on the basis of this suggestions can be given for the Japanese SPAs to design their products for the German market.

These become the guidelines to analyze the market opportunities and challenges of German fashion sector to the Japanese SPAs.

3.2.2. Competition in the German Fashion Market

The second factor is Competition in the German Fashion Market. Competition within a market is a crucial factor to the new market seekers (Cateora & Ghauri, 2006, p. 269). According to research report “Market study on the young fashion design sector in Japan” conducted by European Business Community in Japan (2005), positions of the main players and their strength in each of the market segments are the major variables influencing the level of market competition in fashion sector. Right positioning of a company lets it strengthen its brand image and attract target customers. The stronger a company’s positioning is the more competitive it becomes. Consequently, a large number of strong players makes competition higher, and thus it is more difficult to enter the market. However, a competitive market can upgrade a company with more innovations (Porter 1998, p. 164). Also, CBI marketing report (2007) states that companies which can have right positioning in the German outerwear market can be successful. Therefore, competition factor helps evaluate the opportunities and challenges of the German fashion market.
3.2.3. Activities in the German Fashion Market

The third factor is Activities in the German Fashion Market. This concerns 4Ps (product, price, place, promotion), customer service of the current market players. The aspects of 4Ps and customer service are discussed in this thesis as follows:

1. **Product:** This includes design, materials and quality of the clothing provided in the fast fashion German market. Also, perceptions of the German consumers towards the current players’ products are examined, in order to find the market chances to the Japanese SPAs.

2. **Price:** The average price level of the fast fashions in Germany. This is concluded after the product prices of the main market players are studied. The study of the competitors’ price settings and the perceptions of the German consumers towards the current market players’ product price levels can help plan marketing strategies for the Japanese SPAs.

3. **Place:** This element reflects the distribution channels of the German fashion retailers. These can be department stores, shopping center, specialty retailer shops, and others, such as internet and select shops (European Business Community in Japan, 2005). Knowing the German fashion distribution channels and the German consumers’ perceptions help find the most suitable distribution channels for the Japanese SPAs to reach their target customers.

4. **Promotion:** This component covers promotional activities of mass media (e.g. magazines and TV), sales discounts, membership benefits (e.g. discounts and free samples) and promotional campaigns. The most effective promotion ways in the German fashion market, as well as the most appropriate promotion approaches for the Japanese SPAs to reach their target customers are discussed.

5. **Customer Service:** Ghobadian (1993) argued that the traditional marketing mix (4Ps) is more product oriented. His research showed that there is positive relationship between customer perceived quality and an organization’s financial performance. He also suggests that good service quality gains competitive advantage to a fashion company. Also, good customer service enables a company to build up customer loyalty, as it helps to cement repeat sales and referrals, and thus market share and revenue growth (Cateora & Ghauri, 2006, p. 252). Since fashion marketing includes interaction between fashion retailers and customers, the service variables have to be taken into account. In terms of customer service, Ghobadian (1993) claimed that this includes both internal and external communications. Externally, it deals with the service quality (such as helpfulness, politeness and professional knowledge of shop staff) and the communications of companies to customers (such as the identity, promises and new information of the companies). Hines, Cheng and Grime (2007) stated that
communication plays an important role in corporate brand management and helps build up customer loyalty. They suggested that fashion retailers can use corporate designs, advertising, corporate events and sponsoring to communicate to stakeholders. Marciniak and Bruce (2007) argued that internet is a good means also. Other than product and service, Hines, Cheng and Grime (2007) stated that in fashion sectors, the interior design of the store, visual merchandising (displays) and store image are also critical in customer services. There are many sources supporting that store atmosphere is important to customer services. Chu and Lam (2007) also agreed that store environment is very important in customer services. Hines, Cheng and Grime (2007) regarded that in order to keep the staff services and brand image consistent, there is necessity to conduct internal communication between the company management and the frontier staff. Internal communication can be formal, informal, written, oral etc. The management needs to collect ideas from the frontier staff, meanwhile, downstream information by training and company news can keep the staff consistent in their service quality.

Based on the studies about customer service aspects discussed above this thesis concentrates on the following:

- a. staff services – courteous and friendly salespersons, merchandise suggestions of salespersons
- b. in-store environment – comfortableness and tidiness, non-irritating environment, color and atmosphere in-stores and displays
- c. external communication – memberships, company newspaper etc.
- d. internal communication – evaluation of staff performance and staff training.

The study about the current competitors’ customer service strategies and customers’ preferences in Germany will show opportunities for the Japanese SPAs to respond to the market needs. This information will also allow giving recommendations to the Japanese SPAs.

3.2.4. German Consumers

The last factor is German Consumers. The German Consumer factor covers the customer expectations, consumer behavior, branding, country of origin effect and the German consumers’ sizes. These variables are suggested in the report released by European Business Community in Japan (2005).

In previously published literature importance of understanding consumer expectations is discussed. Ghobadian (1993, p. 46), for example, pointed out that companies need to realize the customers’ expectation regarding products or services and fulfill them. The better the perceptions of the customers, the higher potential for repeat purchase. And therefore, the German consumers’
How can Japanese SPAs enter the German fast fashion market?

Ka Yu Seto

Olena Zastezhko

expectations on the 4Ps and customer services of fashion retailers are crucial variables. In this thesis, the German consumers’ expectations on the following aspects regarding fashion retailing are discussed:

1. **Product**: This concentrates on German consumers’ expectations on fashion quality, designs (or styles), material used.

2. **Price**: The importance of price for the German consumers when they purchase fashion is discussed. How does product price affect the German perception on fashion is also examined.

3. **Place**: The expectations of Germans on shopping location are explained.

4. **Promotion**: The necessary factors for the Germans in advertisements are discussed. The promotion ways that appreciated by the German consumers are also introduced.

5. **Customer Services**: This focuses on the expected staff services and shopping environments of the German consumers.

Regarding **consumer behavior**, it is suggested by Banister and Hogg (2007) that symbolic consumption is a main purchase pattern of fashion customers. This includes self-concepts of consumers, the potential audience to the consumer as well as the product and brand image. Self-concept means the individual’s self-perception. For example, when a person thinks he/she is fashionable, he/she tends to buy new trendy items in the market more frequently. Potential audience can be fellow students, work colleagues and other people in public areas. Cited by Bainster and Hogg (2007) in their research, the idea of an audience of “significant others” drawn on Bearden and Etzel’s (1982) research considers reference groups. Consumers will form associations with certain groups that will then influence their behavior. Consumers will also form stereotypes of the generalized user of the product and form products images, which will then serve to influence the consumer decision-making process. Positive reference group (family, celebrities or fellows) will encourage customers to consume in a certain way; meanwhile, negative groups will discourage consumption. So they suggest fashion retailers to find out the positive groups or make use of the negative groups in the right way to encourage consumptions on fashion. And therefore, in this thesis, the **German consumer behavior** is discussed under two aspects: **Self-concepts** and **Potential audience / Reference Group** of the German consumers.

Banister and Hogg (2007) also stressed that fashion consumers are likely to associate their image with the brand and product images. Consumers therefore make judgments and consumption decisions regarding fashion products and brands based on their stereotypical opinions about products and the “typical consumers” of those products. This is also known as branding effect of a retailer or product. Country of origin effect and branding are also included because they create value and influence customers’ purchasing of the closing product. Jones (2005, pp.74-75) suggests that all fashion companies like to have logo, label or shop fascia (nameplate) to promote their wears and to encourage and reward loyalty of their customers. Sometimes being seen to wear a popular brand or label is more important to the customer than the actual item of clothing.
How can Japanese SPAs enter the German fast fashion market?  

Ka Yu Seto  
Olena Zastezhko

In addition, Cateora and Ghuri (2006, pp. 314-315) claimed that customers tend to have possible perceptions to the products made in the countries which are particularly famous about that kind of products, such as French fashion garments. In conclusion, both Branding and Country of Origin Effects are important for the Japanese SPAs to consider when they enter the German market. And so these two variables are also included in the German consumer factor. The study of consumer behavior can help the Japanese SPAs to find their target customers who consider the Japanese fashion fitting their self-concepts, to set up their brands images, and to find the positive reference groups to target on.

The body shapes and sizes of Germans are very different from Japanese. European Business Community in Japan (2005) also emphasized that the Europeans fashion designers and makers need to adjust their product sizes to the Japanese population. This is also applicable to the Japanese SPAs when they enter the German fashion market. So, the data about the German sizes is necessary in the German Consumer factor.

The environment factor has impact on the other three factors, since it influences competitive conditions within the market, marketing activities of the consumer features. So, the environmental factor influences the market opportunities and challenges to the Japanese SPAs both directly and indirectly.

Further in the study, all the opportunities and challenges of all variables in these four factors are analyzed. Through this step, the market potential and obstacles are examined. And therefore, it provides guidelines and implications for the Japanese SPAs to plan the marketing strategies that fit the German fashion market.

With this created model, the purpose of this study will be achieved. The interview guides are designed according to this model, so the data collected will reflect and relate to the research purpose. The opportunities and challenges of the German womenswear and menswear markets to the Japanese SPAs will be evaluated. And the results will allow to design marketing strategies which include positioning; marketing mix and customer service strategies to go into this market. Positioning is what a company does to the customer’s mind. Cateora and Ghauri (2006, p. 255) suggested that the most effective positioning of a company is to know the customer segment and concentrate on understanding the target group and create an image that matches their needs. Branding of a company also needs to be considered. Guiding by this developed model, the findings and analysis will allow the Japanese SPAs to know more about their target segments and to set up their positioning accordingly. Positioning of a company determines the marketing mix and customer service strategy planning. The Marketing mix and customer service strategies have to be consistent with the company’s positioning. Besides, the Japanese SPAs will be recommended to adjust their marketing mix and customer service strategies according to the German fashion market data collected and analyzed.

This chapter provided detailed description of the created model to fulfill the purpose of the thesis. In the next chapter an overview of apparel sector in Japan will be given in order to introduce the Japanese SPAs and their strategies.
4. The Apparel Sector in Japan

Japan is the world’s second largest market for apparel after the U.S. In the early 1990s, however, the market started to shrink due to sinking incomes and an influx of low-price imports. Recently, the signs of improvement have been seen with increasing of consumer spending power, growing demand for quality and value-adding clothing. Thus, apparel companies started reshaping their merchandising policies according to new market trends. The Japanese consumers tend to buy more luxury brands than fast fashion clothing. (European Business Community in Japan, 2005).

The total value of the retail apparel market in 2003 was 10,138 billion yen (€66 Billion), a 1.6% decline from the year before. More than 60% of apparel retail is women’s clothing. Women’s clothing sales showed a smaller drop (-0.1% to 6,350 billion yen, €36 Billion) than men’s clothing (-1.8% to 2,828 billion yen, 20 €Billion) (European Business Community in Japan, 2005).

4.1. The Retailing of the Japanese Fashion Market

Over the past several years Japan’s apparel market has seen a marked shift as consumers have purchased less and less at traditional retailers like department stores, and more and more at specialty chains (SPA). (Japan Marketing News, 2008). Thus, the specialty retailers of private-label apparel (SPAs) have become the main distribution channels since the 1990s. In 2003, the breakdown of market share between different retail options was: department stores (32%), superstores (16%), specialty stores (40%) and others such as select shops (12%) (European Business Community in Japan, 2005)

These main fashion chain retailers (SPAs) mainly targets on providing low or reasonable prices of products with chic or fine designs and high quality. However, the market competition in the fashion market has intensified with most major markets growing ever more saturated by top brands, domestic and foreign. The Japanese market is very competitive, oversupplied and sophisticated since consumers demand very high quality products. Coded by Informat (2003) in their research, the September 4th edition of the Senken Shinbun, a leading apparel industry newspaper, reported that the five major casual fashion chain stores revised their expected sales and profits upward.

According to the fashion industry research of Informat (2003), the main fashion store chains in the Japan SPA market are provided below.

**Fast Retailing Co., Ltd. (Uniqlo brand)** – Operates more than 600 apparel shops in Japan. Offering casual wear of good quality at very low prices targeting on both men and women of any age. Women’s jeans and blouses from €11 and colorful logo T-shirts made of 100% cotton for €6. The customers are primarily young people in their 20s and 30s. The company raised the Uniqlo boom in the 1990s in Japan, of mass-produced, inexpensive basic casual wear with good quality and chic designs. It is the leader in the Japanesae SPA market (Fast Retailing, 2008).
How can Japanese SPAs enter the German fast fashion market?

Ka Yu Seto
Olena Zastezhko

**Five Fox Ltd.** (*Comme Ça* brand) – Operates the *Comme Ca*, *Flandre* and *East Boy* brands. Products include womenswear, menswear, childrenswear, accessories and household goods. The products are priced higher than *Uniqlo’s*: a T-shirt costs about €30. Quality is also regarded as being higher. The designs of *Comme Ca*, *Flandre* and *East Boy* are more trendy and stylish than those of *Uniqlo* as well. Customers are both students and more affluent adults. Five Fox operates several hundred shops offering different brands for both men and women. (*Comme Ca* Collection, 2008).

**World Co., Ltd.** – Operates a wide range of product brands such *Aquagirls*, *Indivi*, *Ozoc*. The company not only sells womenswear and menswear, but also accessories. The price setting varies depending on the brands. *Ozoc’s* price positioning is similar to the one of *Uniqlo* with a pair of jeans at €20. Meanwhile, *Indivi* and *Aquagirls* have a higher price setting with around €30-€60 for a sweater. (*World* Co., 2008).

**Onwards Kashiyama Co., Ltd.** – Operates *ICB Brands*, 23-ku, *Dip Drops* and *Joseph* etc. It provides both womenswear and menswear. The price setting ranges among different brands. The *ICB Brands* prices are higher with better quality and fine designs. And *Dip Drops* is a cheaper womenswear product line with €20 for a sweater with more fancy and cute designs (Onward, 2008).

### 4.2. Product Designs of the Japanese SPAs

The main SPAs in Japan have different positioning in their product designs. *Uniqlo* aims at “very high-quality basics with a little bit of fashion.” (*Wilson* and *Barbrao*, 2006). Apart from Japan, *Uniqlo* has set up design centers in France and Italy, the top class fashion countries, in order to obtain the latest market trends. (*Uniqlo*, 2008)

Five Foxes also provides chic designs of clothing to the market. “Simple but trendy” is the main style concept of its *Comme Ca* brands’ products. The chic and cute design of fashion result in the popularity of the *Comme Ca* brands in Japan, Hong Kong and Taiwan (*Ng*, 2007). A basic with “a bit fashion” design matches the classic clear fashion style of the German consumers.

*Uniqlo* also designs its clothes for unisex and uni-age audience (*Yanai*, 2001). Consumers in all age categories can enjoy the company’s products. As the German customers, especially older ones, tend to wear clothes which make them look younger, *Uniqlo’s* clothes can provide them a wide range of choices with good designs.

Besides, *Uniqlo* keeps collaborating with international and domestic famous designers in order to add “fashion” value to the products. In 2007, *Uniqlo* released a Designer Invitation Project, with invited famous designers including Phillip Lim, and Alice Roi, Lutz and Patmos, Japanese designers Kino and Japanese select shop GVGV to design capsule T-shirt collection for women. The knitwear by Lutz and Patmos wowed women customers with low priced yet luxury feel items (*Fitzpatrick*, 2007). This allows the company’s products to be attractive to the German consumers who are concerned about better designs with lower costs.
How can Japanese SPAs enter the German fast fashion market?

Ka Yu Seto

Olena Zastezhko

The apparel designs of World and Onward are more trendy and fashionable. They both have different product lines for both men and women at different ages. For examples, Ozoc of World targets on girls from 20s to 30s with colorful and trendy product designs. Meanwhile, Indivi offers clothes and accessories for the ladies over 25 with more basic colors and elegant designs. (Onward, 2008 and World, 2008).

The Japanese SPAs are able to respond quickly to the market trends due to their vertical integration of production. The designs of the Japan fashion retailers are different from the western competitors in the way that they are less casual and generally include more details. The Japanese SPAs also provide a wide range of product designs with trendy and lovely styles, which enable them to meet different customer demands.

4.3. Supply Chain of the Japanese SPAs

As mentioned above, SPAs have vertical integration of all the processes from product development and production to retailing, marketing and customer service. This helps the companies to increase the operation effectiveness and enables them to response quickly to every market change. Onward, for example, states that the company has established new product-management systems, and introduced more market-oriented designs (Onward, 2008). The SPA concept also allows companies to have better control over their supply chains and reduce production costs.

According the European Business Community in Japan (2005), domestic production of apparel in Japan has declined since 1992 both in terms of value and volume. This is mainly owing to the slump in the market and the gradual shift of the production of local makers to low cost production countries such as China. (European Business Community in Japan, 2005). Moreover, there are also suppliers from Hong Kong and the ASEAN countries to the main Japanese SPAs.

China

China dominates production of the Japanese main chain stores. Tadashi Yanai, the founder of Fast Retailing told in his speech that Uniqlo has 90% of the products made in China (Yanai, 2001). World also established Shanghai World United Garment Co., Ltd in China to deal with production management. The abundant supplies of raw materials, low wages and competitive prices have made China the leading supplier in almost all categories. Such operations as finished goods inspection and price tagging are also increasingly being performed in China. This management of “full package” sourcing enables delivery speed to market also eliminating coordination problems of the various suppliers (Hines and Bruce 2007, pp. 24-25). The short geographical distance between Japan and China also allows the Japanese SPAs to access and manage the resources in China easier than the western competitors. For examples the Japanese fashion retailers’ headquarters can give instructions and problem solutions to their Chinese factories immediately without time lags. The Japanese staff can visit the Chinese factories more frequently for better management and communication. The low production costs in China with
lower operation costs and higher operation effectiveness result in a cheap product price and fast design response to the market of the Japanese SPAs.

**Hong Kong**

Hong Kong often uses pre-finished goods from Mainland China and adds the final touch, mostly medium and higher-class products such as knitted wear and fashion products. For example both Word and Onward use Wai Woo (Int’l) Trading Co., Ltd., a Hong Kong company with factories in China, to produce their hand bags and accessories for their Ozoc, Indivi brands (World) and Kumikyoku brand(Onward). Production in China and final touch in Hong Kong provide cheap and fine quality of products to the Japanese SPAs. (Wai Woo (International) Trading Co., Ltd, 2008).

**ASEAN countries**

ASEAN countries such as Thailand, Indonesia, Vietnam and the Philippines have taken over from South Korea and Taiwan as the main exporters to the Japanese fashion retailers since the middle of the 1980s. Informat’s (2003) data shows that the ASEAN countries rank as the second biggest group of suppliers to the Japanese fashion retailers after China (Men's Casual Fashion In Japan, 2008). Although there is fierce competition from Chinese products, exports to Japan are expected to grow further in the future (European Business Community in Japan, 2006). The cheap labor and raw materials in the ASEAN countries with close geographical locations to Japan also enable the Japanese fast-fashion retailers to lower their production costs with effective management and thus contribute to the good product quality and reasonable price of products.

**4.4. Internationalization of the Japanese SPAs**

Asia is the stepping stone to most of the Japanese international firms to go overseas. According to the company websites of the main SPA retailers, they expand to majority of Asian countries. For example, Fast Retailing has established the Uniqlo shops in Korea, Hong Kong and Beijing. Onwards and World also have their brands such as ICB, 23-ku, Ozoc and Indivi in Hong Kong, Shanghai and Taiwan. Five Foxes expanded their shops to Korea, Hong Kong and Taiwan as well. However, due to fierce competition existing in the Asian region the Japanese SPAs started considering the U.S. and Europe as their targets for expansion. Uniqlo already has set up its flagship stores in New York, London and Paris. It also has design studios in France and Italy in order to obtain the first information about the Europe fashion trends (Uniqlo, 2008). Onward also has started its brand Joseph in London. (Onward, 2007) Because of the economic recession in the U.S during recent years, the US market is shrinking. Also, New Yorkers and London consumers are less price-sensitive than consumers in other European countries, such as Germany, for example. Product brands and designs are more under their concern, although Uniqlo’s high product quality is greatly welcome by the customers. (Wilson and Barbaro, 2006). Although fast fashion retailers like TopShop from the UK perform well in London, the British
Customers are a bit wary of new cheap chic fashions. This can be seen from the lukewarm acceptance in London of the collaboration collections between Karl Lagerfeld, the world-wide famous designer of Chanel, and H&M, the Swedish cheap chic clothing giant, in 2004 compared to the sizzling responses of the Parisians (Menkes, 2004). Being a new comer to the New York and London fashion markets, where customers are more sensitive to product brands, Uniqlo faced a frustrating result of sales. (Kwok, 2007)

These show a new market which is more price sensitive, and less brand concerned fits more to the Japanese specialty fashion retailers to go into. European markets where customers are looking for products with good quality and reasonable price but do not put products brands as their first priority provide more opportunities for the Japanese SPAs.

4.5. Branding of the Japanese SPAs

Being the new comers of the fast fashion market in the world, the Japanese apparel businesses have lower levels of brand recognition compared to their overseas rivals (European Business Community in Japan, 2005). Uniqlo tries to set up cheap and chic with good quality as their brand image in overseas market. Although the branding of the Japanese SPAs are still weak, with the expansion and promotion of Uniqlo, the leader of the Japanese SPAs, the western world starts recognizing the brands of the Japanese fast fashion.

This chapter provided an overview of the Japanese fashion market in order to give comparisons to the German market with the information presented in the following chapters.
5. Findings and Implications

In the current chapter empirical data regarding the German market is provided. All the information is presented according to the created model discussed in Chapter 3.

5.1. Market Environment in Germany

Market Environment in Germany consists of macro and micro environments. They are discussed in detail in the writing below.

5.1.1. Macro Environment

5.1.1.1. Demographic Characteristics

Demographic factor is one of the key factors to be analyzed when assessing a market potential since the size and age structure of the population is one of the basic determinants of how much will be spent on outerwear. German market has three major demographic trends: aging population, older parenthood and increase of one- and two-persons households.

According to the CBI Market Survey (2007), the German population has been decreasing at a very slow pace to 82.4 million in 2006. It is projected to decrease to 75 million by 2050. The change in Germany’s population structure has been caused by a combination of a drop in fertility rates and an increase in life expectancy at birth by 10 years and 11 years for males and females, respectively (Germany, 2008).

Table 2 presented below indicates population changes in Germany that took place over recent years (CBI Market Survey, 2007)

<table>
<thead>
<tr>
<th>Age (years)</th>
<th>2002</th>
<th>2004</th>
<th>2006</th>
<th>% change (2002-2006)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-14</td>
<td>12,619</td>
<td>12,162</td>
<td>11,681</td>
<td>-7.40%</td>
</tr>
<tr>
<td>15-24</td>
<td>9,395</td>
<td>9,672</td>
<td>9,744</td>
<td>3.70%</td>
</tr>
<tr>
<td>25-44</td>
<td>25,025</td>
<td>24,461</td>
<td>23,717</td>
<td>-5.20%</td>
</tr>
<tr>
<td>45-65</td>
<td>21,336</td>
<td>21,427</td>
<td>21,505</td>
<td>0.80%</td>
</tr>
<tr>
<td>65+</td>
<td>14,066</td>
<td>14,810</td>
<td>15,723</td>
<td>11.80%</td>
</tr>
<tr>
<td>Total</td>
<td>82,441</td>
<td>82,532</td>
<td>82,370</td>
<td>-0.10%</td>
</tr>
<tr>
<td>- of which male</td>
<td>40,275</td>
<td>40,356</td>
<td>40,311</td>
<td>0.10%</td>
</tr>
<tr>
<td>- of which female</td>
<td>42,166</td>
<td>42,176</td>
<td>42,059</td>
<td>-0.30%</td>
</tr>
</tbody>
</table>

Table 2. Population in Germany by age group and sex, 2002-2006 (in ‘000)
How can Japanese SPAs enter the German fast fashion market?  

Just like in other major EU countries (CBI Market Survey, 2007), the category below 15 years has decreased considerably in Germany, however category 15-24 has had an increase. There has also been a drop in 25-44 age group, while the category 45-65 has not had significant change. At the same time the over-65 age group has grown substantially and has become the fastest growing age category in the country. German seniors are leading active social life. More and more of them are getting involved into voluntary work, they are going on frequent holidays or joining seniors' theater groups. Moreover, they have disposable income which they are eager to spend (German market targeting the elderly, 2008).

A greater fraction of women, at both younger and older ages, are moving in the work force (Vaupel, 2004). This means that young women start families and have children in later age than they used to. This trend of older parenthood coupled together with smaller family sizes means that, in many households, there is a higher level of per capita spending on children (0-15) than in any previous period. The main buying force comes from 9-14 year-olds, who are more financially independent (i.e. they have a clothing allowance) and fashion conscious, and are heavily influenced by pop celebrities and their favorite sport icons (CBI Market Survey, 2007).

One more important demographic development that influences purchasing of clothes is the increase of one- and two-person households. The persons in such households have rather high incomes, which stimulates clothing consumption (CBI Market Survey, 2007).

All the stated above clearly indicated that demographic changes play a very important role since they influence people’s consumption patterns. That is why they should be considered by the Japanese SPAs when they enter the German apparel market.

All these three trends - aging population, older parenthood and increase of one- and two-person households – can provide opportunities for the Japanese SPAs.

Growing group of elderly people who are engaged in various social activities and are inclined to spend their savings clearly indicates opportunities for those SPAs who are able to offer apparel for this market segment, since older generation need to purchase appropriate clothing for their active social life.

Teenage group, which is equal to around 10 million is fashion conscious and has some disposable income to spend on clothes. Being heavily influenced by celebrities they are likely to imitate fashion styles of their icons. Thus, those Japanese SPAs who can satisfy this demand will be able to get a favorable position since they can obtain passionate shoppers, who are willing to spend.

One- and two-person households also reveal good opportunities the Japanese apparel companies who serve middle price market segment since this customer category possesses relatively high disposable income which people can spend on clothes. This fact coupled together with policy of fast fashion which now rules fashion market can stimulate more frequent purchasing of clothes.
5.1.1.2. Economic Characteristics

As The World Fact Book (2008) states, Germany's affluent and technologically powerful economy is the fifth largest in the world in PPP terms - showed considerable improvement in 2007 with 2.6% growth. After a long period of stagnation with an average growth rate of 0.7% during the years 2001-2005 and chronically high unemployment, stronger growth led to a considerable fall in unemployment to about 8% near the end of 2007. The modernization and integration of the eastern German economy continues to be a costly long-term process, with annual transfers from west to east amounting to roughly $80 billion. The former government of Chancellor Gerhard Schroeder launched a comprehensive set of reforms of labor market and welfare-related institutions. The current government of Chancellor Angela Merkel has initiated other reform measures, such as a gradual increase in the mandatory retirement age from 65 to 67 and measures to increase female participation in the labor market. Higher government revenues from the cyclical upturn in 2006-07 and a 3% rise in the value-added tax pushed Germany's budget deficit well below the EU's 3% debt limit. Corporate restructuring and growing capital markets are setting the foundations that could help Germany meet the long-term challenges of European economic integration and globalization. According to The World Fact Book (2008,) the main economic indicators for Germany are as follows:

GDP – real growth rate: 2.6% (2007 est.)
GDP – per capita (PPP): $34,400 (2007 est.)
GDP – consumption by sector: agriculture: 0.9%

industry: 29.6%
services: 69.5% (2007 est.)

In spite of the generally positive economic development the German market experiences growing disparity between the different economic strata of German society. This is especially apparent in the difference in consumption of (among others) outerwear between West and East Germany, due to the higher level of unemployment in the east of the country and on the overall low wages. Caused by economic developments in the country, many German consumers on lower incomes will continue to seek low priced clothes. On the other hand, the size of the market and the polarization in incomes offer huge markets for quality and convenience, and designer labels (CBI Market Survey, 2007). In relation to this, CBI market research (CBI Market Survey, 2007) concludes that the number of garments purchased per head of population will continue to rise but prices will not follow this growth rate.

After food, the fashion industry is the leading consumer goods industry in Germany. Despite being characterized by small and medium-sized enterprises, it is a very important economic factor (Loschek, 2008). After years of reticence optimism is now returning to the German textile retail trade. The country is undergoing an upward trend, the economy is continuing to gather momentum and people are shopping with a greater desire to spend. International fashion brands now see this as an opportunity to regain the ground lost over the past few years (Igedo Fashion Fairs Düsseldorf set Fashion Impulses, 2008).
In fact, the fashion industry's performance has been almost inversely proportional to the state of the country's economy since 2002 (Conrady, 2004). In respect to spending power per head, it reached €700 in 2006, which constituted 5% of the disposable income (CBI Market Survey, 2007). As was mentioned above, with some disposable income spent for fashion, teenagers have become a strong buying group making youth fashion market booming. As global business manager for edc, an Esprit brand specifically designed for female teenagers aged 14 and over, Udo Greiser said: "Our sales figures have been growing [double digit] every year". This is supported by Jo Grass, distribution manager of the newly founded brand, Seven Sisters, who comments: "we were able to reach sales targets we set ourselves since the label was introduced last summer." The same opinion is expressed by Jaana Toivanen, product manager for young fashion with H&M, who claims that: "Girls and young women don't think twice, when they decide to buy a new top or T-shirt"(Conrady, 2004).

When trading with foreign countries a company has to be aware of the foreign exchange risks since its business activities can be strongly influenced by this factor. As Cateora and Ghauri (2006, p.490) claim, a firm’s transactions in foreign currencies are fairly secure in terms of exchange rates to other currencies if devaluations are infrequent and anticipated. On the other hand, fluctuations in exchange rates can make a company suffer losses of substantial sums of money. For the euro, it has strengthened its position over the recent years. Strong exchange rate of the euro has made EU production relatively expensive compared to imports (CBI Market Survey, 2007). At the same time exporting to Europe is rather profitable compared with the recent years – especially for suppliers in Asia whose currencies are tied to, or loosely influenced by, the value of the US dollar, which has seen weakening of its position over the recent years (Trade and trade policy: US and EU apparel imports, 2007).

Table 3 (XE, 2008) below shows the fluctuations in the exchange rates between the Euro, Japan Yen and US Dollar, which are the main trade currencies, over the past ten years. This information allows the Japanese SPAs to consider currency exchange rate trends and their potential influence on their financial operations in the German apparel market.

<table>
<thead>
<tr>
<th>Year (31st Dec)</th>
<th>EUR (€)</th>
<th>JPN (¥)</th>
<th>USD ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>1</td>
<td>133.929</td>
<td>1.18669</td>
</tr>
<tr>
<td>1999</td>
<td>1</td>
<td>102.862</td>
<td>1.00712</td>
</tr>
<tr>
<td>2000</td>
<td>1</td>
<td>107.718</td>
<td>0.942</td>
</tr>
<tr>
<td>2001</td>
<td>1</td>
<td>116.568</td>
<td>0.88984</td>
</tr>
<tr>
<td>2002</td>
<td>1</td>
<td>124.424</td>
<td>1.04859</td>
</tr>
<tr>
<td>2003</td>
<td>1</td>
<td>134.975</td>
<td>1.26009</td>
</tr>
<tr>
<td>2004</td>
<td>1</td>
<td>139.046</td>
<td>1.35338</td>
</tr>
<tr>
<td>2005</td>
<td>1</td>
<td>139.345</td>
<td>1.18395</td>
</tr>
<tr>
<td>2006</td>
<td>1</td>
<td>157.231</td>
<td>1.31955</td>
</tr>
<tr>
<td>2007</td>
<td>1</td>
<td>163.114</td>
<td>1.46004</td>
</tr>
<tr>
<td>May-08</td>
<td>1</td>
<td>162.63</td>
<td>1.55319</td>
</tr>
</tbody>
</table>

How can Japanese SPAs enter the German fast fashion market?  

The data argued above indicates that Germany’s economy is recovering after a period of stagnation during the years 2001 – 2005. Positive economic developments provide increasing opportunities for fashion companies in general, and the Japanese SPAs as newcomers in particular.

Apparel retailers look with enthusiasm on the German market since it opens new opportunities for them due to increased income of population, especially in Western Germany and customers’ desire to spend. Companies which can offer clothes of high quality and convenience are particularly welcome in the market, so the Japanese SPAs which comply with this consumption trend have a good chance to attract customers’ attention.

Spending power of young generation is increasing which makes youth fashion market important for apparel companies. Young people do not thing long before buying a clothing item, especially an inexpensive one. Such attitudes and moods stimulate frequent shopping among fashion conscious youths and provide opportunities for those SPAs who can supply diverse clothes at affordable prices for this market segment.

However, because of the polarization of incomes in Germany, customers in Eastern part of the country tend to have smaller expanding power than those in Western Germany. Thus, it is difficult for the Japanese SPAs which target on medium price segment to enter the Eastern Germany market.

Also, strengthening position of the euro and weakening position of the US dollar which has been observed within recent years has put importers from Asia into relatively favorable position. Since Japanese SPAs produce vast majority of its products in low cost Asian countries they are able to use this situation to their advantage while penetrating German apparel market.

5.1.2. Micro Environment

5.1.2.1. Market Size and Market growth

According to CBI Market Survey (2007), five European countries – Germany, UK, Italy, France and Spain – account for 75% of EU outerwear consumption. Germany is the largest clothing and outerwear market in the EU, and thus it is the most important country in clothing consumption in Europe, mainly due to its large population. Though in the years 2001 – 2004, outerwear expenditure decreased in Germany, afterwards it started growing again and for both years 2005 and 2006 a total growth of 1.5% was registered. Total spending on outerwear amounted to € 50.6 billion (including sales tax) in 2006, which is the largest in Europe.

In terms of volume the German clothing market grew 4% during the period 2002-2006 and in 2006 womenswear market reached a value of $25.9 billion, while menswear market accounted for $14.7 billion, and this constituted 17.6% and 17.1% respectively of the European market value. In the European scope the value of German market is second only to the UK, whereas such fashion leading countries as France and Italy are left far behind with their approximate
market value of 11.45% and 10.0% correspondingly in both womenswear and menswear markets. By the year 2011 womenswear is forecast to have value of $27.1 billion, which will indicate an increase of 4.6% since 2006. As for the menswear German market is expected to have a value of $15.5 billion, which will constitute increase of 5.4% since 2006 (Datamonitor Industry Profile, 2007). Taking into consideration a large size of the German market and its stable growth in both womenswear and menswear sectors, CBI Market Survey (2007) concludes that Germany is an attractive market for producers of outerwear. Thus, it is evident that Germany is appealing for fashion companies due to its huge population and a large market value in the EU, which is close to 20% of the European market value. Also, since it is forecast to have a stable growth in both womenswear and menswear sectors within next 5 years, it clearly indicates opportunities for Japanese SPAs as fashion newcomers in the German market.

5.1.2.2. Market Structure

As was stated above, Germany represents a large and attractive market for apparel retailers. Due to its central European location it has become an expansion destination for many powerful foreign companies. As a result, market conditions have become more difficult and the competitive pressure is increasing. According to the CBI (CBI Market Survey, 2007) the German retail-clothing and textiles market is becoming more concentrated, following the tendency that is relevant for the whole EU apparel market. In Germany, 20 companies account for 50% of the market. This leads to similarity between the current players within each market segment in their product offerings and market positions.

The restructuring policy of many manufacturing companies in the EU in general and in Germany in particular during the last two decades led to relocation of the clothing production, mainly based on labor cost comparisons. Such regions as Asia, India, Turkey, a number of counties in Eastern Europe and Northern Africa have become destination places for outsourcing of many European apparel companies. After the removal of ATC (Agreement on Textiles and Clothing) quota restrictions on December 31, 2004, German textile market is characterized by high degree of integration in the value chain, which in turn resulted into decrease in number of suppliers. More and more manufacturers of brands have opened or will open their own brand stores, like among others Tom Tailor, Street One, S. Oliver. However, the opposite trend is also valid for the German market: retailers are clearly aiming to replace manufacturer brands with their own identities in the middle market, leaving the upper market to designer brands (CBI Market Survey, 2007).

As a result of the mentioned above trend a strong tendency appeared among fashion companies to establish direct relationship with suppliers who can provide full package of services. The supplying manufacturers abroad receive complete specifications for the design, quality of the fabric, accessories and other materials etc. Subsequently, the suppliers manage the purchase of the materials themselves, so the whole supply process, including purchasing of fabric and trims and production, as well as quality control, is the supplier’s responsibility (CBI Market Survey, 2007). At the same time full package suppliers are able to offer buyers reduced lead times – not
How can Japanese SPAs enter the German fast fashion market?

Ka Yu Seto

Olena Zastezhko

only for delivery of existing products, but also in the process of transforming new concepts into manufactured and saleable products (Technopak, 2007)

High integration in the value chain allows apparel enterprises to increase efficiency and satisfy quick response (QR) requirement, which is an underlying basis in the fast fashion industry. (Hines and Bruce 2007) QR policy is a well-proposed inventory management strategy to tackle problems of over-stocking and under-stocking of fashion apparels. As its name implies, its idea is to respond quickly to market changes and cut ordering lead times. QR is especially significant for fashion product supply chains with high demand volatility and short-life products (Choi, 2006)

Besides, Germany continues to be a significant importer of textiles. Though Germany has a technically well-developed textile industry, it imports every year, a large quantity of cotton yarn, fabric and apparels and thus provides an important market to overseas suppliers who can meet its quality and other requirements. This is because its own textile industry is slowly declining, while per capita textile consumption in the country remains very high (Dewani, 2008).

According to the CBI Market Survey (2007), German imports of outerwear fell 7% during the period 2002-2005, then grew by 9% to a value of € 17.8 billion in 2006 or 20% of EU imports of outerwear in 2006. Germany remained the largest EU importer of outerwear. 66% of outerwear imports was sourced outside the EU. A growing share of total outerwear imports came from developing counties, mainly from Asia: 46% in 2002, 52% in 2004 and 60% in 2006.

As for average import prices, they were 4% lower in 2006 than in 2004, mainly caused by the weak domestic consumer market and the intensive competition, both at trade level and at suppliers’ level. Imports of knitted outerwear increased 13% and imports of woven outerwear 5% during the period 2004-2006, while imports of leather garments decreased 9%, after a fall of 32% during 2002-2004 (CBI Market Survey, 2007).

Though Asia contributed a larger part of outerwear imports to Germany, imports from Japan cannot be regarded as those playing significant role. Japan is not mentioned among leading suppliers to German apparel market (CBI Market Survey, 2007). However, Japanese fashion is already penetrating Germany. For example, Japanese lifestyle group Muji, which besides their interior design products also sells fashion clothes, opened its third German store in Berlin in May 2008. The store adds to those in Munich and Dusseldorf (The Week in Germany, 2008). Also, a world-famous Japanese fashion designer Yohji Yamamoto is known for collaboration with the German sportswear brand Adidas (Loschek & Sibylle Klose, 2008). Yohji Yamamoto now has a showroom for his collections in Berlin (Fashion in Berlin, 2005).

So, as it was stated above, due to the fact that German apparel market is becoming more concentrated the competition is also increasing creating tense situation for the market players. On the other hand, competitive market indicates existing similarities between the players and provides opportunities for those Japanese SPAs who will be able to differentiate themselves from the majority of the fashion retailers, and thus will be able to attract customers who are looking for something new in the German apparel market.

Because of restructuring policy of many apparel companies in Germany clothing production and outsourcing have been shifted to low cost countries, among which Asian region plays one of the
prominent roles. Integration in the value chain and preference for “full package suppliers”, among all from Asia as well, has helped European fashion companies to be able to respond to quickly changing demand in the apparel market. This is very important since major players change their fashion collections 8-12 times per year. On the other hand, Japanese SPAs have a definite advantage over European fashion companies in dealing with Asian suppliers. Being located in Asia, Japanese SPAs are in close proximity to their production countries, which means that they have better control and more efficient management through their representative offices compared to the companies located in Europe, which in turn results in quick production. In addition, Uniqlo for example, has its design offices in France and Italy, this also ensures they can have quick response to European customers’ demands. All this coupled together with such favorable conditions as absence of time lag, which European companies have to consider, facilitate fulfilling of a crucial quick response policy by the Japanese SPAs. However, the far distance from Asia to Europe cost them longer time for deliveries. This is one of the challenges they have to handle.

German apparel market is continuing to be a considerable importer of textiles and a large quantity of apparel products is imported from Asia. Though imports from Japan are quite insignificant in the present, German customers are already familiar with some Japanese brands and are welcoming them in the country. Otherwise, the Japanese lifestyle group Muji will not continue to open its shops in Germany. This clearly indicates existing opportunities for Japanese SPAs to find a favorable position in the German apparel market.

5.1.2.3. Cultural Dimensions of Fashion

Textiles and clothing are cultural goods and thus important elements of the cultural industry, linked to cultural landscapes and the fabrication of identities (Devoucoux, 2008). Consequently, while discussing fashion cultural trends should be also addressed since fashion is an integrated part of culture. In modern world cultures can hardly preserve their original identities – they merge and mix, and the borders between them become more subtle. Germany is a country where mixture of different cultures is particularly reflected through fashion. This could be especially felt in Berlin, Düsseldorf and Munich which are strongholds of fashion industry in Germany, places where the latest developments in the world of fashion take place and whose importance cannot be underestimated (Loschek, 2008). All these three German cities are famous for fashion trade fairs where designers and fashion professionals from different cultural backgrounds meet.

Berlin is Europe’s new fashion center, next to Milan and Paris. The city’s creative atmosphere and cultural events attract young professionals from all fields of the fashion industry. In Berlin, the crossover of fashion, music, design, film and art becomes reality. The governing mayor of Berlin, Klaus Wowereit, argues that “Berlin has a great future as the capital of designers and creative artists. The development of the city’s identity as the capital of fashion – fashion as the combination of culture and lifestyle – has already begun.” Support that large conglomerates and small labels receive from its authorities as well as relatively low rents for shops make Berlin unique (Fashion in Berlin, 2005).

The fact that Berlin is among top tourist destinations in Europe facilitates reaching extensive intercontinental clientele for apparel companies. Approximately 123 million people with above
average spending visit the capital each year. According to the Aengevelt Real Estate company, Berlin’s absolute spending capacity was €56.6 billion in 2005 (Fashion in Berlin, 2005).

In addition, seven industry fairs with over 1000 collections attract increasing numbers of buyers from all over the world. The “BREAD & butter” fair brings trendy street wear together with designer jeans and features the “Milk and Honey” ladies’ collection. The “Premium” fair features exclusive women’s and men’s collections by international designers. The “B in Berlin” takes place at the same time and features men’s wear by commercially successful brand names. Starting in spring 2006, the “5th Floor” fair for women’s wear also takes place simultaneously with the “B-in-Berlin”. The “Spirit of Fashion” is unique on the continent: it specializes in extravagant fashion from the fields of punk, rock and roll, gothic and glam rock and features the latest in underground styles. The “Fashion Week” represents a major opportunity for young and/or established designers from all over the world who have their eye on the European market (Fashion in Berlin, 2005). These industry fairs influenced by the city’s cultural diversity have become significant events in the world of fashion. Moreover, some start internationalizing. For example, “BREAD & butter” has become a success in Barcelona, and currently they are expanding activities in the USA and Japan (Fashion in Berlin, 2005).

Düsseldorf hosts the world’s largest fashion fairs: Igedo Fashion Fairs. As the most important international platform for women and men's wear, lingerie, swimwear and accessories, these four fashion fairs - CPD Düsseldorf, HMD Düsseldorf, Body Look and Global Fashion - call together professionals from throughout the world to Düsseldorf. With clearly structured segments these trade fairs truly reflect the market in its entirety and cultural diversity thereby bringing together all important trading partners from all over the world in Düsseldorf. Nowhere else in Germany is the fashion range larger than in the Düsseldorf fashion metropolis during the Igedo Fashion Fairs. What’s more, further brands are presented to the buyers from throughout the world at the 900 showrooms located in and around the city. (Igedo Fashion Fairs Düsseldorf set Fashion Impulses, 2008). The trade fair Collections Premieren Düsseldorf (Collections Premiers Düsseldorf, CPD) is held twice a year and presents collections for spring and summer as well as for fall and winter. Parallel to the CPD, the trade fairs CPD Body & Beach for lingerie and beachwear, and the CPD Fabrics [showcasing] new textile developments, are held (German Embassy, Washington D.C., 2001). The synergy generated by multiple cultural influences and holding the individual events together has further 'empowered' Düsseldorf as a fashion and culture destination (Powerful Synergy for Fashion Destination Düsseldorf, 2007).

As for Munich, fashion has a high profile in this city. It has numerous high-quality outlets offering a wide range of products from international luxury brands to individual ArtCouture. Design studios, fashion fairs, colleges and style magazines all contribute to the city's reputation as a fashion mecca. Munich has developed a new awareness of individuality: many of its stores offer a cultural mixture of designer fashion, carefully selected interior and lifestyle products, and coffee-table literature on fashion and art. The city also has its own-label boutiques, as well as outlets for Japanese and Belgian designers and German newcomers (Innovation and Diversity: Munich – a Focal Point for Fashion, 2007).

Munich is world known for hosting the ISPO trade fair for sports equipment and fashion, the most important trade fair in this category (Loschek, 2008). The ISPO Sport & Style offers suppliers from the sport sector the opportunity to present their products and collections outside their classical target groups too and thus to open up new circles of customers. On the other hand,
ISPO Sport & Style opens up a contemporary platform and a new dealer clientele for trendy fashion suppliers who do not yet feel at home at a strongly function-oriented ISPO or a classical fashion fair. The fair provides segmentation to portray coherently the connection between sport, fashion, lifestyle, culture, music, emotions and feeling for life, thus offering dealers and suppliers the optimal platform. There different segments play important role in fair, which are ISPO Vision, Sport Style, Performance, Trends & Innovations. (ISPO Sport & Style, 2008). Other fashion trade fairs which are held in Munich also have cultural dimension and include Premium and munichfashion.men, Infashion dedicated to avantgarde style; also, the well-established fabric fair Munich Fabric Start (Innovation and Diversity: Munich – a Focal Point for Fashion, 2007).

Germany and Japan are tightly bound to each other in wide cultural sense and in narrower fashion aspects. Japanese culture has had a significant impact in Germany during last two decades. With the globalization trends and ease cultures move through different countries, the Japanese culture has been slowly penetrating Germany (Galda, 2008). For example, Düsseldorf, German fashion standpoint, is the third largest settlement of Japanese businesses in Europe and is also known as Little Tokyo on the Rhine (Poppelreuter, 2008). Germans are becoming more and more familiar with the Japanese culture – they shop in Japanese stores and buy a lot of Japanese food. Moreover, Japanese arts and crafts shops are extremely popular among German people. According to Hidenori Yoshimatsu, a crafts shop owner, 85% of his customers are Germans, many of whom come there because they have a genuine interest in Japan (Poppelreuter, 2008).

Mutual cultural penetration is clearly reflected in collaboration between German brands and Japanese fashion designers. The German sportswear producer Adidas serves a good example for the success concept of internationally successful fashion using intercultural design synergies. In October 2002, the company started its cooperation with the Japanese fashion designer Yohji Yamamoto for the range Adidas Y-3 and presented it at the prêt-à-porter fashion shows in Paris (Loschek & Sibylle, 2008). Another important example provides Frank Leder. In 2007 he started a project with Rei Kawakubo, the head designer of Comme des Garçons, for whom he designed a separate line. Frank Leder is known as a designer whose fashions often contain references to German history and culture. Due to this, the Japanese in particular associate Leder with fashion "Made in Germany". Japanese buyers and retail customers want a designer to personify a clear-cut, strong concept. Thus, Leder’s combination of clear design and integration of German cultural elements as well as understanding of the Japanese market made him the strongest-selling German designer in Japan (Frank Leder – A Concise Expression of Fashion "Made in Germany", 2007).

Collaboration and mutual penetration of German and Japanese fashions can be also seen in cooperation of the Japanese fashion chain H.P. France and the young designers Sonja Lotz and Ettina Schultze, who were invited in Tokyo to recreate a Berlin-style shop in the capital of Japan. This resulted into opening an unusual for Tokyo shop "Wut Berlin". In addition to the name, everything else in the shop is pure Berlin: clothes by Penkov, Esther Perband, TalkingMeansTrouble and c.neeon, jewellery by Saskia Diez and bags by Kavier Gauche (Braun, 2008).

The fascinating mix of cultures and concepts merging together in fashion creates fresh, original and exciting clothes. In today’s fashion market, it is common for many companies in Europe to work with Japanese designers. What puts everyday Japanese fashion on the forefront of the
modern day market is that the Japanese are so willing to experiment with unconventional styles (Crisp, 2006). This idea is also supported in the article “The power of Tokyo street style: Fruits magazine brings Japan fashion rebels to the world” where the author claims that what interests the West about Japan is reflected in many of the outfits: an obsession with urban living and the legacy of pop while still maintaining ancient customs (Sarti, 2003).

The oriental influence has a subtle but constant presence in Europe as seen in the young wearing a Japanese style top with normal western jeans. In Germany so called ‘visual kei’ and Gothic styles are extremely popular among young girls: tall black boots, a pair of black and a pair of pink stockings, which are decoratively ripped, and a lacquer miniskirt and a lacquer top with laces is ordinary street wear for many of them (Poppenreuter, 2008). One more fashion boom influenced from Japan is the wearing of a randoseru (a red school bag worn only by Japanese elementary school children). Wearing a randoseru is considered to be cute and fashionable for women (Crisp, 2006). Thus, the Japanese boom in Germany shows the Japanese culture is very welcome and widely accepted by the German customers.

As was mentioned above, fashion is booming in the places where different cultures merge and mix. That is why Berlin, Düsseldorf and Munich have become crossroads of different cultures, and thus fashion centers not only in Europe, but also in the world.

Existing diversity of cultures makes German customers more open and susceptible to new cultural influences, and thus gives the Japanese SPAs chances that their fashion products will not be rejected, but instead will be accepted with interest, especially in established cultural and fashion centers: Berlin, Düsseldorf and Munich. All the three cities are known as hosts of the world largest fashion trade fairs, where professionals from different cultural background meet and establish contacts. For Japanese SPAs participating in these fairs provides huge opportunities since they facilitate establishing intercultural partnerships and open easier access to the German market. Moreover, one of the Berlin’s fairs, “BREAD & butter” is currently expanding activities in Japan, which clearly indicates significance of Japanese fashion industry, where SPAs play an important role.

Berlin provides huge opportunities for Japanese SPAs since it attracts a great number of tourists from all over the world, who besides sightseeing are willing to spend on shopping. Exposing their products to customers from different countries Japanese SPAs can gain international and intercultural recognition, which is very important for building their brand image. In addition, support and favorable attitude of Berlin’s authorities can help newcomers to establish themselves in the market.

As for Düsseldorf and Munich, their importance for Japanese SPAs cannot be overestimated: the fashion trade fairs they host inevitably influence attitude of the citizens towards fashion and make them eager to perceive and accept all the new brands and trends that are coming into the market. Moreover, Düsseldorf is the third largest settlement of Japanese businesses in Europe, which facilitates penetration of Japanese culture and lifestyle into Germany, and allows the Japanese SPAs to have more welcoming attitude from potential customers.

In addition, it is evident that Japanese fashion styles are welcome in Germany already, however in a rather little scale yet. Japanese cultural influence is seen in increasing collaboration between German and Japanese fashion designers, opening of show rooms and outlets for Japanese
designers in major fashion centers of the country. Moreover, some Japanese fashion trends such as wearing of a \textit{randoseru} or dressing in ‘visual kei’ style are very popular among young girls in Germany. Those who are less extreme in their dressing prefer to combine Japanese style top with normal western jeans. This shows that Japanese culture and fashion style are regarded as trendy and cool. Consequently, all this indicates that there is market for Japanese apparel products in Germany, and customers are likely to be willing to wear clothes offered by the SPAs.

\textbf{5.1.2.4. Fashion Trends}

Due to its numerous medium sized cities, Germany offers a differentiated fashion spectrum. Whereas the South is characterised by conservative chic, the Berlin scene is known for maverick and newcomer designs and Düsseldorf is very commercial, which is due to the CPD – the world’s largest fashion fair. Designers and designer companies present their fashion where they feel that their design philosophy and their style are most successful or where they fit in best (Loschek & Klose, 2008). All these factors make retailers in Germany particularly open to new and interesting collections. (Europe’s Number One, 2008). However, despite the differences which exist in attitudes to fashion in various parts of the country Germany is a single fashion market which experiences influences from European and global trends.

Jackson (2007) claims that there are long-term trends that underpin future designs, such as move to a less structured garments or performance fabrics, and short-term trends usually associated with a particular season, for example, a particular print or style of bag. Traditionally, in fashion Spring/Summer and Autumn/Winter seasons have been differentiated. However, factors other than simply the weather are increasingly driving the make-up of fashion product ranges and the traditional seasons have become fragmented and now have up to 12 sub-seasons. In spite of this, seasonal terms – Spring/Summer and Autumn/Winter – are still used because they are firmly ingrained in fashion culture (Jackson, 2007). Thus, in the current thesis a forecast for up-coming fashion season Autumn/Winter 2008/2009 is presented at the end of this section.

Jackson (2007) suggests that although the structure of a season may have changed and the boundaries between seasons become blurred, a new season still presents a fashion business with opportunities to refresh its stores with new stock. Apparel companies applying fast fashion business concept are particularly responsive to these opportunities, however they need to adjust their selling styles accordingly. For example, fast selling styles can be “repeat orders”, making the rest of the season more profitable. Repeat orders may take the form of direct replenishments of a fast selling style or a modified repeat where successful style is changed in a particular way such as color. Color is especially important since it is believed that customers respond to color first and only after that they notice other design elements. A modified version of a successful selling style can stretch sales of the same product and maintain a sense of newness for both consumers and the brand. However, as no one is certain which particular trend is going to take off until the season begins, so a fast and efficient supply chain is vital (Jackson, 2007).

In order to be able to respond effectively to quickly changing fashion trends apparel companies and fashion enthusiasts learn about the latest trends from a number of professional fashion magazines. The most notable specialist magazines for the German clothing industry are \textit{Textil-Mitteilungen} and \textit{Textilwirtschaft}. They are brimming with sales figures, information about end-
How can Japanese SPAs enter the German fast fashion market?

Ka Yu Seto

Olena Zastezhko

of-season sales, brand names, transactions and licenses, clothing store start-ups, and insights into latest fashion trends. Although designed for a specialist readership, they reveal a great deal about the fashion industry and are very informative for fashionistas who want to look beyond its glamorous facade. (Loschek, 2006). Some new German fashion journals play an increasingly prominent role in the industry and have an international focus and are mostly bilingual – German and English. Usually, they are not printed in large numbers and are often only published quarterly. Already established newcomers Achtung and Deutsch are supplemented by magazines such as WeAr, Hekmag, Zoo Magazine, ModeDepeche, Berliner (exclusively in English) and Liebling (a newspaper). A magazine Jpeople has a particular focus: it specializes in young designers and provides descriptions of the latest brand-name collections. Almost all of these magazines are published in Berlin, which is one of the strongholds of fashion industry in Germany (Loschek & Klose, 2008). And for manufacturers of fashion womens- and menswear, Rundschau – although less well-known – is indispensable: it shows how to turn haute couture and designer styles into high-street fashion. (Loschek, 2006).

According to the CBI forecast (2008), for the up-coming fashion season Fall-Winter 2008/2009, four main themes are identified, thus letting customers to choose outerwear according to their preferences and styles. These themes are: Reality Escape, Modernity, Urban Development and Valuable Authentics. Each theme is characterized from the following crucial perspectives: materials, patterns, colors and accessories. Materials and fabric patterns are important since they strongly reflect fashion trends. Colors play significant role as a fashion assortment might suffer if it does not contain the right range of shades and tones within a particular color for a season (Jackson, 2007). As for accessories, they provide a finishing touch and contribute to creating a particular image. Below a short summary of the trends for the up-coming season Fall-Winter 2008/2009 is provided:

Materials

All silk types are going to be fashionable in the upcoming seasons. Together with laces, colorful feathers, fancy trimmings and fluffy wools they create a very feminine style, which is appealing to many young girls and ladies in Germany. Also, there is a strong tendency to use canvas coated and waxed cottons, linen and stretched denim. These fabrics are very suitable for garments in casual style, which is very popular among all ages, though middle aged and elderly Germans appreciate it more due to feeling of comfort such clothes provide. In addition, trend to use ecological and natural materials reflects environmentally friendly attitudes to clothing which are becoming stronger in Germany.

Patterns

As for patterns, ethnic motives are clearly represented in the upcoming season. In addition to them, embroidery elements and hand-printed paintings will appeal to those young Germans who possess strong individuality sense and who want to differentiate themselves from friends and peers. Also, geometric patterns and graphical tubular designs are going to become favourites of the upcoming season. These patterns are not sophisticated and will attract those German people who prefer simplicity in their clothes. These are usually people of older age.
How can Japanese SPAs enter the German fast fashion market?

Ka Yu Seto

Olena Zastezhko

**Colors**

Red, blue, green, brown and grey are definite favorites of the season. However, classical white and black are also in fashion and will definitely attract those Germans who have conventional color preferences. Different shades within color groups are available in the upcoming season. On the other hand, the Japanese SPAs should be aware of which shades are more attractive to European customers, since there might be difference between preferences of German and Japanese customers.

**Accessories**

Since accessories give the whole outfit a finishing touch, their choice has to be particularly careful. Colorful fake feathers and organic multicolored feathers can suite those who want to stand out of the group, as well as go for thematic parties. Different sparkling and metallic highlights are especially popular in the upcoming seasons. They can be found on huge buttons, zips and belts, as well as silver ribbons. Such decorations will be suitable for all kinds of clothes, the difference is mostly seen in size and shape, so that everybody will be able to find something to his/her taste. Also, fake fur trimmings will be fashionable; and this reflects a trend in rejection natural fur in decorative elements. This tendency is growing stronger in all European countries, and in Germany as well.

So, to sum up discussed above, every new fashion season gives apparel companies opportunities to refresh their stores with new stock of the latest fashion trends; otherwise they can lose their customers to competitors. Thus, being able to conform with up-coming trends is a very important requirement any newcomer should meet in order to establish in the market. However, it should be pointed that long-term trends are more important since they reflect major changes in fashions, while short-term trends cover minor alterations, such as color shades or neck cut. Knowledge of upcoming trends, both long-term and short-term, will help the Japanese SPAs to gain recognition from fashion enthusiasts in Germany which will lead to creating brand awareness and facilitate strengthening of brand reputation. Being accepted by fashion enthusiasts first, the Japanese SPAs gradually will find their way to hearts of more conventional German customers, those who prefer to follow first adopters. Moreover, being aware of the latest trends will provide Japanese SPAs with opportunities to identify which themes of the up-coming season better fit their fashion concepts and design new collections accordingly, paying special attention to such theme attributes as materials, patterns, colors and accessories. Professional fashion magazines which discuss the latest developments in the industry can become a good source for the Japanese SPAs in obtaining useful knowledge about the German market.

**5.2. Competition in the German Fashion Market**

As was mentioned above, German apparel market is competitive, and to some extent relative similarity between the players within each separate segment contributed to such situation. However, for fashion companies which can differentiate themselves from others the German market can provide significant opportunities. In order to become successful in German market, Japanese SPAs need to know positions and strategies of their competitors, so that they can build their own strategies according to the market situation.
In the current research only main competitors for the Japanese SPAs are discussed. The main competitors for the Japanese SPAs were selected among German and international brand names which carry both menswear and womenswear and play in the same price segments as the Japanese SPAs. The selection was made on the basis of the data provided by market researches of CBI (2007) and Datamonitor (2007). The suggestions given by the experts that had been interviewed were also taken into consideration. The market researches were cross checked in order to identify which brand names would become potential competitors for the Japanese SPAs. Then, the most significant ones were selected according to such factors as number of outlets in Germany and sales revenues. Furthermore, the selected brands were also mentioned by Ms. Wilkens who ensured that her professional opinion supports the authors’ selection of brands, and make corresponding adjustments. Finally, five brand names were selected as those which create the strongest competition to the Japanese SPAs. These are as follows: Esprit (Esprit Holdings Limited), United Colors of Benetton (Benetton Group S.p.A.), C&A own brands (C&A), H&M (Hennes & Mauritiz AB) and New Yorker own labels (New Yorker S.H.K. Jeans GmbH). Esprit and United Colors of Benetton are the brand names competing in the middle price segment which constitutes 30% of the apparel market. They fall into fashion category for recognizable brand-name goods with trend following or classical assortment. Products offered under these brands are characterized by good fitting cut and good quality materials. The remained three brand names play in the low to middle price segment which possesses 40% of the market share. The clothes offered under these brands are made from medium to basic quality materials where less attention is given to fitting details and pattern. However, these brands are differentiated in terms of fashion content: H&M and New Yorker fall in the category of high fashionable brands which are close to trends, while C&A offers products with lower fashionable element. (CBI Market Survey, 2007). A more detailed discussion of the competitors’ positions in the market is presented below.

**Esprit (Esprit Holdings Limited)**

According to the company’s official website, Esprit is positioned as an international youthful lifestyle brand offering smart, affordable luxury and bringing newness and style to life. A team of international designers translates the Esprit attributes into regular collections in a self-confident, natural, stylish and sensual way. Although the company focuses on the product and price/performance ratio, Esprit also invests continuously in quality and fit – high standards that are also maintained in manufacturing. The attributes of quality and fit are strongly emphasized in the brand’s positioning.

Although the brand counts with 12 different lines, directed at women, men and children, most customers are women, ranging between 15 and 35 years old. They turn to the brand in search of youthful stylish items that will never go out of fashion. They appreciate Esprit’s quality clothing, which is at all times at a democratic price. Trying to satisfy these customers Esprit emphasises in its positioning reliability, good reputation, seriousness and trustworthiness (Dam & York 2006).

Esprit created strong brand awareness among its customers by involving them in public discussions (e.g. growing AIDS epidemic, ‘What would you do to change the world?’) and featuring them in advertising campaigns. As a result, the public reaction was massive. In May 2000 the company was awarded the Forum-Preis in Germany, in recognition of its outstanding
How can Japanese SPAs enter the German fast fashion market?

Ka Yu Seto
Olena Zastezhko

entrepreneurial performance in the textile and fashion industry. The Esprit brand continues to enjoy great recognition during the new millennium. In 2001, a German independent market survey showed that the brand awareness of Esprit was the highest among women's wear, reaching 84% of those surveyed (Dam & York, 2006).

The company, originally started in the USA and further developed in Hong Kong, is now present in more than 40 countries and sells its products through over 640 directly managed retail stores and over 12,000 wholesale point-of-sales worldwide. Majority of its retailing operations the company performs in Europe, which accounts for 78.9% of retail turnover. Germany is the largest market for Esprit which in 2007 showed 48.9% of the European retail turnover. The operating profit increased by 31.4% and constituted €517 million (HK$6,259 million). (Esprit’s Annual Report, 2007). This indicates that Esprit has very strong positions in the German apparel market.

**United Colors of Benetton (Benetton Group S.p.A.)**

According to the Benetton Group official website, today the Group, originated in Italy, is present in 120 countries around the world. Its core business is fashion apparel. The group identifies itself as the one with a strong Italian character whose style, quality and passion are clearly seen in its brands. Multiple use of colors distinguishes the Group’s brand from competitors and makes it highly recognizable. Also, with launching of au vanguard controversial advertising campaigns the company has succeeded in attracting attention of the public, and thus has increased brand’s awareness around the globe (Dam & York, 2006). Each of the four brands has its own price range and positioning which can be described in the following way: the casual United Colors of Benetton, the glamour oriented Sisley, Playlife American college style and Killer Loop streetwear (Benetton Group S.p.A.).

As Ms. Wilkens stated during the interview, United Colors of Benetton enjoys wide popularity among German consumers who are known for their preferences for casual wear. This is also reflected in the CBI Market Survey (2007) which claims that casual wear in Germany accounts for 32% of the apparel market. What United Colors of Benetton offers is classic, plain, never out of fashion clothing range (Dam & York, 2006). United Colors of Benetton brand is sold through 160 stores all over the country (Benetton Group S.p.A.).

In 2007 the total revenues of the Group were equal to €2,085 million. Europe accounts for major portion of the company’s revenues. Italy, a home market, contributed €1,012 million which constituted 49% of the Group’s total revenues. The rest of Europe earned €793 million which made up 38%. According to the company’s financial data, United Colors of Benetton Adult reached €861 million in sales and accounted for 45% of the company’s revenues. It is positioned as the Group's global brand, which has an international style that combines color, energy and practicality to offer a complete everyday look. It is emphasized that the brand's core value is Passion for Quality (Benetton Group S.p.A.).
How can Japanese SPAs enter the German fast fashion market?

C&A (C&A Europe)

On the official website of C&A it is claimed that the company sells clothes for men, women and children and is characterized by values that are also important aspects of family life. C&A is positioned as a company that offers good quality, up-market, fashionable clothing at exceptionally favorable prices for everybody. “The customer is always the top priority. Irrespective of whether you wish to appear “hip” or are planning a visit to the opera in the evening. We have the product that you are looking for, that matches your taste and fulfils your expectations” (C&A Europe).

At present the company offers clothes under 10 well established brand names: Angelo Litrico, Baby Club, Canda, Clockhouse, here + there, Palomino, Rodeo, Yestbury, Yessica, Your Sixth Sense. However, customers tend to refer to all the brands as C&A, using the company’s name instead. Due to this, all the brands that the company carries are not discussed in the current research separately, but are considered under the collective brand name C&A.

The products offered under different brand names are designed in different styles from trendy through to classic. In this way, the company claims to be able “to cater for (almost) every taste and fulfill (almost) every wish of our customers” (C&A Europe). In addition, the company positions itself as a pioneer of using organic cotton for its clothes. This creates a strong image among environmentally conscious customers and makes the company more competitive in the market. Also, C&A is extending its brand range: in 2008 a new brand Avanti was launched aiming at younger, fashion-conscious, yet price-aware customers.

Founded in the Netherlands in 1841 by two brothers from Germany C&A has become one of the largest apparel companies in Europe. Germany is a core market for C&A (C&A, 2006). The company has been steadily increasing its strength in the German market, and in 2006 its sales increased by 4.1% reaching €2.81billion (C&A, 2007). At present the total number of C&A stores in Germany equals to 422 (C&A’s Report 2008).

H & M (Hennes & Mauritz AB)

H&M is one of the world’s largest and fastest growing clothing retailers. The company is also considered as a pioneer of fast fashion. By virtue of its fashion know-how and its adeptness to anticipating trends H&M has achieved popularity among consumers, by selling abroad range of fashionable collections which are renewed frequently, by offering attractive prices, and by maintaining a strong presence in prime shopping locations, H&M has ensured that its stores enjoy a steady flow of customers (Muran, 2007).

H&M positions itself as the one offering fashion and quality at the best price, who is inviting, exciting and always surprising (Hennes & Mauritz AB). The concept that the company applies, called “Ready to wear” by the Swedish, reflects the need of society as a whole for fast moving products and has resulted in one of the most successful strategies in the clothing industry (Dam & York, 2006). According to the company’s official website, H&M is aimed at everyone with an interest in fashion. They offer a broad and varied range that allows customers to find their own
personal style and select clothes and accessories for every occasion. The range includes everything from modern basics to high fashion reflecting the very latest international trends.

*H&M* is an undisputable leader in offering the latest trends at the lowest prices (Dam & York, 2006). The company has built strong brand recognition among fashion conscious customers. To a large extent it was contributed by a number of collaboration projects with celebrities, like Madonna and world renowned designers such as Viktor & Rolf, Stella McCartney, Karl Lagerfeld and Roberto Cavalli. (Bumpus, 2007). Moreover, one more collaboration project with a famous Japanese fashion designer is underway. (Comme des Garçons’ in collaboration with H&M this autumn, 2008).

Started in the year 1980 in Sweden, the company quickly gained international success. It has expanded substantially in recent years and today they have around 1,500 stores spread across 28 countries. Germany is the biggest market for *H&M* and accounts for approximately a third of total sales. Growth continues to be strong with many rebuildings and new openings on the schedule. At present a number of stores operating in Germany equals to 321. The reported sales in the German market for the year 2007 constituted €2,386million (SEK 22,150million) (Hennes & Mauritz AB).

**New Yorker (New Yorker S.H.K. Jeans GmbH)**

New Yorker focuses on the young generation. As it is stated on the company’s website, they supply a top-of-the-line, fashionable and extremely versatile collection to a young, trend-conscious lifestyle-orientated target group. At present the company carries five private labels: Fishbone, Fishbone Sister, Amisu, Smog and Censored, however, as in the case with C&A, all the company’s brands are referred to as *New Yorker*. According to Ms. Bulgrin, customers do not separate the company’s brands from the company name and have strong tendency to use collective brand name *New Yorker* in respect to all the products the company sells. Through its brands the company sells wide range of clothes from casual streetwear clothes to elegant and glamorous apparel. The company positions its products as such which capture imagination and enable young people to style themselves just like their idols in the movie and music industries (New Yorker S.H.K. Jeans GmbH, 2008).


So, all the stated above indicates that in order to penetrate German apparel market and establish themselves successfully Japanese SPAs need to know their potential competitors, their positions and strategies. This knowledge is crucial since it allows Japanese fashion companies to build their strategies according to the market situation.

Thorough study of the players in the highly competitive German apparel market which operate in middle and middle to low price segments, which are similar to those of Japanese SPAs, revealed five strong potential rivals to the Japanese fashion companies. Two of them *Esprit* (Esprit Holdings Limited) and *United Colors of Benetton* (Benetton Group S.p.A.) compete in the
middle price segment; while C&A (C&A), New Yorker (New Yorker S.H.K. Jeans GmbH) and H&M (Hennes & Mauritz AB) play in the middle to low price segments.

Being major in the market also means being successful in positioning and marketing strategies. Careful studying of the competitors’ positioning can reveal their success factors and explain how this success was achieved and how customers’ loyalty was gained. This information is very useful for Japanese SPAs since it helps understand the German market better and develop their own strategies according to their understanding.

All the competitors discussed in the thesis used different strategies to create brand awareness and strengthen their brand image among the public, starting from involving customers into global discussions and up to collaborating with top fashion designers and show stars. However, all of the applied strategies have become quite successfully, since level of recognition of all the competitors’ brands among customers is rather high and their positions in the market are quite strong. So, those Japanese SPAs who will be able to find a right way to create strong brand awareness among public and further build their brands reputation have good opportunity to win customers loyalty.

However, not only knowledge of positions of the competitors, but also who are their main consumer groups, and how they reach their target customers is important. This will help Japanese SPAs better understand their rivals’ marketing strategies.

Though the German market is competitive and concentrated, similarities that exist in the product offerings of the players within the same market segment can make customers welcome newcomers, since in this way people’s longing for novelty can be satisfied. This coupled together good knowledge of competitors and current situation in the market, as well as abilities to cover gap in quality-fashion ratio creates favorable opportunities for Japanese SPAs who will be able to satisfy market demand.

5.3. Activities in German Fashion Market

To set up the marketing strategies in Germany, the Japanese SPAs need to understand the current marketing activities in the German fashion market, especially the strategies of the main competitors in the low to medium fast fashion segment. In this chapter, the product, price, place, promotion and customer service activities of the major players in this segment are introduced.

5.3.1. Product

In the German fast fashion sector, the product categories, designs, materials used, and quality levels vary between the main competitors, according to their market positioning.

According to the market competitor analysis report of the Italian fashion group, Stefanel (2004), Espirit’s and United Colors of Benetton’s designs are also relatively basic but a little trendier than the ones of C&A. And they are slightly more selective in their collections. The designs of C&A’s fashions are traditionally basic; meanwhile, H&M is regarded as fashionable. The
How can Japanese SPAs enter the German fast fashion market?  

Ka Yu Seto  

Olena Zastezhko

analysis report, however, summarized that both C&A’s and H&M’s clothing are mass produced (Stefanel Group, 2004).

CBI’s Market Survey “Outerwear Market in the EU” (2007) also categorized the German fashion market major players according to their fashion designs, product quality and production quantities.

CBI categorized Esprit and United Colors of Benetton as the same category in terms of product features in the research “Outerwear Market in the EU” (2007). Their products have good to medium quality materials. And they are likely to have trend-following or classical styles in product designs. According to Alessandro Benetton, the director of the Benetton Group, they never follow the path of disposal fashion. Their garments are made using maximum of possible technology and quality to differentiate from low-quality products (A study of Brands: United Colors of Benetton not on disposal fashion path, 2008).

Meanwhile, Dam & York (2006) explained that Esprit has its rule of product quality: synonymous with contemporary lifestyle and taste, uni-age, youthful and dynamic of good quality. Esprit’s products are stylish, yet not too fashionable. Their products are not as trendy as the ones of H&M. Their products put quality first, before latest trends. Dam & York (2006) further compare Esprit’s products with H&M’s. They said that some of the women in Germany who are not intimidated by the fast moving market of fashion, do not let the industry tell them what to wear; they do not buy products with low quality and at ridiculous prices, so they choose Esprit. It is because Esprit’s products are “safe” in designs, unlike H&M.

Both H&M and New Yorker target on trend conscious consumers. Their product ranges comprise clothing, including underwear and sportswear, for men, women, and teenagers. In the survey CBI (2007) categorizes them as highly fashionable and close to trends. But they give less attention to fitting and patterns. Their products are produced in large quantities.

According to H&M’s annual report (2008), H&M offers a range of fashion apparel under different concepts. Its range covers classics, basics and clothes that reflect international trends. New Yorker focuses on the trendy and lifestyle oriented young generation and provides fashionable and extremely versatile collections (New Yorker S.H.K. Jeans GmbH, 2008).

Although H&M’s products are very fashionable with wide range of choices, product quality is regarded as basic (CBI market survey, 2007). H&M claims in their company annual report (2007) that they are aiming at providing good quality of apparel with trendy designs. This is welcome by many Germans. In the article of “H&M stores in Munich” (2004) in a Germany-English speaking crowd, many German consumers agreed that H&M’s clothes are colorful and keep them in trend with satisfactory quality. One of the respondents, Janine, commented that ‘I Love H&M. The clothes are cheap but of good quality’. There are also German consumers who complained that H&M’s products quality is low. In the same article, another respondent, Diva, thought H&M’s products quality is bad and their clothes do not last more than a couple of washings. Also, some respondents such as Gigi do not prefer the colorful 80’s style of designs. They prefer something chic like fashion from France and Italy. Also in the interviews, both Ms. Wilkens and Ms. Liu’s expressed opinion that the product quality of the Japanese SPAs is better than of H&M and New Yorker, and their product designs area also trendy enough to attract the
German young consumers. Meanwhile, Onward provides more basic styles, and this is more accessible to the German public, especially to middle-age and older Germans.

Although C&A is also regarded as massive production brand, CBI’s survey “Outerwear Market in the EU “(2007) C&A’s fashion designs are characterized by basic styles, less changes in patterns, basic fittings and lower fashionable elements. The survey also reported that C&A has better products quality comparing to H&M, but the product designs are less fashionable. Regarding the product material, C&A is one of the pioneer using ecological materials for their clothing in Germany. The clothing chain adopted organic cotton into wide range of its products in 2007. Meanwhile, H&M also made some product lines in its Organic Cotton Collection (Dörre, 2008).

The above findings imply that the major players in the low to medium fashion market in Germany have different target segments according to the product designs, quality and production quantities.

Both United Colors of Benetton and Esprit offer better quality and fitting of clothing than C&A, H&M and New Yorker. These indicate that United Colors of Benetton and Esprit target on customers who are more quality conscious and are less affected by the fashion trends. Also customers from young to elderly can enjoy the uni-age designs of clothes. Their products also have wider ranges, so that consumers do not feel they wear the same clothes as everybody does. However, their designs cannot reach the demand of the trend lovers.

Basing on the findings, the designs of United Colors of Benetton and Esprit, however, are not as fashionable as the ones of H&M and New Yorker, whose clothes are well appreciated by the German trend lovers. However, nice design is not enough. Customers regarded the trendy low-priced fashion retailers’ products quality are acceptable with its price. However, for those who look for better quality of trendy clothing, H&M’s and New Yorker’s clothing cannot reach their expectations.

C&A’s products are not as fashionable as those of H&M and New Yorker, and its product quality and cutting are also not as good as of United Colors of Benetton and Esprit. But being the pioneer of using Organic Cotton, it sets up an image of environmentally friendly fashion retailers successfully.

The above data reveals that there is a gap between trend oriented and good quality oriented fast fashion retailers in Germany. The use of ecological materials in Germany is also a tendency in the market.

It is an opportunity to the Japanese SPAs who provide good quality products with trendy designs, in the fast fashion segment. In chapter 4, it is shown that the Japanese companies provide a wide range of fashion styles from basic to trendy. All of them provide good quality of clothing. Also, in the findings chapter, the comments from the interviewees prove that the Japanese SPAs supply better product quality than H&M and New Yorker in the market. Their designs are also attractive to the young Germans. So there are opportunities for them to target on the customers looking for good quality and nice designs of fashions. Companies who make use of environmentally friendly product materials can also make a chance in the German market.
5.3.2. Place

**Wholesalers**

There are many distribution channels for apparel in Germany. The first one is wholesalers. Suggested by CBI’s survey report “Outerwear Market in Germany” and “Outerwear Market in the EU” (2007) importing wholesalers take title to the goods and are responsible for their further sale and distribution in Germany. Wholesalers are familiar with local markets and can supply considerable information and guidance, such as administration of import/export procedures and holding of stock. The development of a successful working relationship with the wholesalers can also lead to a high level of co-operation with regard to appropriate designs for the market, new trends, use of materials and quality requirements. Internet search engine, Dino Onlines and professional magazine, TextilWirtschaft are recommended for searching the wholesale partners in Germany.

Japanese SPAs who distribute their apparel through wholesalers are enabled to understand the market more and reach the customers’ demand with appropriate designs, materials and quality. However, distributing clothing via wholesalers results in lower recognition of brands of the Japanese SPAs among the German consumers.

**Retail Trades**

CBI identified in its survey “Outerwear Market in Germany” (2007) that the main players of the fast fashion sector are selling their products as retailers. The report also mentioned that the German retail-clothing market is becoming more concentrated: 20 companies accounted for 50% of the market. Table 4 below shows the market shares for retail distribution of clothing in Germany in 2006:

<table>
<thead>
<tr>
<th>Retail Distribution</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Specialists (Total)</strong></td>
<td>55</td>
</tr>
<tr>
<td>- Independent retailers</td>
<td>24</td>
</tr>
<tr>
<td>- Clothing multiples (including discounters)</td>
<td>31</td>
</tr>
<tr>
<td><strong>Non-Specialists (Total)</strong></td>
<td>45</td>
</tr>
<tr>
<td>- Department and variety stores</td>
<td>11</td>
</tr>
<tr>
<td>- Home shopping companies</td>
<td>13</td>
</tr>
<tr>
<td>- Hyper-and supermarkets</td>
<td>7</td>
</tr>
<tr>
<td>- Sports stores</td>
<td>5</td>
</tr>
<tr>
<td>- Other</td>
<td>9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100</td>
</tr>
</tbody>
</table>

Table 4. Market share for retail distribution of clothing in Germany (in %)
How can Japanese SPAs enter the German fast fashion market? 

Ka Yu Seto 
Olena Zastezhko 

Cited by CBI’s survey (2007), BTE reported that the total number of German outlets with clothing in their assortment is 42,000. The number of independent clothing stores is estimated at 20,000, of which 7,000 are specialized in womenswear, while 2,000 in menswear. The main clothing multiples are, for example, Unitex (2007) with 500 members and Sütegro (2008) which is specialized in womenswear and has 130 members.

The independent retailers in Germany occupy 24% of retailing in the market. Independent retailer means selling clothes in stores under the fashion retailers’ own brand. As shown in Table 4. Major clothing specialist chains, United Colors of Benetton, C&A, Esprit, H&M and New Yorker, are all in this distribution channel.

Leading department stores are Karstadt and Kaufhof. Karstadt is owned by Arcandor, the new name of Karstadt/Quelle and has 90 department stores.

Galeria-Kaufhof (2008) with 142 stores is part of Metro. Another department store is Breuninger (2008). The leading variety store is Woolworth (2008), of which textiles account for about 40% of total turnover (CBI Market Survey, 2007). In the major low-medium price specialist chain stores’ company websites it is indicated that they also have their counters or departments in the department stores. Department stores provide a wide range of product selections; meanwhile, young and hip shoppers gravitate towards the trendy districts such as Hackescher Markt and Kastanienallee in Berlin (Shopping in Berlin – The place to be, 2005). Ms. Wilkens explained in the interview that the fast fashion retailers in Germany mainly locate at shopping centers and main shopping streets in convenient locations. It is very important for the Japanese SPAs because these locations help them build up brand images and recognition among the German consumers. Also, the image of the location district is also influential to the customer perceptions of the stores and the creation of brand image. Muran (2007) also agreed that H&M’s expansion largely depends on the availability of attractive sites in prime shopping locations. Ms Liu stated in the interviewee that German young people usually shop at shopping malls and shopping streets instead of department stores. There is also an increasing number of retail outlets in Germany located at industrial zones in out-of-town areas (Factory Outlets Centers Thrive As High Street Stalls, 2008). Ms. Wilkens further explained that outlet is a good distribution channels for cheaper or off season products.

Shopping in discounters has become a habit for many Germans (What Consumers Value Most, 2008). The biggest discounters in Germany are Ernsting’s Family owned by Ernsting Familie (2008) and KiK owned by Tengelmann-Gruppe (2008). They sell family clothing, sportswear, underwear, nightwear, hosiery but also household textiles and beds; they buy in large quantities and avoid middlemen, in order to get low-priced goods in the shops quickly (CBI Market Survey, 2007).

According to CBI’s survey “Outerwear Market in Germany” (2007), home shopping companies occupy a significant position in the German retail market. Leading companies are Quelle (2008), Neckermann (2008), both part of the Primondo Group (owned by Arcandor), Otto (2008) and Klingel (2008). Most of the companies mentioned have outlets, and several clothing multiples started home shopping activities and have their own catalogue, website, tele-selling activities etc. The major independent retailers also start their e-shopping business. Esprit (2008) has its e-shops online. Also, H&M (2008) started its e-shopping in Germany in 2007. However, some of the
How can Japanese SPAs enter the German fast fashion market?

Ka Yu Seto
Olena Zastezhko

German consumers hesitate to shop on internet because they prefer to touch, feel and try before they purchase clothing. (H&M Online Shopping – Germany, 2007)

Many textile products including outerwear can be found increasingly in super- and hypermarkets, like Aldi (2008) and Lidl (2008).

As shown by the data, in Germany, clothing multiples is the largest group of distribution channels. This includes discounters in Germany. The same as hyper-and supermarkets, German customers look for cheap and basic clothing such as sportswear and family wear in these stores. Japanese SPAs who distribute their clothing through these channels are able reach the majority of population because of their coverage in market these channels provide. However, this also hinders their possibilities to reach customers who look for brand clothing with good quality and designs.

Independent retailers are the second large and also the most common distribution channel for the fast fashion retailers in Germany. Selling clothes in the self-branded specialty stores provides opportunities for the Japanese SPAs to gain recognition among the German public. Moreover, the store location is also crucial. Locating shops in trendy districts, accessible and convenient locations allow the Japanese SPAs to reach the fashion conscious groups. This also lets the German consumers perceive the Japanese SPAs’ brands as trendier, or at higher level. Department stores are another distribution channel for the specialty apparel retailers in Germany.

Department stores provide a wide range of brands and choices to consumers. Distributing clothes in department stores offers opportunities for the Japanese SPAs to reach customers who have no specific idea about their brands and who want to have more choices when shopping. But it is less accessible to the young consumers.

Shopping at home becomes a trend in Germany. Home shopping companies occupy higher percentage (13%) of retail distribution than department stores (11%). Providing online shopping to the customers allows them to shop in a convenient way. Also, there are no boundaries on internet. It provides opportunities for the Japanese SPAs to reach customers country-wide without limitations by the store locations. Nevertheless, online shopping does not enable the Japanese SPAs to reach the German consumers who prefer shopping in stores because they like touching and trying the product before they buy.

German consumers also shop in outlets of the specialty retailers. But the locations are mainly far from cities. Moreover, outlets are good for companies to sell cheap and off season clothing. But it is difficult for a new brand to set up an outlet to sell the new and latest products.

The analysis shows that different distribution channels in Germany provides different opportunities and challenges for the Japanese SPAs to do the business successfully. However, specialty shops under their brands, department stores, and e-shopping are the most potential means to let them reach the target consumers. Also, convenience and image of the locations determine the opportunities for the Japanese SPAs to set up their business in Germany successfully.
5.3.3. Price

The major market players have different price strategies. CBI divided them into three segments in the survey “Outerwear Market in the EU” (2007). Both United Colours of Benetton and Esprit are categorized in middle price segment. Also, the survey commented that their price thresholds must be observed. Chung, Freeman & Parker (2003) mentioned that in 1990s Benetton Group adopted a strategy of price-reduction worldwide. Simultaneously, they decreased production costs. This combination of price cutting and cost reduction resulted in an 8 percent increase in both, items produced and sold in 1994. United Colors of Benetton has an extensive system of outlet stores in which to sell clothing at significant discounts, as a result of the price cuts. Although there is higher price pressure from lower priced retailers like H&M, Alessandro Benetton, the director of Benetton Group, said in an interview with Yomiuri Shinbun (2008), that United Colors of Benetton positions itself with accessible and democratic prices compared to the product quality (A Study of Brands: United Colors of Benetton not on disposable fashion path, 2008). Esprit also keeps their price at reasonable level, which at the same time can reflect their product quality and brand image. Quoted by an article “Sweden’s H&M Lands in China” (2007) Fan Yang, a retail analyst with market researchers Euromonitor International, said Esprit keeps prices low and at a permanent level so it never damages the brand by offering promotions.

On the other hand, C&A, H&M and New Yorker have their price segment in the low medium-level (CBI Market Survey, 2007). They lower their production cost by massive productions. And CBI’s survey ‘Outerwear Market in Germany (2007) claimed price is an important factor in their marketing strategies.

Table 5 below compares the prices of the major market players in the German low to medium price fast fashion market. The prices data are collected basing on the companies’ websites of the major players and personal observations of the interviewees. According to Ms. Bulgrin, the prices of the Japanese SPAs vary a lot. She commented that the Japanese SPAs offer competitive prices. Another interviewee, Ms. Liu, also commented that the Japanese SPAs’ product prices are very competitive to the German market.

<table>
<thead>
<tr>
<th>Types of Outerwear</th>
<th>United Colors of Benetton</th>
<th>C&amp;A</th>
<th>Esprit</th>
<th>H&amp;M</th>
<th>New Yorker</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women’s Wear</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-Blouse</td>
<td>49.9</td>
<td>25.95</td>
<td>39.95</td>
<td>14.9</td>
<td>9.95</td>
</tr>
<tr>
<td>-Spring Jacket</td>
<td>99.95</td>
<td>39.95</td>
<td>99.95</td>
<td>29.9</td>
<td>19.95</td>
</tr>
<tr>
<td>-Jeans</td>
<td>59.95</td>
<td>45.95</td>
<td>69.95</td>
<td>39.9</td>
<td>29.95</td>
</tr>
<tr>
<td>-skirt</td>
<td>49.95</td>
<td>39.9</td>
<td>59.95</td>
<td>24.9</td>
<td>19.95</td>
</tr>
<tr>
<td>Men’s Wear</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-T-Shirt</td>
<td>39.05</td>
<td>19.95</td>
<td>29.95</td>
<td>14.9</td>
<td>6.95</td>
</tr>
<tr>
<td>-Spring Jacket</td>
<td>139.95</td>
<td>29.95</td>
<td>119.5</td>
<td>29.9</td>
<td>39.95</td>
</tr>
</tbody>
</table>

Table 5. Price table of the major players in the low to medium price fashion segment in Germany (in euro)
These show that in Germany, the fast fashion companies set their target audience between low and medium price segments. Comparing with the product quality and designs in the product section, United Colors of Benetton and Esprit provide clothing at higher quality but also higher price than C&A, H&M and New Yorker. However, their products are less fashionable. H&M’s and New Yorker’s clothes are cheap and trendy, yet, the quality is not satisfactory to some customers in Germany.

And therefore, the segment of customers, who prefer good quality, chic or trendy clothing at lower price, is not served by the current market players. It is a potential segment and opportunity for the Japanese SPAs which can reach this market segment. As explained by the interviewees, the Japanese SPAs provide very competitive product prices. For example, as shown in chapter 4, Uniqlo of Fast Fashion Retailing and World provide a pair of jeans at €11 to €12. This ensures them to be competitive in this market. So there are chances for the Japanese SPAs in the German market. But it is also a challenge for them to maintain their product prices lower than of the current low price players in this competitive market. For the Japanese SPAs which target the medium price segment, price thresholds need to be observable on their products and brands.

5.3.4. Promotion

Lifestyle and fashion magazines are the most popular promotion ways for the low to medium priced fashion retailers in Germany. Newspapers, billboards and door-to-door leaflets are also used by the retailers such as C&A in low price segment (CBI Market Survey, 2007). The German top fashion magazines sell around 3.5 copies a month (Loschek, 2006).

In the article ‘Fashion magazines in Germany’, fashion expert, Loschek (2006) described the main fashion magazines in Germany. The top fashion glossies in Germany are Elle (240,000 copies sold each month), Vogue (143,000) and Madame (111,000) and their male equivalent GQ (Gentlemen’s Quarterly, 138,000). They target on readers aged between 30 and 50 with household income around €2,500 per month. There are also fashion magazines in mini-format, which can fit into readers’ handbags, such as Glamour (for women), Joy as well as Young (for young ladies). Traditional magazines like Brigitte are still influential in the fashion market. They target younger readership and focus on real life rather than on glamour. Some more men’s fashion magazines such as Maxim and Matador are also advised by interviewee Ms. Bulgrin. Nowadays, the fashion magazines not only have published versions but also online versions. Readers can read the magazines on their websites: Glamour and GQ are good examples. Interviewee Ms. Wilkens suggested that little catalogues and booklets in newspaper are commonly used by fashion retailers to promote in Germany. The quality of the booklets affects the consumers’ perceptions of the company’s image.

Shopping discount is also a common promotional way used by the major players in Germany. H&M is a good example (Završnik, 2007). Sometimes they provide discount sales of more than 50% off. Esprit and United Colors of Benetton also have their sales outlets in some out-of-centre towns. In Metzingen, for instance, customers can buy an Esprit shirt for €9 instead of €25 or €30 (Metzingen factory outlets, 2008) However, Dam and York (2006) emphasized that Esprit does not offer too bottom discount sales in its retailing stores, in order not to damage the brand image. Despite of sales discounts in stores, the major players such as New Yorker and Esprit also
provide VIP memberships to their customers. Members can enjoy special discounts or free gifts. Catalogues and latest fashion trends are also sent to the members to promote the companies’ latest fashion collections (Esprit Club, 2008) and (New Yorker S.H.K. Jeans GmbH, 2008).

According to Završnik (2007), H&M successfully builds up its brand image and enhances brand recognition by its collaboration with prominent fashion designers such as Karl Lagerfeld and Stella McCartney. H&M keeps collaborating with famous designers who launch their limited editions under the brand of H&M. The collaboration with Karl Lagerfeld in 2004, Stella McCartney in 2005 and Roberto Cavalli in 2006 brought great success to H&M (Park, 2007). This also bought a cheap chic craze in Berlin (Paulick, 2004). According to the home page of H&M, it is going to release a new designer collection in fall of 2008, which is designed by the famous and creative Japanese fashion designer, Rei Kawakubo, the founder of Japanese high fashion brand, *Comme des Garçons* (Comme Des Garçons in Collaboration with H&M this Autumn, 2008)

On the other hand, United Colors of Benetton uses ethical issues as their promotion theme. And the company actively involves in many social events. However, this is not very welcomed by the German consumers. For example, in 1994, United Colors of Benetton released two of its most controversial campaigns, the “Croatian Soldier” and “HIV Positive.” Both campaigns followed United Colors of Benetton’s mission to support social causes and increase awareness of global issues, but also managed to provoke strong ill-will feelings towards the company whose reputation was already faltering due to the recent store closings in Germany. This caused boycotts in Germany. In mid 2002, a German high court barred the company’s “HIV” advertising campaign and referred to it as “anti-competitive” (Chun, Freeman and Parker, 2003). As Dam and York (2006) concluded, United Colors of Benetton tried through their intense advertising campaigns to emphasize the ‘human side’ of the brand. But it ended up pushing too far and making consumers walk away from the brand.

Ms. Liu suggested in the interview that ecological fashion becomes a trend and a big issue in Germany now. Customers pay more attentions on fashion retailers offering environmentally and socially friendly clothing. She further advised that the Japanese SPAs could collaborate with well-known environmentally and socially friendly fashion companies like “Quelle”. This can help the Japanese SPAs to gain brand recognition.

Moreover, there are also some fashion fairs in Germany, such as Igedo Fashion Fairs at Düsseldorf, the “Walk of Fashion” in Mitte and the “Global City Fashion Festival” in Kurfürstendamm. These provide fashion retailers platforms to let people know about their brands (CPD Dusseldorf, 2008) and (Fashion in Berlin, 2005).

To summarize, lifestyle and fashion magazines are the most frequently adopted promotion media by the fast fashion apparel retailers in Germany. The top fashion magazines can reach more than 100,000 to 240,000 readers a month (it should be noted that one magazine can be shared by several people). Advertisements in these magazines, especially the one with online versions, ensure the products of the Japanese SPAs and the companies themselves are introduced and recognized in a nation-wide scale. Nevertheless, the Japanese SPAs need to select the right magazines to advertise in. It is a potential to be well-promoted if they advertise in magazines with target readers that are the same as the Japanese SPA’s target groups. Otherwise, it is difficult for them to obtain satisfactory results of promotion. This is also the same as the use of
booklets in newspaper. The materials, designs of the booklets, need to reflect the brand image of the company; otherwise the promotion booklets would not reach the target customers.

The major players in the German fashion market also use price discount promotions to attract consumers. The most common ones are promotional sales and membership discounts. Shopping discounts and free gifts can help the Japanese SPAs to encourage customer purchases. However, it is important to set the bottom line of price setting in order not to damage brand images of the Japanese SPAs, which target on the medium price segment. The use of outlet is also welcomed by the German consumers. But this is limited to off season stocks or cheap items. Promotions of new collections and company information by membership newsletter also provide opportunities for the Japanese SPAs to enhance customer purchase and increase recognition of the brands.

In order to enter the German fast fashion market successfully, it is important for the Japanese SPAs to gain brand awareness from the public. The promotion methods used by the current players give referable examples. Collaborations with celebrities or famous designers not only boost up the sales but also extended the brand fame of H&M in Germany. The coming collection from H&M and Rei Kawakubo, a famous Japanese high fashion designer, brings an opportunity to raise interest and awareness about the Japanese fashion among the German public. The Japanese SPAs which can find out the influential famous designer, celebrity or reference group to their target customers and collaborate with them in promotion or product designs will have more potential to build up and promote their brands and products. And thus more opportunities to be successful in the German fashion market.

Apart from collaborating with famous designers, United Colors of Benetton promotes its brand image by linking its advertisements to ethical problems and by being highly involved in social events. This provides potential to enhance the company’s recognition among German consumers. However, the choice of ethical issues in advertisements needs to be carefully. This also relates to understanding of cultural background of the German people. It is a challenge to build up or rebuild the brand images if the Japanese select the sensitive or unwelcomed issues to link their advertisements and promotion campaigns to. As ecological issues are now a hot topic in Germany, promotion events such as collaboration with well-known environmentally friendly fashion retailer could bring opportunities to the Japanese SPAs to gain brand recognition.

Participation in fashion fairs in Germany also brings potential to the Japanese SPAs. Fashion fairs, especially the ones in fashion cities Düsseldorf and Berlin, collect attention from the fashion lovers from the whole country. The participating brands can be also recognized. Moreover, fashion fair is also one of the hot topics in fashion magazines. Joining a fashion fair will allow the Japanese SPAs to get the chances to promote on the fashion magazines in Germany.

5.3.5. Customer Services

Staff service is the first element in customer service. In Germany there is activities and websites like Geschichten aus der Servicewüste to promote customers service in the country. According to the comment of one of the German consumers, ‘C&A’s staff give you a smile and can work their tills’ (Customer Service Campaign in Germany, 2006)
How can Japanese SPAs enter the German fast fashion market?

Ka Yu Seto
Olena Zastezhko

Dam and York (2006) also comments that Esprit’s employees are very attentive and strive for making customers feel comfortable and not only pleased, but delighted. H&M stores are self-services stores, which allow customers to shop freely (H&M annual report, 2007). However, Dam and York (2006) thought customers in H&M stores feel a little unattended.

Secondly, in-store environment is also an element of customer services. In the annual report of 2007, H&M explained that in order to provide an attractive and inspiring store environment to the customers, H&M renew and refurbish their stores in Germany. Also, the H&M store environment must be pleasant and provide ideas and inspiration. The display window of H&M stores are also kept clear and changed frequently to invite and inspire customers to make purchases. This also aims at letting customers always feel novelty and excitement. H&M tries to provide attractive clothing matches and shopping suggestions via the window displays. Yet, the inspiring shop atmosphere might be too intimidating for some people (Dam and York, 2006).

Main market players also keep their shop atmosphere united in all stores. United Colours of Benetton and Esprit, for example, have all stores in same colours, and the same interior designs are instructed by headquarters, in order to provide ‘total look’ to customers. This allows customers to recognize the brands everywhere (Dapiran, 1992, and Lente – Zomber: Esprit, 2004).

Esprit shops all over the world have the same Esprit feeling: they are open, warm and welcoming to customers. Sometimes the “whole family” concept is applied: in one shop the whole family can get new outfit at one time (Lente – Zomer: Esprit, 2004). In the research of Beverland, Lim, Morrison and Terziovski (2006) their respondent comments that Esprit’s stores have a clean cut image, which is comfortable and tidy.

External communication is the third element. According to the websites of the major players like Esprit (Esprit Club, 2008) and New Yorker (New Yorker S.H.K. Jeans GmbH, 2008), they provide memberships to their loyal customers. New Yorker sends its newsletter to the members timely which gives key information about the company’s products. Members also have a free of charge e-mail, which is delivered bi-weekly to inform you about all innovations on the company website.

Esprit also offers discounts and special promotions to loyal customers. Through e*club, its online membership club, Esprit offers credit (e*club points) in their stores for every purchase done through the e*club card. As an e*club member, customers are invited to enjoy special promotions, such as double e*points weeks and special shopping hours. Also, a member of the e*club can have access to other benefits such as free call centre service and personal access to their account balance. Joining the e*club is free. (Dam and York, 2006).

H&M, meanwhile, communicates with its customers by H&M magazine. This is a free magazine that customers can obtain from the H&M stores. According to the Annual report (2007), H&M Magazine provides a good idea of how the company views fashion. It offers readers a mix of fashion, inspiration and the latest lifestyle trends. It is issued four times a year and is aimed equally at customers and staff. Like all H&M’s communication, the magazine can be seen as an invitation to H&M. It is important for building brand image in the long term. Also, the magazine is available on the H&M website. According to C&A’s annual report (2008), it has printed response forms for customers to comment on their satisfaction levels with the range of products.
on offer, employees’ friendliness, smoothness of workflows and furnishings and facilities in the stores. Customers can also response through e-mail from the “Contact Page” of the C&A website.

The last element is internal communication in the fashion retailers. In Esprit, personnel are being trained to satisfy the customer as much as possible. This helps creating a warm and purchase supporting environment. (Lente – Zomer: Esprit, 2004). H&M also sends the staff from established H&M shops and countries to support the store managers and staff in newly open stores (H&M annual report, 2007). C&A also conducts ‘Mystery shopping’ four times a year by an employee from an external agency, who inspects the customer service of the staff in stores. C&A then provides staff trainings according to the feedback of the mystery shoppers.

All the above indicated that customer service in Germany becomes more important to the customers. It is necessary for the Japanese SPAs to consider staff service quality such as politeness and friendliness, in order to gain customer satisfaction. However, the example of H&M shows that the Japanese SPAs need to understand what the target customers need and expect before they design the service strategies. Because some of the customers may expect different from the service provided. And this would result in negative image to the company.

The examples of the major players also shows that in-store environment which can invite customer purchases, provide united image, with a comfortable atmosphere leading to success in the market. And therefore, learning from their experiences brings more opportunities for the Japanese SPAs to set up their business in Germany. Proven by H&M, attractive and inspiring store environments with frequently changed displays with various clothing matches encourage customers to shop. However, this might be too intimidating for the Japanese SPAs which target customers who look for basic and comfortable fashions. Esprit’s and United Colours of Benetton’s ‘family concept’ of store environment, which offer atmosphere with clean and tidy image, is more attractive to this group of customers.

Also, the findings reveal that fashion retailers which create united atmosphere such as same colours and interiors allow customers to remember and recognize the brands everywhere. This is a potential strategy for the Japanese SPAs to be recognized by customers in Germany.

The use of company magazines, newsletters, e-mails to club members and company websites, enables the companies to inform customers of the latest company news and collections of fashion, and encourage purchasing of the German consumers. Moreover, this also increases customers’ knowledge about the brands and creates brand loyalty. The use of customer response forms or webpage also provides a chance for customers to communicate with the companies. Furthermore, membership, e-mail communication and customer response form also provide the fashion retailers with customers’ information which allow them understand the consumers’ needs and expectations.

Besides, the major players also emphasize internal training of the staff in order to keep their service quality consistent. These show that the major players pay a lot of effort to communicate with their customers. Japanese SPAs which have better communication with customers, have more opportunities to let the customers know about the brands and let the company know about the customer needs. Training of staff also helps to ensure store service quality, and thus obtain higher potential to be successful in the German market.
How can Japanese SPAs enter the German fast fashion market?

The analysis above shows the opportunities and challenges of all marketing strategies for the Japanese SPAs to get into the German fashion market successfully. The strategies employed by the major market players provide good references. But the most important is that different segment of customers has different preferences and expectations. And hence understanding the customers in Germany determines the strategies to be employed and also the opportunities and challenges for the Japanese SPAs to enter the market successfully. Findings and analysis of the German consumers is presented in the next section.

5.4. German Customers

In this section, German customers’ expectations on the marketing strategies of fashion retailers are revealed and analyzed. This provides a clear picture for the Japanese SPAs to decide which marketing activities mentioned above bring the best satisfaction to their target customers.

5.4.1. Consumer Expectations

Understanding the consumer expectations and satisfying them is the way to keep consumer loyalty and thus bring business success to apparel retailers (Carpenter and Fairhurst, 2005). In this part, expectations of the German consumers on marketing mix (product, price, promotion, and place) and consumer behavior in Germany will be presented.

5.4.1.1. Product

Noted by CBI’s market survey “Outerwear Market in Germany”, (2007), in Germany, younger buyers tend to be more concerned with image and fashion. Whereas older buyers are concerned more with quality, value, practicality and durability. Comfortableness of clothing is also essential to the aging population in Germany. However, now fashion is also important to many consumers in their 30 to 40s and quality has become an increasingly important criterion for younger consumers. Ms. Liu said in the interviewee that the Japanese SPAs provide basic designs (such as Onward) could attract the middle age customers. And the ones offering trendy designs like World, are more welcome by the German teens.

Wayne (2001) discussed in this research that German customers put product quality as the most important factor when they are shopping. Quoted by his research from Gesellschaft, Wirtschaft, Konsumenten (1995, p. 460) that, “in a nation-wide survey of German values and lifestyles, 81% of respondents agreed that quality is of utmost importance of them when purchasing goods”. Wayne (2001) concluded that companies may find it more difficult to sell-low quality goods to German consumers, at least when such companies intend to complete with existing German brands.

Regarding the use of materials, according to the research of Cotton Incorporated in its article “As the world turn” (2007), German consumers frequently check fibre content labels before purchasing, comparing to other European countries like Italy (regularly) and UK (occasionally).
How can Japanese SPAs enter the German fast fashion market?  

Ka Yu Seto  
Olena Zastezhko

The analysis of CBI in their survey “Outerwear Market in Germany” (2007) indicated that German people prefer cotton products to the detriment products made of man-made fibres. It also mentioned that German consumers have high concerns not only on product quality, but also on environmentally and socially friendly products.

Moreover, suggested by CBI in survey “Outerwear Market in Germany” (2007), German consumers prefer the fashion style to be leisure and casual. ‘Smart casual’ is more popular to the working ages. This leads to the higher demand for jeans and knitted product such as pullover, jumpers and sweaters. Meanwhile, the young German girls want casual wear with feminine details.

It is proven in the findings that it is difficult to sell clothes with low quality in Germany. Some of the German consumers accept the lower quality of clothing, when the price is low (Such as H&M and New Yorker). However, from the data of German consumers’ expectations, it is known that better quality of clothing is very welcomed, no matter whether the customers are fashionable dressers or not. And therefore, it is a challenge for the Japanese SPAs which cannot provide satisfactory product quality to the German consumers, no matter to which target group. On the other hand, companies offering high quality of clothing have higher opportunities to be accepted by the Germans.

Because the German consumers check fibre content labels frequently, it is essential for the Japanese SPAs to have clear fibre content labels on their products. Also, the materials used have to be careful. Companies which release ecological collections of clothing obtain higher market chances in Germany. Meanwhile, any harmful materials used, or unethical production of clothing might lead to critics from the public and hence failure in the market.

The findings also show that German consumers tend to prefer casual wear. Collections of the Japanese SPAs with casual designs have higher potential to fit the customer tastes. However, Japanese SPAs which target on young German girls need to add more feminine details instead of causal designs.

5.4.1.2. Price

German people are well-known as being price conscious. Germany has a long tradition of the discount format (e.g. Aldi, Lidl). And German consumers feel they cannot buy any cheaper than at discounter store (Wayne, 2001). Due to the economic development in Germany, many German consumers on lower incomes will continue to seek low price clothes. With the increase of imported clothing from Eastern Europe and Asia, as well as the expansion of low to middle price international chain stores to Germany, there is more lower-priced fashion in the market. This makes the German consumers expect further low prices on fashion (CBI Market Survey, 2007). Interviewee Ms. Wilkens pointed despite of the lower income group, German consumers concern about quality more than price. They are willing to pay more for a better quality of outerwear. However, the price should be reasonable. Also, distribution channels also affect their expectations on prices. Customers expect lower prices when they shop at hyper-markets, discounters and outlets. But they are prepared to pay more when they are shopping at shopping malls, retailer shops or department stores. Wayne (2001) also stated that students, for example,
are likely to be on restricted incomes and hence, more likely to be conscious of lower prices. But consumers who are brand conscious are relatively indifferent to price. Also, too low prices of clothing will make German customers perceive the product quality as not good. So CBI concluded in its survey “Outerwear Market in Germany” (2007) that Price is important in the lower segment of clothing market (super-and hypermarkets and discounters), meanwhile, in the higher segments (higher added value) factors like quality and fashions are more important than price in Germany.

Price setting is important for the Japanese SPAs as German consumers are price conscious. The price competition is very fierce because of the rise of H&M and New Yorker in the market. Japanese companies which offer lower prices of clothing have more chances to gain market shares; otherwise, it is very difficult to survive in the price competitive market. However, for those which target on quality conscious customer or the middle income group, the price settings have to be “reasonable but not too low” which means their product quality, designs, brands or shop designs have to be recognized and understood by customers. Yet, in the moderate price segment, too low or too high of price setting brings great challenges to the Japanese SPAs to enter the market.

### 5.4.1.3. Place

German consumers regard convenience of the shopping location as one of the important attributes (CBI Market Survey, 2007). One of the reasons is that Germans like using time effectively and dislike wasting it. They prefer to shop in familiar routines (Wayne, 2001). They welcome out-of-town outlet centers and edge-of-town retailing stores in spacious areas, owing to their low product price (Factory Outlet Centers Thrive As High Street Stalls, 2008). One of the interviewees Ms. Bulgrin said that outlet centers in industrial zones and discounters do successfully in Germany. Customers do not care to go further to buy something cheap, because they can drive to those outlets centers. But it is necessary to have car parking available. However, when German consumers buy something luxurious or branded, they prefer buying at shopping malls or town center (Factory Outlet Centers Thrive As High Street Stalls, 2008). This is also supported by Ms. Bulgrin that German consumers assume that shops in center and shopping malls provide better product quality. The brand image also would be perceived as higher if the shops are located there.

This indicates that there are more market opportunities for the Japanese SPAs which set up their stores in convenient locations, particularly in the shopping streets or shopping malls. Having accessible locations enables the Japanese SPAs to enhance brand images and brand awareness. Outlets are also attractive to Germans but it is necessary to have car parking.

### 5.4.1.4. Promotion

Germans often expect a great deal of information rather than entertainment in advertisements. They feel uncomfortable with limited data. (Wayne, 2001). Wayne (2001) quoted from Hall and Hall (1990) that German people are loaded with detailed information. Products are described and
analyzed. And they are told precisely where the products can be bought and at what price. Because Germans use time effectively, Wayne (2001) suggested that German consumers need promotion messages with larger font and less irrelevant information. Moreover, Wayne (2001) said that promotion activities and price discounts can increase sales in Germany. Interviewee Ms. Bulgrin noted that German consumers expect promotion with discounts or sales from fashion retailers. Also, they appreciate catalogues with latest fashion information about the retailers and trends. Ms. Wilkens suggested in the interviewee that collaboration with famous idol or animation characters, for example giving free animation toys like Hello Kitty of Sanrio Ltd. to customers who buy clothing, could also be appreciated by German young people.

The data above implies that Japanese fashion retailers which provide understandable and detailed but concise information with larger fonts in advertisements could gain higher chances to get public attention. Moreover, the use of discount, promotion activities, free gifts, collaboration of famous brands or animation characters, and company catalogues also could help the Japanese SPAs to gain more market opportunities.

### 5.4.1.5. Customer Services

According to interviewee Ms. Wilkens, German consumers appreciate to be attended by the shop staff. For example, casual greetings when they enter and leave the shop are very welcomed. The sales persons should be helpful and polite when they need help. However, they prefer making their own purchasing decisions, and thus, they expect to shop without being irritated by the sale persons or other customers. And therefore, the shop atmosphere is also important. She said that the shops with comfortable environment and well-decorated can increase reputation and brand image among the German consumers. Moreover, shop tidiness and nice displays are the most important to them comparing to store decorations. Membership discounts, free gifts and birthday gifts can make them free prestige and thus they are the effective ways to enhance consumer loyalty in Germany.

The research Cap Gemini Ernst & Young consumer studies, uncovered five key findings what European consumer (including Germans) value the most when the purchase. They showed that a clean and well-maintained store is the factor that consumers value the most (71% saying it is extremely important). Courteous and respectful employees and consistently good merchandise quality are the second and third (69% and 67%). Meanwhile, unconditional return of merchandise (60%) is less important than visible prices (64%) (What Consumers Value Most, 2008).

The data about the German customers further supports that good customer services are crucial to gain trust and attention from them. Polite and helpful store staff are the most appreciated. However, it is necessary to adapt to the German culture that non-irritating shopping environment. Moreover, German customers prefer comfortable and tidy shopping environment. On the other hand store with nice decoration is not so much important. In addition, providing visible price tags could enhance customers’ satisfaction towards the Japanese SPAs.
Also, membership discount and promotion help the Japanese SPAs to gain consumers’ loyalty. It is because the German customers feel prestigious when there are special offers only for the member consumers. The e-mail and catalogues from companies also encourage them to buy.

5.4.2. Consumer Behavior

5.4.2.1. Consumers self-concepts

Banisterand and Hogg (2007) suggested that self-concepts of the consumers influence their purchasing behavior. Customers buy clothing that matches their preferences and social status. So, it is necessary for the fashion retailers to understand their target group and reach their demand.

In the survey “The Outerwear Market in Germany” (2007), CBI showed that young people in Germany become more trendy and sensitive to fashion trends. German teens can change styles within a week. This seeming volatility is part of growing up and developing personality. At this stage in their development they try to be more individualistic (The flighty world of German teenage fashion, 2004). Interviewee Ms. Wilkens also pointed out that the German young people are looking for clothing that makes them different from the peers. For example, H&M and New Yorker are among their favorite fashion retailers; however, they feel embarrassed when they see everybody wearing the same clothes. And thus, they are more interested in finding new brands and fashions, which show their individuality from the fellows. Moreover, they are willing to spend more on fashion (especially causal, leisure and street wear) and brand products. Cited by article “The flighty world of German teenage fashion” (2004), Jaana Toviane, product manager for young fashion with the Swedish fashion house, H&M in Germany comments that ‘the young women don’t think twice, when they decide to buy a new top or T-shirt’ The article also stated that although the German young ladies prefer causal and leisure style, they also want to show their ‘femininity’ through their chosen fashion. The report of CBI (2007), furthermore, said that the German young people tend to combine both high-priced luxury clothing with cheap private label fashion, in order to show their individuality. Besides, interviewee Ms. Liu pointed out that the German young people now expect inspiration and creativity in their clothes, what on the one hand makes them feel part of their own generation, but on the other hand lets them stand out from the crowd. And thus, they are also more open to fashionable, shaped, and colorful designs compared to the middle age and older German consumers.

On the other hand, the German aging population and older people tend to be more outgoing and sociable (German market targeting the elderly, 2008). Moreover, more elderly Germans purchase clothes that can make them look young and “alive”. And therefore, casual wear and outdoor clothing are more popular among the aging group. (CBI Market Survey, 2007).

According to the research report of CBI “Outerwear Market in Germany” (2007), men in Germany become more fashion conscious. They enjoy more buying their own clothes now. The increasing number of fashionable men makes the menswear market the most dynamic in Germany. Besides, men consumers in Germany are now more interested in sports and leisure
wear. In the research of Informat (2006) “Men’s Wear in Germany”, German men prefer casual and practical clothing. 86% of all male consumers, regardless of age and income, dress casually; 62% practically; followed by 48% leisurely; and 47% sporty. Meanwhile, only 1.5% of them are brave enough to wear or buy haute couture or premiere fashion.

The middle age German women, concern a lot about quality. Comparing with the young people, they prefer to pay more for clothing with higher value and product quality instead of trendiness. (CBI Market Survey, 2007) Interviewee Ms. Bulgrin also agreed that German middle age people do not want to be outstanding from the peers as the young people do. They prefer clothing with good quality, and also chosen brands can show their social status.

The German young customers perceive themselves to be stylish and trendy. And therefore, this makes them more open to new fashions and brands. This also provides opportunities for the Japanese SPAs to target on this group with chic and fashionable designs, because they welcome new fashions. Also, some of the German young people want to be individualistic and different from their friends. The current major players cannot satisfy them and they are looking for new fashion brands and styles. Being new comers to the German fashion market with different styles of design and fashion, Japanese SPAs are given chances to aim at this segment of consumers. Yet, if the Japanese SPAs do not have particular differentiation in their products from the major competitors, it is difficult for them to obtain the German teenagers’ attention.

The German elderly provide a new potential market segment to the Japanese SPAs. Those Japanese SPAs which offer uni-age designs of clothing, leisure and causal wear, have higher possibilities to reach the older Germans’ demand for dressing in young and comfortable style. However, the product quality has to be higher in order to reach this segment. This is the same as the middle age target segment, because they prefer higher quality of clothing which reflects their social status.

The German men consumers are the dynamic segment which provides business opportunities to the Japanese SPAs. Japanese SPAs which sell causal, leisure and sportive wear are more able to reach the German men’s fashion tastes. However, it is difficult for the Japanese SPAs which try to sell premium fashions to this market segment because the German men are more hesitant to these categories of fashions.

5.4.2.2. Potential audience /Reference group

Banisterand and Hogg (2007) claimed that symbolic consumption is the main pattern on fashion purchasing. The potential audience or reference group is influential to the fashion consumers, because consumers will relate their image to their reference group. CBI explained in its survey “Outerwear Market in the EU” (2007) that all humans face a fundamental conflict between want to be different and need to belong. Belonging to a group or a community of some kind provides us with an identity which says something about how we perceive ourselves and how others should perceive us. The positive reference group’s fashion tastes and preferences, as well as their comments, affect their purchasing decisions on fashion. Knowing the reference group of the target consumers, can help the Japanese SPAs to find out their promotion strategies.
In the article “Do the same retail outlets appeal to consumers everywhere?” (1999), it is indicated that German consumers get their fashion ideas from what they already own (47%). Quoted by article “The flighty world of German teenage fashion” (2004), Axel Dammler, of Munich-based research group Iconkids & Youth said that the age of 13 to 16 have defined their own personal style and feel sure about what they like and dislike.

Also, many customers (44%) agreed that they purchase clothing under influences of their peers. The comments and preferences among the peers affect their decision making on buying fashion. This is especially significant to the German young people (Do the same retail outlets appeal to consumers everywhere?, 1999). This is also agreed by Axel Dammler in article, “The flighty world of German teenage fashion” (2004), that from the age of 13 to 16, German teenagers yearn to integrate themselves into a clique. Looking for status, the worst that can happen to them is to be isolated. Clothes are a means of signifying where they belong. However, influences from family are also significant to the German teens. Quoted from Esprit manager Udo Greiser, when adults forbid something it becomes all the more interesting to the German young people. They would wear them instead. Youth of that age want to set themselves apart from their mothers (The flighty world of German teenage fashion, 2004). Interviewee Ms. Wilkens further suggested that peers from fashion forum are also the influential group to German fashion consumers. For example, the forum of women’s fashion magazine Glamour and the one of men’s magazine GQ, their comments and recommendations can be driving forces to encourage people who visit the forums to buy and try new items.

Fashion Magazines and shop displays come next (39% and 38%). The displays in retail shops can encourage the German consumers to buy new items and fashions of new styles (Do the same retail outlets appeal to consumers everywhere?, 1999). Besides, magazines like Bravo or Young Miss are an inspiration for both teenagers and older adults as far as new trends are concerned (The flighty world of German teenage fashion. 2004). CBI survey “Outerwear Market in Germany” (2007) also emphasized that media, especially magazines make consumers more conscious about the latest fashion trends and prices.

However, the data of “Do the same retail outlets apparel to consumers everywhere” (1999) revealed that TV (26%) and catalogue (27%) are less influential on the German consumers’ purchasing decisions on clothing. The research also mentioned that German consumers do not consider celebrities as their primary sources of apparel ideas. These influences are strongest among younger consumers; moreover, they are more important to consumers aged 20 to 24 than to those aged 15 to 19. Cited from article ‘The flighty world of German teenage fashion, 2004), Kerstin Osswald, spokesperson for retailer, Framode, said that ‘Girls like what pop-stars wear’. Interviewee Ms. Wilkens also stated that there are a lot of drama and movies from the USA shown in Germany. The MTV channel also plays music of American singers. The pop stars like Madonna are influential to the young German’s fashion.
Chat 1. Influences of reference groups on Apparel Purchases in Germany (% of customers)

According to Ganssail (2006), the German customers seem to be more characterized as “followers” in fashion market. Interviewee Ms. Wilkens also suggested that the German publics are regarded as late adopters to fashion trends, comparing to other ‘classical fashion countries’ such as France and UK. Because of the rise of H&M, a Swedish fast fashion retailer, Sweden is also regarded as a fashion leader country to the German consumers. People in Western and Northern European countries are regarded as fashion pioneers and the German consumers would like to follow their trends. She pointed out that German consumers will learn and observe the latest fashion trends from people in UK and Sweden, and from international fashion magazines, for example. And they will start accepting the trends after seeing the people from these countries wearing certain new fashion styles and brands.

The above data indicate that not only peers of the German consumers, fashion magazines and shop displays, but also the people in other Western European countries are also the reference groups for the German consumers, when they purchase apparels.

The youth are the most sensitive to the reference groups’ influences such as classmates in school and friends. And therefore, it is easier for the Japanese SPAs to encourage the teenagers to buy their fashion. However, the Japanese SPAs also need to be aware of negative or less influential groups. For example, not to appeal to parents in advertisements targeted on teens. Instead, using pop stars or singers could help to draw attentions from the German teenagers. Peers in fashion forums on internet are also a powerful reference group. This provides platforms for the Japanese SPAs to promote their brands and fashions in these forums to the fashion lovers. Because those forum writers and respondents, who go into fashion forums, are usually interested in fashion and more trend conscious, it is easier for them to learn and try the new fashions.
How can Japanese SPAs enter the German fast fashion market? Ka Yu Seto
Olena Zastezhko

Magazines and shop displays are also an important influence groups, because many customers get their fashion ideas from them. However, the Japanese SPAs need to know the target group who they are aiming at and advertise on corresponding magazines for the same target group. The use of display also needs to fit the tastes and expectations of the target customers. Otherwise, it might draw the potential customers away from the Japanese SPA stores.

German consumers also refer the fashion styles to the traditional fashion countries such as France and Britain. Japanese SPAs which already have branches or design workshops in other European countries, might have more opportunities and advantages to be accepted by the German consumers. Japanese SPAs that have their fashions in European designs might also have more chances to gain German consumers’ attention.

5.4.2.3. Branding

After knowing the self-concepts of the target customers, fashion companies also need to evaluate their brand image among the target customers. To conform to the majority’s opinion of their membership groups, consumers use the perceived extended-self value of brands to enhance their self-concept (Dittmar 1994). And it is very important for fashion companies to set up their positioning and branding images to fit their target customer. (Banister and Hogg 2007)

According to Ganassali (2006), German consumers have higher level of materialism comparing to other Western European countries. This means German consumers tend to use brand name, price, or retailer reputation as reference criteria for the perceived quality of the product. This is more significant among the old people in Germany, who are concerned more with quality, value and durability of clothing. In Europe, including Germany, the majority of consumers clearly look to well known brands for better quality and claim they will pay more for a brand that they like and which fits their image and life style. And therefore, in Germany, fashion retailers such as C&A and H&M are clearly aiming to replace manufacturer brands with their own identities in the middle market (Outerwear Market in the EU, 2007).

Majority of the German consumers think fashion brands not only guarantee product quality but also reflect their social status. Basing on research report “Consumers and Designer Brands – a global Nielsen report” (2008), 62% of the German consumers think people who wear designer brands are trying to protect their social status. Although the German consumers are more brand conscious than other Western Europeans, the fashion brands are not necessary to be luxury for them. About 29% of the German consumers show they are not interested in the luxury fashion brands (Consumers and Designer Brands – a global Nielsen report, 2008).

This is further supported by interviewee Ms. Bulgrin. She said the German consumers prefer shop in fashion retailers with brands, even if the clothes are low to middle priced. Although they are more price conscious, they want to buy clothing with quality guarantee. Retailers like Espirit perform well in the market because it has already set up the brand image with reasonable price and good quality. She also emphasized that the middle age and old German consumers have higher brand loyalty. It is more difficult to make them shift to another fashion brand, once they have set up confidence in one or some brand(s). According to her opinion, recognition of the Japanese SPA brands is still low among the German consumers, so she suggested that the
How can Japanese SPAs enter the German fast fashion market?  

Japanese SPAs should at first let the German public know about their brands and increase brand reputations when they enter the market.

Besides, in the research of Carpenter and Fairhurst (2005) proved that positive word of mouth and recommendations from satisfied apparel consumers help to build up brand image of apparel retailers. Ganassali (2006)’s research also showed that word of mouth from experienced consumers is crucial reference for the German consumers to select a brand.

Even though the German consumers have higher loyalty to their beloved brands, CBI concluded in its report “The Outerwear Market in the EU” (2007) that the integration of European countries into the EU has meant that fashion trends and fashion brands will be spread and accepted faster, encouraged by media and by international operating clothing chains.

In the article ‘The flighty world of German teenage fashion’ (2008), it also argued that large brand logos would not go down well to Germans past the age of 16. One of the respondents in this article, Laura Anaya, 16, agreed that the top brands for teenagers do not impress her. ‘I am more critical now. I do not even like shopping at H&M because everybody at school wears those clothes. You can tell immediately how much they spent there’, she explained. She also admitted that she likes to look for clothes in small boutiques for new fashion brands.

Being a new comer to the German fashion market, the Japanese SPAs, have low brand recognition among the consumers. The German consumers’ attitudes to fashion brands determine the opportunities for the Japanese SPAs in market.

The findings reveal that German consumers are brand-conscious. They link brand to good quality and high social status. This becomes a challenge to the Japanese SPAs because they are still new in Germany. Their branding in Germany is not as strong as of the current players, and it is difficult to let the middle age and older customers to shift to shop in new stores.

However, one of the reasons that consumers buy brand products is quality, value and durability provided by the brand products. And therefore, the Japanese fashion retailers which can express the value of their clothing to the customers successfully can enhance their possibilities to succeed in Germany. It is also necessary for the Japanese SPAs to strengthen their brand image in Germany. Word of mouth of experienced consumers is strong references for German consumers’ brand selection. Once the Japanese clothes are tried and the customers feel satisfied, their month of words help the Japanese SPAs to enhance their brand images. So there are opportunities to the good quality fashion retailers. Moreover, because of the integration of Europe, the fashion trends and brands spread quickly in among the countries. This gives opportunities to the Japanese SPAs which has already set up their brands and reputations in other European countries to enter Germany.

In addition, as mentioned in the ‘Activities in the German market’ sector, the majority of the fashion retailers are occupied with the major players. German consumers have less choice and get bored of the current brands. This results in more wants for new brands and new styles of fashions among the fashion oriented consumers. These segment of German consumers provide more opportunities to the new fashions and new brands provided by the Japanese SPAs.
5.4.2.4. **Country of Origin Effect**

In the interview talk between two German fashion expert, Loschok and Klose in the article, “Fashion shapes Europe (2008)”, they admitted that Japanese fashion has well-represented the Asian fashion in Europe, including Germany. The top class Japanese designer labels such as Yoji Yamamoto and Issey Miyake and *Comme des Garçons* naturally show their creativities on the catwalks in Europe. And they built reputation of Japanese fashion. Loschek (2008) said Japanese are master of drapery. Besides, the collaboration between Adidas (the famous sport wear brand from Germany) and Yoji Yamamoto, for example, let Europe and the German people recognize this Japanese brand.

Besides, there is a large following to Japanese popular culture and fashion from the German young people. As mentioned in section 5.1.2.3. about the market culture, there is a Japanese culture bloom in Germany and this makes the German young people fond of clothing (street fashions) from Japan (Japanese Pop Culture Finds Large Following in Germany, 2007). Some German young people show their needs and interests in the Japanese street fashion in forums such as Gothic Beauty (2008). Na Chan from Germany showed her interested in going to Japan to buy clothes in the forum of 3yen (2006).

However, interviewee Ms. Bulgrin said that this also makes some of the Germany people regard Japan fashions as extreme and crazy. The German people strongly relate Japanese street fashions to the Gothic or ‘Visual kei’ styles, which are mentioned in section 5.1.2.3. She commented that comparing with other Asian countries, fashions from Japan are perceived as good quality and funny. However, most of the German people do not know very much about clothing, especially the SPA fashion style from Japan. However, another interviewee Ms. Liu sees the possibility for Japanese clothing in Germany. Japanese fashions are perceived as clean, tidy and trendy. Also ‘I know there are so many German young people who want to have some T-shirts with printing of Japanese cartoon characters. I know *Uniqlo* is doing this.’ And she also said the Japanese SPAs clothing style like the ones from the UK can give a good impression to the German consumers as they think fashion from UK are fashionable and good at quality and designs.

Although the experts explained in the interviews that German people have not enough knowledge of the Japanese fashion, there are rising needs and recognition of the Japanese fashions in Germany. The Japanese lifestyle group, *Muji* of Ryohin Keikaku Co.,Ltd., has three shops in Germany at Berlin, Munich and Düsseldorf (The week in Germany, 2008). Muji provides interior products with chic, natural and basic designs. It also sells some casual clothing in the shops (Muji, 2008). This created some “*Muji* lovers”. In Germany’s English-speaking crowd ‘Toytown Germany’, many Germans showed their fondness on *Muji*’s products. Jayhay from Munich commented on the article “*Muji* store opening in Fünf Höfe - Thu 20.Apr.06 (2006),” in Toytown Germany’s discussion forum that ‘I like *Muji*, bought a few things there in the UK’. Kalidas from Munich not only showed the interests in *Muji* but also the Japanese clothing. She asked in the forum that “Do we have the Japanese clothing store in Munich?” And she thought the clothing from both *Muji* and *Uniqlo* are at low prices (Toy Town Germany, 2008).

In claimed above it is proven that the Japanese high fashions let the German consumers have certain knowledge about clothing from Japan. However, in general, the German consumers have limited knowledge about the Japanese fashion style. Because of the Japanese popular culture
bloom in Germany, the ‘visual kei’ style and Gothic style are regarded as the representatives of the Japanese fashions. This misunderstanding results in challenges for the Japanese SPAs to gain customer attention. They need to put effort to let the customer know and accept their fashion styles.

Although the Japanese popular culture lovers lead to the misunderstanding of the Japanese fashion styles among the Germans, they are the potential customers to the Japanese SPAs. The data shows that there are needs for fashion from Japan in this group of customers. For example, the bloom of Japanese comics brings the needs for clothing with Japanese comic characters printing. This provides a promotion chance to the Japanese SPAs by collaborating with the famous comic characters and gain attention in the Germany.

The Japanese clothing is still not very well-known in Germany, yet, there is Japanese retailer starting its business in the country. Although Muji is an interior life house, the clothing products sold in its stores let the German consumers try and learn the Japanese fashion. And their good quality also lead to the positive perception to Japanese fashions. It also becomes an example for the Japanese SPAs to enter the market. The good reputation built by Muji provides opportunities and example to the Japanese fashion retailers. Furthermore, there are customers looking for shops of Japanese SPAs like Uniqlo in Germany. This proves that there are needs and chances for them to expand to Germany.

All these show that there are opportunities for the Japanese SPAs to enter the German market; however, they need to build up their brand recognition and reputation at first in order to succeed in the market. This is also the challenge to the Japanese fashion retailers.

5.4.3. German size

According to interviewee Ms. Bulgrin, the German sizes are very different from the Japanese sizes. When the Japanese SPAs enter the market, it is necessary to adjust their clothing sizes and cutting. She gave an example that GAP, a casual wear chain store from the US faced a great failure in Germany because of the mismatches between their products sizes and the German body sizes.

According to Statistics about Body Height (2008), the average height of German males is 174.5cm, meanwhile, German females is 163.5cm. Table 6 and 7 below shows the garment sizes of the German men and women according to the website one of the German fashion magazines, ‘Burda’ (2008). Because the German people become bigger now, there are also bigger garment size systems for the taller people in Germany (Burda Measurement charts, 2008)
How can Japanese SPAs enter the German fast fashion market?

Ka Yu Seto
Olena Zastezhko

Table 6. Size table for men’s Outerwear (body sizes) in Germany

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<th>Chest (cm)</th>
<th>Seat (cm)</th>
<th>Neck Width (cm)</th>
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Table 7. Size table for women’s Outerwear (body sizes) in Germany

<table>
<thead>
<tr>
<th>Size</th>
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<th>Size Large (176cm)</th>
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<td>60</td>
<td>120</td>
<td>146</td>
</tr>
</tbody>
</table>

In Germany, people’s body shapes are changing. Their sizes become bigger and bigger. The number of people who are overweight has risen sharply in recent years. From 1999 to 2005 there was an increase of 56 per cent for men and 40 per cent for women. Many people with a somewhat fuller figure have a hard job finding fashionable clothes (Size Fashions and Fashion sizes – Germany’s Clothing Sizes Are Brought to Line, 2007). However, the article also argued that the fashion trend of size in Germany becomes conversely smaller. The UK size 4 (equals to German size 32) is no more enough. People consider being slim is beautiful. And this makes the German people unable to find their size of clothing. Although there are already more than a quarter of Germany’s women take a German-sized 48, it is hard for them to find clothing for their size. For example, one of the major players in the German low-middle price fashion market, H&M, has only some of their shops selling large size clothes. (In Germany, big sizes mean big business, 2003). According to this article, the cuttings for large size clothes need to be adjusted. For example, sleeves need to be cut differently and darts placed in different positions. Furthermore, materials that stretch easily such as cotton elasthan mix are more welcome by the large-sized Germans. Still, big size consumers want fashionable designs of fashions. Cited in the article, Christiane Sültemeier, the 26-year-old student complained that ‘There is nothing hip or
How can Japanese SPAs enter the German fast fashion market?

Ka Yu Seto
Olena Zastezhko

Trendy for young people like me. For us it’s still big size, big problem’. So, the article concluded that there are big chances for companies providing bigger sizes to German consumers. (In Germany, big sizes mean big business, 2003).

The German body size and Japanese body size are very different. It is difficult to enter the German market, if the Japanese fashion retailers do not adopt their product sizes and cuttings to the German body features.

Data shows that the German people become bigger in sizes. And it seems to be bigger and bigger. It is a challenge for the Japanese SPAs to adopt their product sizes, but it is also an opportunity to them if they could provide products to the big Germans. Currently, in the German market, there are still not enough big size fashion retailers to reach customer demands. This is then a potential market to the Japanese SPAs.
6. Summary

In the following chapter the summary of the research is presented. The summary is structured according to the factors distinguished in the created model and represent concise conclusion of the study results.

6.1. German Market Environment

Market environment in Germany consists of macro and micro environments which have impact on clothing consumption trends of the German population.

**Macro environment** is discussed from the perspectives of demographic and economic developments which are taking place at the present time, and are analyzed in terms of opportunities and challenges they cause for the Japanese SPAs as new comers to the German apparel market.

The three major demographic trends identified in the research – aging population, older parenthood and increase of one- and two-persons households – provide opportunities for the Japanese SPAs. These trends indicate changing apparel consumption patterns since people tend to spend more on clothing due to their active socialization even in old age and stable incomes as they prefer to have children later in their life or not to have at all.

General positive economic developments which are taking place in Germany are also favorable for the Japanese SPAs, since they result in increase in incomes of population and their desire to purchase clothes more frequently. Particularly, this applies to younger generation who are becoming a strong buyer group, as they often have their clothing allowance and are eager to spend on fast changing fashion trends.

Those Japanese SPAs who will be able to comply with mentioned above demographic and economic trends have clear opportunities in the German fashion market.

As for **micro environment**, it reflects variables directly related to the apparel market in Germany and is considered in terms of market size and market growth, market structure, cultural dimensions in fashion and fashion trends.

Germany is an attractive market for the Japanese SPAs due to its huge population, large market value and stable growth rates. German market is now characterized by preference for “full package suppliers” from low cost countries, majority of which are located in Asia. This policy allows them to satisfy quick response requirement of the fast changing fashion market. However, in this crucial policy the Japanese SPAs have a strong advantage over European companies due to close proximity to suppliers, more efficient management and absence of time lag. Though
How can Japanese SPAs enter the German fast fashion market?  

Ka Yu Seto  
Olena Zastezko

Imports from Japan do not yet play significant role in the German fashion market. German customers are already familiar with some Japanese brands and are welcoming them in the country. This strongly indicates existing opportunities for the Japanese SPAs to find a favorable position in the German apparel market.

Germany is a country where various cultures mix and merge together, and this makes German customers more susceptible to new cultural influences, and thus gives the Japanese SPAs chances that their fashion products will be accepted with interest, especially in established cultural and fashion centers: Berlin, Düsseldorf and Munich. All the three cities host the world largest fashion trade fairs, where professionals from diverse cultural background meet. For the Japanese SPAs participating in these fairs provides huge opportunities since they assist in establishing intercultural partnerships and open easier access to the German market as well as become a promotional channel. In addition, Düsseldorf is the third largest settlement of the Japanese businesses in Europe, which facilitates penetration of the Japanese culture and lifestyle into Germany. Also, Japanese cultural influence is seen in increasing collaboration between German and Japanese fashion designers and adopting Japanese dressing style among young people. Moreover, being a top tourist destination Germany allows access not only to the German customers but also to the international clientele, and thus helps create wide public awareness of the Japanese fashion brands. All this clearly shows high potential for the Japanese SPAs to supply the German fashion market.

In order to penetrate the German market successfully the Japanese SPAs need to consider both long and short term fashion trends. This will allow them to respond to customer’s demands in terms of satisfying their desire for dressing according to fashion styles. However, long term fashion trends are more important since they reflect major changes in styles, while short term trends refer to minor changes in details, such as colors, which can be easily adjusted. Good knowledge of up-coming trends will allow the Japanese SPAs design fashionable clothes in compliance with their fashion concepts. Professional fashion magazines which discuss the latest developments in the industry can become a good source of important information for the Japanese SPAs.

6.2. Competition in the German Fashion Market

The German apparel market is becoming more concentrated and competitive, which poses challenges to newcomers. On the other hand, competitive market indicates existing similarities between the players and provides opportunities for those Japanese SPAs who will be able to differentiate themselves from the majority of the fashion retailers. Thus, knowledge of positions and strategies of their potential competitors, as well as target customers is crucial for the Japanese SPAs.

Potential competitors were distinguished among the companies which operate in the same price segments as the Japanese SPAs do: Esprit (Esprit Holdings Limited) and United Colors of Benetton (Benetton Group S.p.A.) compete in the middle price segment; while C&A (C&A), New Yorker (New Yorker S.H.K. Jeans GmbH) and H&M (Hennes & Mauritz AB) play in the middle to low price segments.
Esprit and United Colors of Benetton are positioned as companies whose products have good quality and are designed with respect to fashion trends. As for New Yorker and H&M, they have much higher fashionable content in their products, but lower quality. C&A is positioned as an affordable family brand and thus offers basic designs and quality.

All these companies have strong positions in their market segments and enjoy rather high recognition level among customers. Though they used different strategies to create brand awareness and strengthen their brand image among the public, their approaches have become quite successful. So, those Japanese SPAs who will be able to shape appropriate positioning in the public’s mind and find a right way to create strong brand awareness among customers, and further build their brands reputation have good opportunity to win customers loyalty.

### 6.3. Activities in German Fashion Market

Activities in the market are analyzed from the perspectives of 4Ps (product, place, price and promotion) and customer service, which are considered the most important variables for the current thesis.

**Product** offerings differ between competitors in terms of product designs, quality and production quantities. The research indicated a gap that exists in the market in quality-fashion ratio. Esprit and United Colors of Benetton, though provide good fitting and quality, fail to satisfy fashion conscious customers. On the other hand, trendy lovers, who are also looking for good quality, can feel reluctant to purchase garments from New Yorker and H&M since the level of product quality is not satisfactory for them. C&A, though known as a pioneer in using organic cotton and is welcomed by environmentally conscious customers, is considered basic in both quality and design. This data shows that there is an opportunity for the Japanese SPAs who provide good quality products with trendy designs in the fast fashion segment. The research revealed that the Japanese SPAs supply products of relatively good quality and trendy designs. Some companies also have their design offices in Europe’s fashion centers. These two facts indicate a good chance for the Japanese SPAs to become rather strong in the German market. Also, those who will be able to supply environmentally friendly clothes can gain customers loyalty in this segment. However, the Japanese SPAs need to ensure their product supplies are fast enough to cope with the frequent changes of consumer trends in the market.

**Place**, or distribution channels, available in the German market are divided into two major groups: wholesalers and retailers. Retailing channels seems to be more appropriate for the Japanese SPAs since using those results into higher brand recognition among German customers.

Different retailing formats provide different challenges and opportunities for the Japanese SPAs. However, the most promising ones are independent retailers, department stores and e-shopping. Selling own branded clothes in independent stores ensures high level of brand recognition of the Japanese SPAs. If the stores are located in trendy districts they receive favorable attitude from customers. Distributing clothes through department stores offers opportunities for the Japanese
How can Japanese SPAs enter the German fast fashion market?  

Ka Yu Seto  
Olena Zastzechko

SPAs to reach customers who have no specific ideas about their brands and who want to have plenty of choices when shopping. However, shops in department stores are less accessible to the young consumers. On-line shopping allows the Japanese SPAs to reach customers country-wide without limitations by the store locations.

In respect to **price**, the research indicated that the higher the quality of products the more expensive they are. Thus, clothes sold by *Esprit* and *United Colors of Benetton* cost more than those of *New Yorker*, *H&M* and *C&A*. However, there exists a gap since customers who prefer good quality high fashionable clothes, but still at affordable price find it difficult to satisfy their desires. Some of the Japanese SPAs offer not only good quality, but also trendy designs at competitive prices. So, if the Japanese SPAs will manage to maintain lower prices than those of *Esprit* and *United Colors of Benetton*, but still provide better quality than of *H&M* and *New Yorker* and also offer strong fashion element, they have great opportunities in the competitive market targeting price sensitive customers. However, this is a challenge if the Japanese SPAs fail to keep their product price competitive.

In terms of **promotion** one of the most effective channels for the Japanese SPAs is advertising in lifestyle magazines which target the same customer groups as the fashion companies themselves. The magazines with on-line versions provide even more opportunities since they ensure the products and companies introduced are recognized in a national wide scale. Linking advertisements to social events and problems can cause quite strong response from customers; however a challenge lies in considering ethical issues sensitive to the German culture. Since German customers are rather price sensitive, promotional sales and membership discounts are welcomed by them. On the other hand, such campaigns have to be carefully organized in order not to damage brand image of the Japanese SPAs. In addition, such promotional campaigns as collaboration with famous fashion designers and environmentally friendly fashion retailers can be beneficial for the Japanese SPAs since this will help build their brands reputation and shape positioning.

Before designing strategies for **customer service** the Japanese SPAs first need to understand what their target customers want and expect in terms of service, since there can be quite large range. However, such basic principles, ensured by the store staff, as making customers feel comfortable, welcomed and attended have to be observed. Also, communication initiatives are perceived as service by the German customers. Communication can take various forms, however most widely used are company magazines, newsletters, e-mails to club members and company websites, which enable to inform customers about the latest company news and fashion collections. The use of membership special offers let customers feel prestigious. These activities result in increasing sales and creating brand loyalty. In addition, communicating the brand image via creating united store atmosphere such as the same colours and interiors will allow customers of the Japanese SPAs to remember and recognize the brands everywhere.
6.4. German Consumers

German consumers section of the thesis presents analysis of the customers’ expectations regarding 4 Ps (product, place, price and promotion) and customer service, as well as analysis of consumer behavior in terms of perceptions of self-concept, reference groups and attitudes to branding. Also, comparison between body sizes of Germans and the Japanese is discussed. All these variables were included into German consumers factor since they allow to analyze the market from the customers’ perspective, which is crucial for gaining success.

Customer’s expectations regarding product offerings clearly indicate that not only middle aged and elderly consumers have quality as their priority while purchasing garments, but also young people who look for fashionable clothes are becoming more conscious about product quality. In addition, clear fibre content labels on the apparel products is an important requirement the Japanese SPAs need to fulfil, since Germans check labels frequently. Also, as many German consumers are environmentally conscious they are not likely to tolerate using harmful materials in clothes or unethical production. The Japanese SPAs need to consider all these factors carefully; otherwise they might fail in the German market.

As for price, German customers expect to find matching between product price and quality. Those consumers who usually buy cheaper clothes will appreciate if the Japanese SPAs can offer their products at low prices than those of H&M and New Yorker. However, those Japanese SPAs who will compete with Esprit and United Colors of Benetton have to be very careful with their price settings, since too low prices can result in low quality image in the perception of Germans. To balance right price settings is a challenge for the Japanese SPAs; however, if this challenge is overcome it becomes an opportunity

Place is very important since German customers expect to find good store in good locations. Thus, having stores in convenient locations, particularly in the shopping streets or shopping malls will meet customers’ expectations and help build brand reputation.

As for promotional messages Germans expect them to be clear, understandable and concise, however still provide enough information. Moreover, use of discounts, promotional activities, free gifts, collaboration with famous brands or animation characters, as well as company catalogues will be appreciated by Germans and can help the Japanese SPAs gain more market opportunities.

In terms of customer service Germans expect to find polite and helpful store staff, but not irritating. Neat and tidy store arrangement, as well as visible price tags on the products are important for the German customers. Also, membership discount which make consumers feel
special and encourage them to buy more help gain customer’s loyalty to the brand. Thus, if the Japanese SPAs manage to organize adequate customer service according to the expectations of the German consumers they will have good opportunities in the market.

**Consumer self-concepts** influence purchasing decisions of Germans. Young customers perceive themselves as stylish and trendy, thus open to new fashions and brands. Some of the young Germans are highly individualistic and thus look for the clothes which can them different from their friends. The current major players with their similar selections in their market segments cannot satisfy these youths. Those Japanese SPAs, who can provide new creative designs and unusual shapes and colours, have good chance to win this customer group. Also, changing self-concepts of elderly population who stay active and want to look younger create opportunities for those Japanese SPAs who can supply uni-age designs of leisure and casual wear. In addition, German men are becoming more interested in purchasing clothes. The Japanese SPAs which sell casual, leisure and sportive apparel are more probable to reach the German men’s fashion tastes.

**Reference groups** remain an important influential power. Peer groups were found to be important for both older customers and young ones. However, younger generation appeared to be much more dependent on such reference groups as pop stars and singers. Thus, collaboration with such celebrities can be very beneficial for the Japanese SPAs. Magazines and shop displays can also provide a strong impact over customers’ purchasing decisions. Fashion forums on internet are also influential to the fashion lovers to purchase clothing. However, advertising has to be made in the corresponding magazines for the same target group. The use of display also needs to fit the tastes and expectations of the target customers. In addition, the German consumers also refer the fashion styles to the traditional fashion countries such as France and Britain. Japanese SPAs which already have branches or design workshops in other European countries or offer products in European style, might have more opportunities and advantages to be accepted by the German consumers.

The research revealed that the German consumers are **brand**-conscious since they expect branded products to guarantee good quality and enhance their social status. This becomes a challenge to the Japanese SPAs because they are still new in Germany and it will take time to build brand awareness among Germans and bring customers to the Japanese brands stores. Thus, those Japanese SPAs who can successfully communicate their brands value to the customers are in favourable position. Due to European integration the Japanese SPAs who have already gain recognition in other countries can easier build strong brand reputation in Germany.

**Country of origin effect** in the perception of the German customers revealed that there is a lack of understanding of the Japanese styles among Germans, and this creates a challenge since Germans need to be convinced that not all of the Japanese SPAs sell clothes in ‘visual kei’ and Gothic styles, as they are perceived now. However, those Japanese SPAs who do sell these styles have high potential among many young people in Germany due to huge popularity of the
How can Japanese SPAs enter the German fast fashion market?

Ka Yu Seto
Olena Zastezhko

Japanese comics. As the Japanese fashion has already begun penetrating German market, such brands as Muji built good reputation and started educating Germans about different styles of the Japanese fashion. As a result, some of the German customers are looking forward to coming of the Japanese apparel companies to the market. All this indicates opportunities for the Japanese SPAs.

As for German sizes they are much different from those of the Japanese. Thus, before entering the German market the Japanese SPAs need to adjust size differences. There is a trend in the German market for demanding more big-size clothes, while there are not enough fashion retailers who provide garments in very big sizes. The Japanese SPAs can succeed if they can cover big size market segment.

This chapter provided a summary of the research conducted for the current thesis. On the basis of the analysis of the obtained data some recommendations will be given to the Japanese SPAs regarding their marketing strategies.
7. Recommendations

The findings and analysis in this thesis prove that the German fast fashion market is attractive to the Japanese SPAs, although the competition is high. In order to enter this huge market successfully, recommendations resulted from the presented analysis are given in this chapter.

7.1. Positioning

It is examined that there are more marketing chances for the Japanese SPAs to target on teenage consumers, who are looking for trendy, cheap but good quality clothing to show their individualities. The young men and women who are fashion and quality conscious are also the potential target customers. To attract these groups of customers, the Japanese SPAs are recommended to position their brands as “trendy, good quality but low price”, which is the market segment that is not served by the current major competitors. Also, the Japanese SPAs are advised to target on the low and medium price segment, because it is more accessible to the German teenagers, so as the young men and women.

Although the aging group and middle age Germans also becoming a new rising group of fashion consumers, they are more quality and brand concerned. It is more difficult to make them shift to try new brands and therefore, the Japanese SPAs are advised to open the aging and middle age market after they have built up certain brand awareness and reputation in the German market.

Branding is very important to position the Japanese SPAs in Germany. The brand images and recognitions of fashion retailers, determine their performances in the German market. The Japanese SPAs are suggested to set up the “chic and fashionable”, “high quality with low price” image in the consumer’s minds. Also, creating brand image of “environmentally and socially friendly” also will differentiate the Japanese SPAs from the competitors. Because of the Japanese popular culture bloom in Germany, developing a brand image as “style from Japan” is also recommended to draw the German young people’s attention.

The Japanese SPAs could build up their brand images and reputations by advertising and promotions. This is explained together with promotion strategies in the coming section because promotion strategies of companies’ products also result in promotion of companies’ brands. Positioning of the Japanese SPAs, also determines the designs of the other marketing strategies.

7.2. Product

To support the position of “trendy, good quality but low price”, the products supplied are necessary to be fashionable with satisfactory product quality. The product quality is very important because higher product quality could bring better brand image and reputation to the Japanese SPAs. Because the German consumers are affected by the British, French and Italian fashion styles, Japanese SPAs are suggested to inspire their product designs from these traditional fashion countries.
In order to attract the young German ladies, it is advised to put some feminine details into the product designs. In respect to the women and men consumers, designs of fashion with leisure elements in casual items such as jeans and T-shirts are recommended.

Moreover, it is proposed to concentrate on the long term fashion trend elements in penetrating the German market. It is easier for the Japanese SPAs to catch the fashion trends in Germany.

One of the trends is the use of cotton and linen as the fashion materials. This is also because the German consumers are more interested in comfortable wear. Also, all types of silk and fancy details are welcomed as they can emphasise femininity in dressing, and this is important for young ladies. Unusual patterns, such as embroidery and hand-printed paintings can attract young Germans who want look different from their peers. As for colors, red, blue, green, brown, grey as well as white and black will be fashionable in the upcoming season, so the Japanese SPAs are recommended to supply clothes in these colors. Also, appropriately selected accessories will put the Japanese SPAs in favorable position as this will indicate their compliance with the trends.

Besides, clear and easily read product content labels are necessary to be attached to the clothing sold. The Japanese SPAs also need to be careful and not to use harmful and environmentally harmful materials or materials from human unfriendly production sectors in their products. This would greatly damage the brands images.

Furthermore, in order to succeed in the German fast fashion market, the Japanese SPAs need to be quick enough to respond to the change of customer demands. The products collections are suggested to change 8 to 12 times a year, to ensure the product designs are most up-to-date.

### 7.3. Price

To target on the low price market segment, the Japanese SPAs need to keep their product price competitive. For those targeting on young and trendy students, their price setting has to maintain low and affordable to the target consumers. And therefore, it is necessary for the Japanese SPAs to keep their price competitive with H&M and New Yorker, the major players in this segment.

Regarding the Japanese SPAs which target on trendy young men and women, there are more market chances if they could set their price at medium level. They have to note not to set the price too low. This would lower down the brands images and make the Japanese SPAs more difficult to access the customers who need the brands to emphasise their social status. Also, the values of the clothing need to be observed from the products and brands.

### 7.4. Place

In order to reach the target customers, the Japanese SPAs are advised to employ independent retailers as their distribution channel, which means to have stores under their brands. This is essential to help the Japanese SPAs to increase brand recognition. Department stores are also recommended to those targeting on young German men and women, instead of German teenagers. Because of the bounderless nature of e-shopping, the Japanese SPAs could also open
How can Japanese SPAs enter the German fast fashion market?

their e-shops on internet. This also allows them to increase consumers’ awareness about the companies.

In terms of location, there are higher market opportunities for the Japanese SPAs to open their stores in big fashion cities Berlin, Düsseldorf and Munich. New market comers and fashion styles from foreign countries are easier to be accepted in these cities. Placing the shops in these international and tourist cities also allow the Japanese SPAs to reach customers from worldwide. In addition, expanding first in the Western Germany is suggested since people there have higher incomes, and thus are willing to spend more on clothing. This particularly concerns those Japanese SPAs who play in the middle price market segment as customers in Eastern Germany might perceive their prices relatively high.

The Japanese SPAs are also recommended to open stores in trendy districts such as Hackescher Markt and Kastanienallee in Berlin in order to enhance the image of being fashionable. Moreover, Japanese town in Düsseldorf, for example, is also attractive to the Japanese SPAs to have their stores there, as customers in the town are more likely to want Japanese fashion. This group of customers would become the pioneers to the Japanese SPAs’ fashions and encourage the other Germans to recognize and try the fashions.

The stores are best located in fashion streets and shopping malls. These are the locations most accessible to the young Germans. In addition, store locations are necessary to be convenient.

Besides, retail outlets are suggested to place at out-of-town locations, but it is important to have car parking.

7.5. Promotion

Some of the Japanese SPAs have different product lines under the same brand. For such SPAs it is recommended to promote all their product lines under one company’s brand name. It is because the German customers do not separate product line’s names. They simply recognize the company brand. So promoting under the same company brand is easier to gain brand recognition among the German consumers.

The use of fashion magazines is the most efficient way to stimulate purchases from the German consumers. The Japanese SPAs are recommended to advertise on the top sellers of fashion magazines such as *Elle* and *GQ*. Moreover, promoting magazines with website version provided are also suggested, in order to reach customers in nation-wide. The Japanese SPAs could also be the sponsor for the fashion magazines, for example, offering clothing to their photo taking. This enables the Japanese SPAs’ fashion to be introduced more frequently. For the same reason, giving free samples to the fashion forum writers or advertising in these kinds of forum also allow the Japanese SPAs to reach more fashion conscious Germans and build up brands recognition.

To attract more customers, shopping discounts are effective to price sensitive Germans. But the Japanese SPAs especially those targeting on German men and women at medium price level need to be careful to set the bottom price, in order to not damage the brand images. Having outlets to sell off seasons products and cheap product lines at lower prices are also
How can Japanese SPAs enter the German fast fashion market? Ka Yu Seto

recommended. This encourages customers to try the products at affordable prices and thus build up brand loyalty.

The use of company newsletter, e-mail, and frequent changes of inspiring window displays can also encourage purchase, as well as let customers know more about the fashion and the Japanese SPA brands. But the window displays have to fit the target customers’ preferences. Japanese SPAs which target on fashionable teens are suggested to have trendy and colourful window displays, meanwhile the ones targeting on young men and women are recommended to have chic and graceful senses.

In order to gain brand recognition, the Japanese SPAs are recommended to collaborate with famous designers, celebrities or brands. Collaboration with famous designer or brands especially the ones from Germany such as Jil Sturart and Joop. This will help make the Japanese SPAs more familiar to the German people. And such collaboration could further reinforce their positions as fashionable brands. Collaboration with celebrities like singers is mainly influential to the German teens. This is less recommended to the Japanese SPAs targeting on German men and women.

Moreover, linking the advertisements to and taking part in social issues are suggested for the Japanese SPAs to enhance brand image and raise public awareness. Environmentally and socially friendly issues are proposed. Co-operating with ecological brands such as Quelle, or organizing social campaigns for ecological activities would be welcomed by the Germans, who are known as very ecologically conscious. This also helps the Japanese SPAs to gain brand reputation.

Besides, joining fashion fairs in the fashion cities like Berlin and Düsseldorf is recommended, as this can help the Japanese SPAs be recognized widely in the nation. Fashion fairs are always reported by fashion magazines and fashion related media (such as fashion programs on TV). This for sure can bring market opportunities and brand reputation to the Japanese SPAs.

7.6. Customer Service

There is no doubt that the Japanese SPAs have to offer good customer service to German consumers in this competitive market.

Politeness and friendliness of the staff are crucial to the German consumers. Also, the staff have to be helpful and informative when the customers need help. However, German customers prefer shopping in non-irritating environment. And thus store staff are recommended to leave customers shop freely but give them attention when they need help. Besides, the Japanese SPAs need to make sure their product prices are also visible in stores.

Shop environment is also important. The stores are suggested to be clean, tidy and comfortable rather than being very trendy in interior designs. Stores with united interior designs and colour across the country are also advised to gain customer recognitions.

Externally, the Japanese SPAs also need to communicate with their target customers. It is recommended to provide membership to customers. Company newsletters, catalogues need to be
sent to members timely to encourage purchases and build up brand loyalty. In addition, special offers or birthday gifts to members are also suggested because German customers feel these as prestigious services and they can enhance customers’ loyalty to the Japanese SPA brands. Moreover, the Japanese SPAs can invite customers to give their comments through response cards, e-mails or company websites. This not only could help the companies have better understanding of the customer needs and demands, but also let them gain trust from customers.

Regarding internal communication, the Japanese SPAs have to keep good communication with the frontier staff. The company mission, target, and service attitudes need to be communicated. Staff trainings are necessary in order to keep all the staff providing high quality of customer service.

The German fast fashion market is attractive but competitive. There are plenty of market opportunities and challenges. To gain the market share and succeed in the market, the Japanese SPAs need to understand the needs and expectations of their target customers clearly, and then design their marketing strategies accordingly. The market information, analysis and recommendations provided in this thesis are believed to give supportive guidance for the Japanese SPAs to strive for success in the German market.
How can Japanese SPAs enter the German fast fashion market? Ka Yu Seto
Olena Zastezho

Reference


Group 1987
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Appendix I – Presentation of interviews

Interview guidelines

The following section presents the interview questions to guide the interview contents relevant to the purpose of the thesis. The interviewees are also encouraged to express their opinions about the German market freely, and this can inspire for new ideas about the research topic. The interview guides are designed based on the variables in the created theoretical framework.

Below is the presentation the authors made before interviewing the respondents. Because the interviews are conducted by telephone and via Skype, the presentation is given in an informal style:

We are graduate students of a Master course in international marketing from Malardalen University in Sweden. We are preparing a Master’s thesis on the topic “How can the Japanese specialty retailers of private-label apparel go into the German fast fashion market: Opportunities and Challenges”. The main objective of this study is to investigate consumer behavior in Germany towards apparel market and see which opportunities and challenges it provides for the Japanese fast fashion companies. The target segment of the Japanese SPAs includes men and women aging 15 and above. Depending on a company’s concept, the styles of clothes range from basic models up to fancy and sophisticated ones. This allows satisfying different consumer tastes. As for the price, the Japanese SPAs sell their products at low and medium prices.

In order to achieve the purpose of the research we would like to conduct an interview with you and ask for your professional opinion regarding market trends, consumer tastes and expectations. If you have any ideas related to the research topic, please feel free to tell us even though it is not included in our interview questions. The anticipated time of the interview is around 20 minutes.

Your valuable opinions will be only used in our research. After this research thesis is finished, we will send a copy to you. This thesis will provide a detailed analysis of German market in terms of market opportunities and challenges. Also, some practical recommendations of marketing strategies will be suggested.

We would highly appreciate your answering the questions and we are very grateful for your time and cooperation.

I. Interviewee’s background regarding German fashion market

• Could you please give us the information regarding your occupation and working experience related to the fashion field?

II. Questions regarding Japanese fashion in Germany:
a. Interviewee’s professional ideas on Japanese fashion styles and their potentials in Germany

• What do you think about the Japanese fashion styles?
• Do you think there is any potential for the Japanese fashion apparel in the German market? Can you give reasons?

b. Marketing Mix

• From your point of view, are the Japanese fashion designs attractive to the German customers?
• (Give the price list example to the interviewees). Do you think these price settings of the Japanese SPAs are competitive in the German fast fashion (low to medium price) market? Will such prices match the expectations of the target customers?
• Which distribution channel (such as department store, retail shops or shopping malls) will be the most appropriate for the Japanese SPAs to reach their target customers?
• In your opinion, which promotion channels will be the most effective for the Japanese SPAs to reach the target segment?

c. Market Environment – Market trend

• What are the coming fashion trends in Germany? Do you think the Japanese SPAs’ designs can match these new trends?

d. German Customer behaviour and expectations

• Do you have any suggestions on celebrities or social communities and groups that the Japanese SPAs can collaborate with in order to gain awareness and brand recognition from the target group?
• Which groups of customers do you think would appreciate the Japanese fashion styles more?
• What do the German customers expect on the services when they buy clothing? Do you have any suggestions how can the Japanese SPAs reach their expectations in this aspect?
e. **Branding and Country of Origin**

- Are the Japanese clothing brand names known in Germany? How do the German customers feel about the fashion from Japan? What kind of images does the Japanese clothing give to the German consumers?
- Do you think branding of the Japanese SPAs is important for them to enter the German fast fashion market?

**III. Interviewee’s further recommendations to the Japanese SPAs**

- Do you have any further recommendations that the Japanese SPAs have to consider when they enter the German menswear and womenswear markets?
- Do you think there are any aspects regarding the Japanese fashion in the German market we have not covered in the interview? Do you have any additional suggestions?
- Also, could you please kindly introduce some people you know who have professional knowledge of the German fashion market to us for some interviews? Your reference will be very helpful to us.
Appendix II – Interview Contents

Interview 1
Name of Interviewee: Nina Bulgirn
Date and Time of interview: May 07, 2008, 18:30 – 19:10
Interview method: Telephone

I. Interviewee’s background regarding German fashion Market:

- Could you please give us the information regarding your occupation and working experience related to the fashion field?

I am now studying at the LTD Nagold, an academy for fashion and textile in Germany. Graduates from this institution mainly work in the German fashion market. Also, I have finished internship in the wholesale department of a famous fashion designer company, Joop.

II. Questions regarding Japanese fashion in Germany:

a. Interviewee’s professional ideas on Japanese fashion styles and their potentials in Germany

- What do you think about the Japanese fashion styles?

After looking at the pictures, I think they are quite the same as the ones we have in Germany. But their designs look like the fashion from UK to me. I think they have both basic and trendy fashions.

- Do you think there is any potential for the Japanese fashion apparel in the German market? Can you give reasons?

It is a bit different because of the high competition in Germany and the low recognition of the Japanese brands. But the Germans are becoming more trend-concerned. If they target on the young Germans, who are more open to new designs, they will have higher potential.
b. **Marketing Mix**

- **From your point of view, are the Japanese fashion designs attractive to the German customers?**

  Their designs are more attractive to the young people and the fashion lovers. The basic items like jeans might also attract the German public of older ages.

- **Do you think these price settings of the Japanese SPAs are competitive in the German fast fashion (low to medium price) market? Will such prices match the expectations of the target customers?**

  The price shown can be very competitive in the German fashion market. They will be very welcomed by the teenagers and price sensitive customers. But I think other than the lower income group, German consumers are more quality concerned. They are willing to pay more for better quality. And they expect to pay less when they buy at hyper-markets or discounters, and they also expect lower quality of products. But when they shop at department stores or retailer shops, they usually pay more.

- **Which distribution channel (such as department store, retail shops or shopping malls) will be the most appropriate for the Japanese SPAs to reach their target customers?**

  I think retail shops in shopping streets and shopping malls are better, because most of the young people go shopping there. Department stores are less popular among the customers nowadays. Also, the customers believe that shops in center and shopping malls provide better product quality. Some customers also love to shop in outlet centers in industrial zones. As the product prices are cheaper, they do not care to go further for shopping. But it is necessary for the outlets to have car parking.

- **In your opinion, which promotion channels will be the most effective for the Japanese SPAs to reach the target segment?**

  The Japanese SPAs can use fashion magazines such as *Elle, Joy, Young* (for ladies), *Maxim, Matador* (for men) to gain brand recognition. Having some campaigns related to famous brands can also help them to rise brand awareness. The German consumers always welcome shopping discounts from retailers. The Japanese SPAs can try to attract the customers by discount offers.

c. **Market Environment – Market trend**

- **What are the coming fashion trends in Germany? Do you think the Japanese SPAs’ designs can match these new trends?**
How can Japanese SPAs enter the German fast fashion market?

Textilwirtschaft is a fashion magazine for retailers; the Japanese brands can learn the latest fashion trend in Germany from them. I think the Japanese SPAs’ have many ways to reach the market information. But they need to know which is their target segment of customers and their preferences first.

d. German Customer behaviours and expectations

- Do you have any suggestions on celebrities or social communities and groups that the Japanese SPAs can collaborate with in order to gain awareness and brand recognition from the target group?

The German people are not very influenced by the celebrities or pop stars. This is more effective to use pop starts in advertisements targeting on teenagers.

- Which groups of customers do you think would appreciate the Japanese fashion styles more?

The teenagers. They are always looking for new styles and they are more interested in fashion trends. The German old people do not want to be too outstanding in their fashion. So they are likely to prefer fashion with good quality and brands that can show their social status. This is more difficult for the Japanese SPAs to get the older customers’ attention without certain brand reputation in Germany.

- What do the German customers expect on the services when they buy clothing? Do you have any suggestions how can the Japanese SPAs reach their expectations in this aspect?

It depends on the target group. Different target groups have different preferences. Politeness, friendliness are basically necessary. But customers in Germany prefer shopping freely. It is not necessary to have a person to look at them all the time. A clean and tidy shopping environment is also important to them.

e. Branding and Country of Origin

- Are the Japanese clothing brand names known in Germany? How do the German customers feel about the fashion from Japan? What kind of images does the Japanese clothing give to the German consumers?

The recognition of Japanese SPA brands is still low among the German consumers, Japanese fashion is not yet important in the market. The Japanese clothing is perceived as good at quality and funny when compare with the other Asian countries. But some German customers think that they Japanese clothing is too crazy, as the Gothic styles from Japan give them very strong impression of this kind. So the Japanese SPAs should
at first let the German public know about their brands, their product styles, and increase brand reputations when they enter the market

- **Do you think branding of the Japanese SPAs is important for them to enter the German fast fashion market?**

German consumers are very brand concerned. They prefer shop in fashion retailers with brands, even if the clothes are priced low to middle. They link the brand names to product quality. Although they are more price conscious, they want to buy clothing with quality guarantee. Retailers like *Esprit* perform well in the market because it has already set up the brand image with reasonable price with good quality. Also, the middle aged and old German consumers have higher brand loyalty. It is more difficult to make them shift to another fashion brand, once they have set up confidence in one or some brand(s). Also, the German consumers usually remember the company name rather than the company’s brands. For example *New Yorker* and *Esprit*, have different product brands, but customers always refer to the company names only. So it is important for the Japanese SPAs to build up their company image when they enter the German fashion market.

### III. Interviewee’s further recommendations to the Japanese SPAs

- **Do you have any further recommendations that the Japanese SPAs have to consider when they enter the German menswear and womenswear markets?**

The German sizes are very different from the Japanese sizes. When the Japanese SPAs enter the market, it is necessary to adjust their clothing sizes and cutting. You probably know GAP, a casual wear chain store from the US faced a great failure in Germany because of the mismatches of their products sizes and the German body sizes.

- **Do you think there are any aspects regarding the Japanese fashion in the German market we have not covered in the interview? Do you have any additional suggestions?**

You should find the target segment to the Japanese SPAs. Also, you need to know more about competition in the market and know more about the fashions of the competitors. Website [http://www.textination.de/](http://www.textination.de/) can help you to find more information about the German market.

- **Also, could you please kindly introduce some people you know who have professional knowledge of the German fashion market to us for some interviews? Your reference will be very helpful to us.**

Sorry, I do not have anybody to refer to you.
Interview 2

Name of Interviewee: Julie Wilkens

Date and Time of interview: May 12, 2008, 13:00 – 14:00 (19:00 – 20:00 Hong Kong time)

Interview method: Skype

I. Interviewee’s background regarding German fashion market:

- Could you please give us the information regarding your occupation and working experience related to the fashion field?

I am a senior purchase executive of Gracedon Knitters Ltd (South Ocean Group), which is one of the largest companies in the Hong Kong Garment and Textile industry. I have worked in the fashion industry for 6 years. When I was an executive trainee, I needed to work for divisions in the purchasing department. So I have experience in working with both German and Japanese fashion companies. I am now a purchaser for the German consumers. I need to find factories in Asia to produce fashion for the German companies. Being a German, I also stay some months in Germany every year. So I can learn the latest market situation in Germany.

II. Questions regarding Japanese fashion in Germany:

a. Interviewee’s professional ideas on Japanese fashion styles and their potentials in Germany

- What do you think about the Japanese fashion styles?

They are trendy to the Germans in general. But some of the items are simple and basic. This is very alike to the German consumer’s tastes. Also, I think the product quality of the Japanese fashion are high and stable. They have better product quality than some low priced retailers in general.

- Can you please give some examples of those low priced retailers as you mentioned?

For example H&M and New Yorker, they are very popular among the young Germans.

- Do you think there is any potential for the Japanese fashion apparel in the German market? Can you give reasons?

Actually, the competition in the German fast fashion market is very high. New fashion retailers need to gain market share from the big retailers. But German young people are looking for clothing that makes them different from the peer. For example, H&M and New Yorker are among their favorite fashion retailers; however, they feel embarrassed
when they see everybody wearing the same clothes. And thus, they are more interested in finding new brands and fashions, which show their individualities. Moreover, they are willing to spend more on fashion (especially causal, leisure and street wear) and brand products.

So, there are market opportunities for the Japanese SPAs to target on the teenagers. The Japanese SPAs need to provide fashions different from the other big chain retailers. I think their designs like World and Onward are chic and trendy. They may have more chances to target on the teenagers who are looking for fashionable clothing.

- **As you mentioned about the competition in market, could you please suggest some major market players in the German fast fashion market that the Japanese SPAs need to consider? (especially the low to medium price segment)**

Regarding the low price segment, the local companies such as New Yorker raised rapidly recently. H&M and C&A are also very popular in the country. You can see their shops in every shopping mall. Esprit and Benetton are also very welcomed by the German consumers because of their good quality. They are more basic in style but middle aged ladies love it.

b. **Marketing Mix**

- **From your point of view, are the Japanese fashion designs attractive to the German customers?**

I think the Japanese fashion designs are attractive to the German young people. As I told you they are more fashionable and looking for new fashions. The Japanese clothing can give them new choices. Some of the clothing of Uniqlo for example is quite basic, this can be attractive to the German men and women.

- **Do you think these price settings of the Japanese SPAs are competitive in the German fast fashion (low to medium price) market? Will such prices match the expectations of the target customers?**

The prices are very low and attractive to the German consumers. The price of Uniqlo and World are as cheap as, or even cheaper, than of H&M.

- **Which distribution channel (such as department store, retail shops or shopping malls) will be the most appropriate for the Japanese SPAs to reach their target customers?**

In Germany, the fast fashion retailers mainly locate their stores at shopping centers or shopping streets. This is better for the Japanese SPAs because it is easier for the German people to notice and recognize their brands. They can also locate the shops at trendy districts or luxury districts according to their market positioning.
In your opinion, which promotion channels will be the most effective for the Japanese SPAs to reach the target segment?

They can advertise on fashion magazines and lifestyle magazines such as *Glamour, Elle, Young* and *GQ*. Fashion magazines also have fashion forum in their online version. For example, in the forum of women’s fashion magazine *Glamour* and the one of men’s magazine *GQ*, their comments and recommendations can be driving forces to encourage people who visit the forums to buy and try new items. So, the Japanese SPAs can promote in these fashion forums also. Some fashion retailers in Germany also promote on newspaper with booklets. But the materials are suggested to have better quality, because the use of cheap and less attractive materials will bring lower brand image to customers.

c. Market Environment – Market trend

What are the coming fashion trends in Germany? Do you think the Japanese SPAs’ designs can match these new trends?

The German people are more and more fashionable. Casual wear is still the main trend in Germany. The young people would prefer more trendy and colorful designs.

d. German Customer behaviour and expectations

Do you have any suggestions on celebrities or social communities and groups that the Japanese SPAs can collaborate with in order to gain awareness and brand recognition from the target group?

The Japanese SPAs can target on the German teenagers and collaborate with famous animation characters such as Hello Kitty, by giving customers free toys when they purchase to gain brand recognition. Also, the young people love to wear what the pop stars do. There are a lot of drama and movies from the USA shown in Germany. The MTV channel also plays music of American singers. The pop starts like Madonna are influential to the young German’s fashion.

Which groups of customers do you think would appreciate the Japanese fashion styles more?

I think the young Germans would be more interested in new fashion and new brands. The Japanese popular boom can also make the young “Japan lovers” to welcome the Japanese fashions.

What do the German customers expect on the services when they buy clothing? Do you have any suggestions how can the Japanese SPAs reach their expectations in this aspect?
German consumers appreciate to be attended by the shop staff. For example, casual greetings when they enter and leave the shop are very welcomed. The sales persons should be helpful and polite when they need help. However, they prefer making their own purchasing decisions, and thus, they expect to shop without being irritated by the sale persons or other customers. And therefore, the shop atmosphere is also important. The shops with comfortable environment and nice decoration can strengthen reputation and brand image among the German consumers. Moreover, shop tidiness and nice displays are more important to them comparing to store decoration. Membership discounts, free gifts and birthday gifts can make them feel prestigious. These can be effective ways to enhance consumer loyalty in Germany.

e. Branding and Country of Origin

- Are the Japanese clothing brand names known in Germany? How do the German customers feel about the fashion from Japan? What kind of images does the Japanese clothing give to the German consumers?

I think the Japanese fashion is still not very popular among the German public. The fashion lovers might know the top designer brands such as Yoji Yamamoto and Rei Kawakubo. I think in general, German people believe products from Japan are of good quality, but they rarely have ideas how Japanese styles look like because there are not so many Japanese fashion brands available in market.

- Do you think branding of the Japanese SPAs is important for them to enter the German fast fashion market?

The Japanese brands in Germany are still new. But I know some German young people love Japanese popular culture very much. They also want to have some clothes with animation characters from Japan.

III. Interviewee’s further recommendations to the Japanese SPAs

- Do you have any further recommendations that the Japanese SPAs have to consider when they enter the German menswear and womenswear markets?

As I know the German public is regarded as late adopters to fashion trends, comparing to other ‘classical fashion countries’ such as France and UK. Because of the rise of H&M, Sweden is also regarded as a fashion leader country to the German consumers. The German people refer themselves to these fashion countries on fashions, especially the ones in Western and Northern Europe. People in these countries are regarded as fashion pioneers and the German consumers like to follow their trends. The German consumers will learn and observe the latest fashion trends from people in UK and Sweden from international fashion magazines, for example. And they will start accepting the trends
after seeing the people from these countries wearing certain new fashion styles and brands. So the Japanese SPAs can learn the designs from the UK or Swedish fashions.

- **Do you think there are any aspects regarding the Japanese fashion in the German market we have not covered in the interview? Do you have any additional suggestions?**

  No specific.

- **Also, could you please kindly introduce some people you know who have professional knowledge of the German fashion market to us for some interviews? Your reference will be very helpful to us.**

  Ms. Scarlett Liu who is working in Norintra Ltd.
Interview 3
Name of Interviewee: Scarlett Liu
Interview method: Skype

I. Interviewee’s background regarding German fashion market

• Could you please give us the information regarding your occupation and working experience related to the fashion field?

I have worked as a garment merchandiser for ten years. I have just graduated from a part-time master degree from The Hong Kong Polytechnic University, Textile and Design department. I have just finished a thesis titled “A supply chain study in fashion industry”. The thesis is about how to open new market in China, selling men’s casual wear of a French brand named Celio. I'm now working in Norintra, a Germany design studio selling the brand Quelle by catalogues. I'm working for women's wear product development.

II. Questions regarding Japanese fashion in Germany:

a. Interviewee’s professional ideas on Japanese fashion styles and their potentials in Germany

• What do you think about the Japanese fashion styles?

The brands of Onward Ltd. have basic styles; this would be welcomed by the middle age Germans. Brands of World Ltd. and Fast Retailing Ltd are fashionable. They are more attractive to the German teenagers. But I think in general they are quite fashionable to the German people.

• Do you think there is any potential for the Japanese fashion apparel in the German market? Can you give reasons?

The market segment may be bigger if selling basic styles like the brands of Onward Ltd. While the market segment may be smaller if sell fashionable styles like the brands of World Ltd. and Fast Retailing Ltd I think in general the Japanese clothing have good quality, especially when you compare with lower price fast fashion retailers like H&M. So the Japanese SPAs can find potential in the market segment in which customers are quality-concerned.

b. Marketing Mix
• From your point of view, are the Japanese fashion designs attractive to the German customers?

The Japanese fashion designs may attract young German customers. The German young people now expect creative styles, which make them feel as a part of their own generation but also let them stand out from the crowd. And thus, they are also more open to fashionable, shaped, and colorful designs. They will like the Japanese fashion designs because they are different from the other big chain stores.

• Do you think these price settings of the Japanese SPAs are competitive in the German fast fashion (low to medium price) market? Will such prices match the expectations of the target customers?

Yes, I think low to medium price settings of the Japanese SPAs are competitive in the German fast fashion market, because this price range match expectations, if the target customers are young and fashionable.

• Which distribution channel (such as department store, retail shops or shopping malls) will be the most appropriate for the Japanese SPAs to reach their target customers?

Young customers tend to go for shopping in retail shops and shopping malls, rather than in department stores.

• In your opinion, which promotion channels will be the most effective for the Japanese SPAs to reach the target segment?

To attract young customers, you can think about promotion channels like advertisement on internet. Promotion schemes with gimmicks like activities about pop stars, idols, or trendy animations. For example, the brand “X-girls” send gifts of figure “bear-bricks” for any purchase.

c. Market Environment – Market trend

• What are the coming fashion trends in Germany? Do you think the Japanese SPAs’ designs can match these new trends?

The cultural aspects in Germany are becoming trendy. People start to accept fashion from different cultures and countries. But I have no idea whether they accept the Japanese fashion styles; they may need a longer time to accept them gradually.

d. German Customer behaviour and expectations
How can Japanese SPAs enter the German fast fashion market?  

Ka Yu Seto  
Olena Zastezhko

- **Do you have any suggestions on celebrities or social communities and groups that the Japanese SPAs can collaborate with in order to gain awareness and brand recognition from the target group?**

Our Germany brand *Quelle* is promoting product lines of “Pure Nature” and “Fair Trade”. These are global issues.

All “Pure Nature” products are made by “100% bio-cotton”. The yarn suppliers and fabric suppliers need to produce material with organic cotton, which will not pollute the environment. This issue can gain awareness of our customers to protect the environment. Our customers recognize *Quelle* is caring for the social community because we are “environmentally friendly” brand. The brand recognition will be higher then.

All “Fair Trade” products are made by suppliers under fair trade regulations. The trade relationship between customers, buyers, suppliers, sub-contractors and their vendors should be in fair conditions. To gain for living, sometimes the suppliers have no choice to accept the low price offered by the buyers. Under fair trade regulations, the buyers cannot force the suppliers to quote unreasonable low price. This issue can gain awareness of our customers to protect the fair trade environment. Our customers will recognize *Quelle* is caring the social community because we are socially friendly brand. The brand recognition will be higher then.

- **Which groups of customers do you think would appreciate the Japanese fashion styles more?**

The young group of customers would appreciate the Japanese fashion styles more.

- **What do the German customers expect on the services when they buy clothing? Do you have any suggestions how can the Japanese SPAs reach their expectations in this aspect?**

Young customers expect on-purchase service because they like to search for the most updated on-line activities through internet.

e. **Branding and Country of Origin**

- **Are the Japanese clothing brand names known in Germany? How do the German customers feel about the fashion from Japan? What kind of images does the Japanese clothing give to the German consumers?**

The German may think Japanese clothing is clean, tidy and trendy. The minimalism (basic) style of Japanese clothing may be closer to German styles. The SPA designs can go to this direction when enter to the Germany market. Also, I know there are so many German young people want to have some T-shirts with printing of Japanese cartoon
characters. I know *Uniqlo* is doing this. The Japanese SPAs’ clothing styles like the ones from UK, this can give a good impression to the German consumers as they think fashion from UK is great and clothes are good at quality and designs.

- **Do you think branding of the Japanese SPAs is important for them to enter the German fast fashion market?**

It is important to find the most suitable style direction before enter the German market. The Japanese SPAs are suitable to enter as a fast fashion brand. Actually, Japanese brands are still new to the Germans. They have to build up brand recognition first.

**III. Interviewee’s further recommendations to the Japanese SPAs:**

- **Do you have any further recommendations that the Japanese SPAs have to consider when they enter the German menswear and womenswear markets?**

You may have research on the characteristics of original Japanese market and German market by different customer groups and product categories. Compare these characteristics between these markets, to analyze and find out the most suitable customer group and style range.

- **Do you think there are any aspects regarding the Japanese fashion in the German market we have not covered in the interview? Do you have any additional suggestions?**

You mentioned the target customer aged above 15, the age group may be too wide. With the analysis of above comparison, the age group may be shortened, e.g. aged 15 to 25. It’s easier to enter a new market with a smaller age group, if the research is concise and deep.

- **Also, could you please kindly introduce some people you know who have professional knowledge of the German fashion market to us for some interviews? Your reference will be very helpful to us.**

Sorry, no people can be introduced for further interviews.
Appendix III – Pictures and price lists of the Japanese SPA fashions

Fast Fast Retailing Ltd.

Womenswear

Price: Camisoles €4, Polo shirts €7.7, Cardigans €8.8, One pieces €8.8, Pants €12, Jeans €18
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Ka Yu Seto
Olena Zastezhko

Menswear

Price: T-shirt €6, Polo Shirts €7, Jacket €12, Pants €12
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Onward Ltd.

Menswear

Price: €90

Price: €18

Price: Jacket €90, T-shirt €48, Pants €90

Price: Jacket €204, T-shirt €48, Pants €144,
How can Japanese SPAs enter the German fast fashion market?

Ka Yu Seto
Olena Zastezhko

Womenswear

Price: Blouse €45, Pants €18, One pieces €30 - €36, Tops €18

Price: Tops €80 ~ €104, Jackets €140-€174, Skirts and One pieces, €92 ~ €132
How can Japanese SPAs enter the German fast fashion market?

Ka Yu Seto
Olena Zastezhko

World Ltd.

Menswear

Price: €48  €90  €14  €48  €48

Womenswear

Price: €18  €10  €18  €40

Price: €10  €18  €18  €18