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# 1 Introduction

## 1.1 Background

Fashion is tough to concretize, Solomon & Rabolt (2004) describes it as *“being a complex process that operates on many levels. At one extreme, it’s a macro, societal phenomenon affecting many people simultaneously. At the other, it exerts very personal effects on individual behaviour. A consumer’s purchase decisions are often motivated by his or hers desire to be in fashion”*.

Following the success of the Swedish fashion company H&M, many new companies have started up and expanded abroad, such as Filippa K, J Lindeberg, Gant, We, Peak Performance and Tiger. These companies are today acting on an international market of various extents. The export of Swedish fashion increased during 2002 by 10% and is today one of Sweden’s larger export industries (Wahlberg, 2003). The Swedish clothes export of 2006 was expected to reach a value of SEK 9, 2 billion. This excluding such giants as H&M and KappAhl, with a total sale abroad worth estimated SEK 70 Billion, which has their production and the shipment of the products abroad, resulting in that they are not calculated in the Swedish export statistics (dinapengar.se, 2007).

Ever since Katja of Sweden, one of the first and most famous of Swedish fashion designers through all time, launched her first collection in New York in the late 1940’s (Hammar, 2002), Swedish fashion designers and companies have strived to establish themselves on an international market. Brands that are launched today in Sweden often carries the name “Sweden” or “Stockholm” in their name, which gives the brand a direct value and description of the Swedish fashion style as well designed, functional and easy to wear (Kaiz Rognerud, 2002).

In this thesis we give our interpretation of the internationalisation process that the studied companies have experienced, through models such as the Uppsala model and the Branding / COO model. Our aim is to give a comprehensive picture of a process that has taken years and still continues in the companies and to determine the key success factors for their internationalisation. It is our attempt to both concretises and depicts companies that are themselves important but also are representatives of a business segment that grows stronger and steadily more valuable to the Swedish economy.

Sweden is today still a very small market and the potential for growing only nationally is very small. Many companies therefore starts up by establishing themselves on the Swedish market on a small scale, and then start their internationalisation process by expanding to the other Scandinavian countries (Wahlberg, 2003). New fashion companies in Sweden, like Whyred, Nudie Jeans, Bondelid and Acne Jeans are already established on an international market and a large number of new brands are seeking to follow their success (Kaiz Rognerud, 2002).

The interest in the Swedish fashion companies both by media and the business world has really taken off since the time we started the work with this thesis. The representatives of the more traditional business world have found the new Swedish fashion companies increasingly interesting. Sven-Olof Johansson now owns 19% of Whyred and Novax, the Axel Johansson venture capital company, is now the largest individual owner of Filippa K (Saldert, 2007).

## 1.2 The history of Swedish fashion industry

To give a picture of the history of the Swedish fashion industry we have chosen the example of Algots and Hennes & Mauritz to provide a representation of the development of the fashion industry.

### Algots

From the humble start in start in 1907 with a capital of 3, 50 SEK Algots grew, and in 1930 it was one of the first ready-made clothing factories in the world to use assembly lines, a revolution that led to a great expansion. In the 1950- and the 1960s Algots became the largest ready-to-wear clothes factory in the whole of Scandinavia. Much like the rest of the industry it was a part of, it saw a rise in size and importance. In the 1960s the textile and ready-to-wear clothing industry of Sweden got competition from Asia due to the fact that the textile import became free (Segerblom, 1983).

The crisis for the Swedish textile- and ready-to-wear clothing industry was acknowledged by the government, but no actions was able to keep the business at the level it had been once the wages started to rise and the difficulties to compete with low-wage countries grew larger (SOU 1970:60). With such competitors as England, famous for its quality of textile, the Swedish market was not alone large enough to support the companies that had their main income from its market. The governmental contributions in order to try to save the industry through monetary aids could not stop what was underway (SOU 1970:59). During the 1970-74 the Swedish industry experienced considerable increased costs. From 1974 to 1976 the wages of those employed in the industry had gone up with more than 50% (Segerblom, 1983).

Despite the expansion into countries that had lower wages like Finland and Portugal it was not enough, the end for Algots was near (Segerblom, 1983). The choice to keep as much of their manufacturing in Sweden as they did, despite the pressure from the competitors that used low cost countries to manufacture their clothes, was one of the major contributing reason that Algots went bankrupt in 1977 (Segerblom, 1983). After the bankruptcy the Swedish Government took over, but the business was cancelled a few years later, the fabric is still left in the Swedish city of Borås and is today home to several different companies.

The textile industry in Sweden has by no means ended up as unfortunate as Algots, it has survived, but is far from its old size and importance. The large Swedish fashion companies of today like H&M and KappAhl have gotten much of its success thanks to that they have their manufacturing in low-wage countries. Sweden has become a country of designer and fashion developers. Some of the famous Swedish fashion brands are H&M, Filippa K and J Lindeberg, they have succeeded in getting Swedish design recognised in the world and contributing to the fact that the value of Swedish clothes export has risen to over 6 billion SEK a year (Kaiz Rognerud, 2002).

### Hennes & Mauritz

Hennes & Mauritz (H&M) is today one of Sweden's leading fashion companies with over 40'000 employees in over 950 stores in 19 countries all over the world. H&M has a long and successful process of internationalisation, where they mostly have used a traditional strategy executed with precaution and sequential establishment on the foreign markets.

H&M was founded by Erling Person in Västerås in 1947 with the business idea "Fashion and quality to the best price". Today H&M, with its headquarters in Stockholm, has about

100 own designers who create H&M's collections for ladies, men, children and youth. H&M does not own any factories, instead they contract about 750 suppliers worldwide, mostly in Europe and Asia. (H&M, 2004)

The expansion strategy of H&M is to find new attractive store locations and the stores should always be placed on the best location in a city or shopping mall. The location factor is of highest importance which has resulted in that H&M has postponed entries in certain geographic markets due to the lack of optimal locations (H&M, Annual report, 2001).

H&M started its internationalisation in countries that had a small psychic distance to Sweden, in order to minimise the risk of insufficient knowledge. H&M therefore began their internationalisation with stores in Norway and thereafter spread further on to the rest of Scandinavia and also Great Britain and Germany. Thereafter the psychic distance began to increase to the targeted geographic markets to the extent that the Swedish organization felt that they did not have enough knowledge. The solution for this was that employees from nearby countries are responsible for the expansion to the new market. For example when H&M was entering France, they gave the responsibility to their management in Belgium to set up the establishment (Årsredovisning, 2003).

In the year 2000 H&M expanded outside Europe for the first time when they opened a store in New York, USA. The first store on Manhattan became such a success that H&M decided to expand further on the American market and today they have about 67 stores in the country (H&M, 2004c). The international expansion has thereafter also spread to East Europe and also Canada..

### **1.3 Purpose definition**

The purpose of the thesis is to explore the internationalisation process of Swedish fashion companies, with a focus on the penetration of the international markets in order to determine the key success factors for successful international expansion.

This means that we will investigate to what extent branding, country of origin (COO) and psychic distance to geographical markets has an influence on the internationalisation process and its success.

## 2 Method

### 2.1 Choice of method

In this thesis we believe that a qualitative method suits the purpose better than a quantitative method, since the thesis aims to describe the key success factors in internationalisation of Swedish fashion companies. Our goal with the usage of the qualitative method is to explore this issue, which has been argued by Miles & Huberman (1994) as the most common usage of the qualitative method. According to Merriam (1994), the qualitative method allows a deeper understanding and explanation to the subject studied, since the detailed character of qualitative information only is accessible if one in a literal and psychological way gets close to the subject studied. A qualitative perspective also has as a purpose to explain the meaning of a certain phenomenon or experience, which is expressed by Holme & Solvang (1997) who explains that the qualitative method gives a higher level of understanding of the subject studied.

According to Trost (1997), the purpose of the study should decide whether a qualitative or a quantitative method should be used. The difference between the two, is according to Lekvall & Wahlbin (2001), made up by how the collected data is presented, meaning if the data is coded in numbers or expressed through words and pictures. The authors also makes a difference between how the analysis is made, if statistical calculations is used or if it is presented in the shape of oral reasoning and figures. The main difference that Bryman (1989) sees between quantitative and qualitative research, is that the qualitative method is giving priority to the perspectives of those that are being studied.

### 2.2 Research design

A feature of qualitative data, according to Miles & Huberman (1994), is its richness and holism that carries a strong potential for revealing complexity. With qualitative data we can go beyond snapshots and better understand how and why things happen as they do (Miles & Huberman, 1994).

Miles & Huberman (1994) gives an idea of the task of building a conceptual framework, they argue about how it constitutes of findings from whereas different places such as theory and experiences as well as from the general objectives of the study itself. Organising the framework so that the general objectives are clear, helps the author to decide which variables that is most important.

Case studies are according to Stake (2000) a very common way to do qualitative inquiry, although it should be brought to attention that a case study is not a methodological choice but a choice of what to be studied. Case studies are in short a research of individual cases without the method of inquiry that one uses. The author further argues that everything is not a case, it is vital to be able to define what a case is and what not a case is. In our research the cases are the companies which we target with our questions why, the factors for success which we are looking for can be deemed to be our research questions.

Miles & Huberman (1994) claims that one important thing to keep in mind when in the search for well collected data, is that there is a focus on *“naturally occurring, ordinary events in natural settings”* so that there is a correlation to what the data represents. The importance of always putting the studied cases in a larger perspective is argued by Ragin (1992) through Stake (2000) and is manifested by the question *“What is it a case of?”* i.e. what is it a representation of?

Our cases have been chosen on a basis of representing the current situation of Swedish fashion-design and trade gone international. One of the larger contexts that our studied companies are a part of is the fashion world as a whole as well as the concept of internationalisation.

Our original extensive list of companies that we were interested in, shrunk down to a handful once the screening process got on the way. Our criteria for the companies that we approached included that they would (in our opinion) be representative for their section of the Swedish fashion industry.

The different stages in their internationalisation process, their size and connection to each other as well as the chance of retrieving information and getting in touch with the people that held the answers to our questions, was further more our criteria when choosing the companies.

## **Acquiring data**

The companies that we felt would bring the most interesting and valuable findings and answers were contacted. Four companies agreed to participate in our research, the companies in the study are the Swedish fashion brands; Filippa-K, Nudie Jeans, Whyred and Acne Jeans.

Although giving the companies an offer to participate through telephone questioning, Filippa K and Acne Jeans despite their earlier acceptance to participate, after several tries to make the interviews, decided not to further participate in our study, except for access to their press-material and articles. After an assessment of the situation we decided that the secondary sources of information would suffice. Therefore we decided to continue with the companies. Other information needed, besides their press-material and articles, was gathered through other secondary data sources as internet and newspapers.

Furthermore, Nudie Jeans and Whyred found it difficult to find time for sitting down with us to do interviews, the only solution left (in order to find the information needed) was to use questioning through telephone. This however turned out satisfactory, as we secured that we got the amount of information needed.

The contacts with the companies have in all four cases involved several persons in each of the companies. The size of the companies worked against us when it came to get hold of the key persons. The person with the answer was always very busy and had little time to talk to us. Furthermore, the fashion business is under a constant pressure of presenting new and exiting clothes and designs, which explains their lack of time.

The choice of how to conduct our research is closest to the instrumental case study approach. An approach described as, one where the particular cases are investigated mainly to gain knowledge about an issue or to generalize (Stake, 2000). We hope to gain knowledge from our cases to be able to find factors that are shared in order to draw conclusions and to some extent generalize. Our findings will play a supportive role in trying to understand the concept which we wish to know more about, this is in line with what Stake (2000) describes as a vital part of what constitutes as an instrumental case study.

The deep study of the cases are still important, but the findings, when doing a instrumental case study, are looked at in the light of what the cases are a part of and how it can help the researcher to pursue the external interest (Stake, 2000). A case study according to Stake (2000) is usually organised around a small number of research questions. Since issues are complex in nature, it is imperative to base the case study on questions that are deemed to

be able to gain the knowledge wanted. The author further argues that the importance of choosing right issues to focus on to maximise the understanding of the case.

We have followed the advice from Stake (2000) for the qualitative case work, namely to use our knowledge to study and to use extensive reflection concerning both the investigation and the result in order for the quality of the study to be benefited.

### **2.2.1 Data Handling**

In order to create a comprehensive picture for our readers we have processed the data collected in a way similar to what Carney (1990) through Miles & Huberman (1994) describes as a “ladder of abstraction”. This ladder of abstraction constitutes of a text that you have created, in our case it is made up mainly of second-hand data about our companies, after you have coded categories in the text the next step is to identify trends and themes. Our identification process has led to identifying the trends of COO-effect and brand value in combination with the internationalisation process. We have put the data in an easy to understand comparative model through the Made In Country/ Brand Image Model as developed by Jaffe & Nebenzahl (2001). Furthermore, the Uppsala model and an overview of the relationship of the Swedish fashion industry has been put to use in order to make the outcome of the data collected visible.

### **2.2.2 The Interviews**

Interviewing is according to Fontana & Frey (2000) the most common and effective way in which we can try to understand our fellow human beings. But it is also important to remember that asking questions and getting answers is much harder of a task than it may seem at first. No matter how carefully we pose the questions and how carefully we report the answers, the spoken word always has a trace of ambiguity.

An interview can take place in a variety of forms, face to face is the most common form, but it can also take the form of questionnaires and telephone surveys. The interview can be structured or unstructured.

Even though we have chosen to use the unstructured interviewing technique we want to give a brief description of the structured as well, in order to put the light on the sometimes very small differences between the two types.

The contacts with the companies were taken early in the process, they were approached through telephone and sent our questionnaire, (Appendix A). The major interviews were conducted in April and May 2005. The following is a register of the contacts;

#### **Filippa K**

We were in contact with Karl-Johan Bogefors (Marketing manager) several times to get an interview, but were at the end referred to their press material and articles. We complemented these with material from secondary sources as Internet, business/financial papers and newspapers.

#### **Acne Jeans**

After an initial contact with Lotta Nilsson (Marketing manager/Public Relations manager) to get an interview, we were referred further to Mikael Schiller (CEO). We tried to get an interview with him several times, but were at the end referred to their press material and ar-

ticles. We complemented these with material from secondary sources as Internet, business/financial papers and newspapers.

### **Nudie Jeans**

We conducted an extensive interview with Palle Stenberg (Marketing manager) 9th of May 2005.

### **Whyred**

We conducted an extensive interview with Eva Ottosson (Marketing manager) 11<sup>th</sup> of May 2005.

## **Structured interviewing**

In a structured interview the interviewer asks the respondent the same series of pre-established questions with a limited set of response categories, there is generally little room for variation in the responses. There is a limited flexibility in the way questions are asked or answered in the structured interview setting. In a structured interview situation the interviewer would typically never be allowed to answer questions that might be asked by the respondent, neither can he let his personal feelings influence him so that he deviates from being a distant and rational interviewer. Structured interviewing also strive for capturing precise data of codeable nature in order to explain the activities within pre-established categories.

## **Unstructured interviewing**

Unstructured interviewing can provide a greater depth of data through its qualitative nature, compared to the structured type of interviewing. In the unstructured interview situation there is a chance for the interviewer to conduct what resembles more a discussion than that in the case of the structured interviewing format. The use of “personal feelings” is not recommended but is not as strictly out of question as in the case of the structured interviewing. The unstructured interviewing is a good tool to understand complex activities without imposing any priory categorization that may limit the field of inquiry (Fontana & Frey, 2000).

We have chosen the type of open-ended, in-depth and unstructured interviews because we believe that it is the best way for us to get the answers to our questions. Using the Appendix A, as a guide to keep track of, and ensure that we have all the answers we need to be able to put together the thesis.

## **Telephone**

The method of making the interviews by telephone was not our first choice; we had our heart set on doing face-to-face interviews because we believe that it would have given us a chance to do observations of the body-language to complement the answers. Although after we found it necessary to use telephone interviews in order to get respondents to take time with our questions, it turned out that the downsides with the telephone method was not as big as we had feared. The telephone interview has grown to be the dominant approach in the polling and survey industry (Singleton & Straits, 2002), and it is our belief that the quality of the answers has not been affected in any major way.



The ways we have used to get the targeted companies to lend their time for our interviews and questionnaire have in many ways concurred with what Lavrakas (1993) suggests is a good way to go about it. We have pointed out the importance of the respondents' answers, the significance of the task that the answers fulfill and that it would strengthen our personal knowledge.

Shuy (2002) gives a number of criteria for deciding between telephone or in-person interviews;

- The type of interview to be carried out.
- The type of information sought.
- The attitudinal variability, safety and workload of the interviewers.
- The need for contextual naturalness of responses and setting.
- The complexity of the issues and questions.
- The economic, time and location constraints of the project.

In our case, the choice of using telephone as a mean to get the answers was not so much a choice as a necessity.

### **Advantages of telephone interviews**

Besides the increased freedom as well as the time saved on travels in comparison to face-to-face interviews is further supported by Lavrakas (1993). According to Welman & Kruger (2001) there are further advantages such as; that the answers are faster and that the actual interview take less time (Shuy, 2002). The hustle of actual meetings, and time set aside for focusing on the interview are eliminated, instead the interview can be divided over several days and more on the terms of the person being interviewed and on times when there is less other stressful things to focus on. The question of costs reflects favorable on choosing the telephone as the mean of interviewing, it is much cheaper if the travel to the companies can be avoided. The factors that can interfere with the situation are also easier to control (Shuy, 2002).

To avoid the risk of letting the questions become closer ended than we want, which is often the case with telephone interview; we have tried to strive for the open-ended questions.

### **Downsides of telephone interviews**

The downsides such as less control and ability to "read" the person being interviewed have been recognized by Welman & Kruger (2001) as well as Shuy (2002).

Having a well constructed interview guide helps the interview going smoother not having the natural interaction a face-to-face interview would have provided (Welman & Kruger, 2001).

The faster pace in answering the question described by Shuy (2002) is also linked with the risk of shorter answers to the open-ended questions. The lack of small talk, jokes, politeness and rudeness that all can be a part of the face-to-face interview are hard to achieve in a

telephone interview. The naturalness of for example interrupts and change subject are further harder to do in a telephone interview according to Shuy (2002).

Following the advice of Welman & Kruger (2001) we constructed an interview guide, see Appendix A, which were used in order to get answers to similar questions from the targeted companies.

An overall critic can surely be put against us, the authors, for not acquiring interviews from all the four companies. A concern for the quality of what we have come up with relying on secondary sources of information is justified.

Having put all our efforts into getting the right companies that matched our criteria, and secured interviews from two of them, and more than enough data from the secondary sources for the other two, makes us secure in our beliefs that we have made the best groundwork possible given the situation. The quality of the data both from the interview and the secondary sources have been critically screened by us and its credibility been assessed before putting it to use in this thesis.

## **3 Possible factors for success**

### **3.1 The phenomena of internationalisation**

Internationalisation occurs when the firm expands one or several business activities into international markets (Hollensen, 2004). The process of internationalisation has been the target of many books, articles and reports. Despite the large quantity of written material about internationalisation, the field of Swedish fashion companies' internationalisation process has not been investigated in extent and there are still unanswered questions to be addressed. Randall, (2000) states that it is well known to everyone that the world is becoming more international.

The importance of globalisation can not be overlooked, according to Czinkota & Ronkainen, (1995) the countries that was quickest to globalize gained the benefits in the shape of 30 to 50% higher growth rates over the past 20 years. At a company level there are also benefits to be gained. The world is shrinking and as the costs of computing power and telecommunications becomes less and less, the globalisation of the economy is increasing. Kotler, Armstrong, Saunders, & Wong, (2001) states that the international trade is booming. This view is supported by Czinkota & Ronkainen (1995) who further talks about globalization as being one of the most significant developments in the last 20 years for the industrialized world.

According to Kotler et al, (2001) the need to go abroad, as well as the risk for doing so, has increased. The Internationalisation process is not always as easy and transparent as can be the picture given by some researchers, since different types of barriers exists which makes it difficult for the company. These barriers can be divided into three groups, which are general market risks, commercial risks and political risks (Hollensen, 2004).

The development in emerging countries such as China, South Korea and Poland shows a dramatically increase, a progress that in time can diminish the already industrialized countries domination on the global market (Czinkota & Ronkainen, 1995). This somewhat anticipated competition as well as already increasing existent competition has inspired, motivated and pushed companies to go international (Czinkota & Ronkainen, 1995). As argued by Melin (1992), it is not easy to suggest one single model that explains the internationalisation process. The complexity calls for a variety of inputs and variables combined in order to get a coherent picture. This view is supported by Hollensen (2004), when he describes the global marketing process as a complex task.

#### **3.1.1 The decision to internationalise**

Although much of the internationalisation literature are concerned with the processes and extensive calculations and plans that is foregoing the internationalisation process, it is argued by Agndal & Axelsson (2002) that it is often the case that the firm or more specifically managers in the firms who makes the judgments based on no real rational decisions making process.

What on the surface seems to be a well planned decision is according to Agndal & Axelsson (2002) often affected by factors like corporate relationships, earlier market experience chance and luck. The sound business plan often give way for a cocktail of orientation positioning and timing (Axelsson & Johanson, 1992) through Agndal & Axelsson (2002). The importance of networking as a way of choosing if and where to internationalise are supported by the findings of the investigation made by Axelsson, Johansson and Sundberg

(1992) through Agndal & Axelsson (2002) where international business travellers claim that the main objective for many of their trips was mainly to keep relationships active. This investigation is further supported by other investigations that prove the importance of previous international experience on the decision to start an internationalisation process (Ali & Swiercs, 1991; Almeida & Bloodgood, 1996; Morgan, 1997; Reuber & Fisher, 1997; Westhead et al., 1998) through Agndal & Axelsson (2002). Research points to the importance of single individuals, one person that has the power and influence to get the company to go through with the internationalisation.

Baird, Lyles, & Orris (1994) describe several strategic options that face a small company set out to choose an international strategy. Due to the restraints, such as, financial and managerial that often characterizes a small firm, it might act differently compared to a large company. Often is the one person decision an affect of these restraints, it could turn out to be an obstacle for a successful foreign expansion.

Despite the importance put into the one-person decision by many scholars Johanson & Vahlne (1977) do not agree with the fact that the one person decision plays such a large role as other seems to think. Their view is that the internationalisation is a product of series of incremental decisions.

As a concluding remark on the topic of the importance of individual networks influence on the process on internationalisation it may be concluded according to Agndal & Axelsson (2002) that it is often the case that the firm, or more specific managers in the firms that make the decisions does so on an outcome of a process that is not a rational one.

## **3.2 Theoretical models of internationalisation**

There are many models that concern themselves with the process of internationalisation. Three famous, widely used and tested models are here given a short description. This in order for the reader to follow our reasoning and comparison concerning the chosen companies' internationalisation process.

### **3.2.1 The Uppsala model**

A very famous model that has been in focus since 1975 is the Uppsala model of internationalisation, or U-model, a model that describes the internationalisation process in stages that suggests a sequential pattern of entry into successive foreign markets with an progressive deepening of commitment to each market (Hollensen, 2004). The authors Johanson & Wiedersheim-Paul's model suggested that companies tend to begin their internationalisation in physically fairly nearby markets and only gradually penetrate the more far away markets. It was rare that a company entered a market through their own manufacturing subsidiaries or sales team; they instead entered the market thorough export (Hollensen, 2004).

Johanson & Wiedersheim-Paul (1975) hypothesised that firms would enter new markets with successively greater psychic distance. The findings of Johanson & Wiedersheim-Paul in 1975's paper investigating the internationalisation of four Swedish companies became the basis for what is known as Uppsala model or the U-model.

The assumption was that the firm's internationalisation was incremental and that it was the uncertainty avoidance that made the companies to start their export first to the neighbouring countries (Johanson & Wiedersheim-Paul, 1975). The model describes in four stages the internationalisation process;

- The first stage is no regular export activities
- The second is export via independent representatives (agents)
- The third is sales subsidiary
- The fourth is production / manufacturing.

The four stages referred to by Johanson & Wiedersheim-Paul as the establishment chain, mean an increasingly larger involvement and resource commitment by each step.

The Uppsala model has gotten a fair share of criticism for being too deterministic (Reid, 1983; Turnbull, 1987) through (Hollensen, 2004) as well as that it does not take into consideration interdependencies between different countries. Further has the model very limited usage on service industries.

Andersen (1993) interpret the U-model as less bounded in both in space and time, and therefore can be expected to have a relatively high degree of generalisation. This generalisation in turn requires a higher level of abstraction this comes at the price of lower level of precision. Other weaknesses of the U-model that Andersen (1993) point towards is the lack of explanatory power which implies vagueness in the purpose of the models. The correspondence between the theoretical and operational level has not been seen to a satisfactory degree. Further must the empirical design be adapted to the theoretical model. A cross sectional design can not document that firms proceed in stages, nor can it determine the factors that influence a firms move from one stage to the next Andersen (1993).

The findings of Kremer (1996) supports the conclusion by Hollensen (2004) that the model has vital points that are still valid but that all the stages are not as mandatory or used in that particular order as argued. It describes an international process well but have become somewhat outdated in times of internationalisations processes arranged through leap-frogging, where companies enters markets that are distant in physic distance at an early stage. Johanson & Wiedersheim-Paul has to an extent agreed on some of the critic, and further more themselves published articles that concur with the critic. Especially that the stages are not as mandatory used in a particularly order as might have been suggested by their earlier publicised articles.

## **Psychic distance**

Johanson & Wiedersheim-Paul (1975) defines the psychic distance as “*factors preventing or disturbing the flows of information between firm and the market*”. The psychic distance is correlated with geographic distance, but not exclusively. Hollensen (2004) describes the psychic distance as determined in terms of factors such as difference in language, culture, the level of education, the level of industrial development and political systems, which disturbs the flow of information between the firm and the market.

That’s why according to Hollensen (2004) that the companies that follows the Uppsala model chooses to start their internationalisation by going to those markets they can easiest understand, where they sees the opportunities and the market uncertainty is low. The countries closest to Sweden are those that have the lowest psychic distance. Further are the Netherlands psychologically close to Sweden, ranked as the sixth country according to psychic distance from Sweden (Johanson & Wiedersheim-Paul, 1975).

Hallen & Wiedersheim-Paul (1979) does the connection between the stages model in the Uppsala model and the notion of psychic distance where to some degree attempts to measure and to conceptualise the cultural distance between countries and markets are done. Johanson & Wiedersheim-Paul (1975) drives the theory that Swedish firms that starts their operations in countries smaller than Sweden do so because those countries are more similar to the Swedish domestic market and therefore require smaller initial resource commitment or have less competitive domestic industries.

However has the importance of psychic distance as an hindering force when companies decides on which countries to target for their internationalisation that Johanson & Vahlne (1977) among others have found, not been supported by the findings of Ellis (2000). Ellis (2000) found that the companies that he investigated did not put emphasises on the physic distance. This goes against the findings of among others Johanson and Vahlne (1977). It is however important to point out that it is notable, that this finding was based on the fact that 90% of the companies investigated was not the instigator of the internationalisation, but was rather pulled into the internationalisation by companies in countries psychologically distant. Therefore must the findings of Johanson & Vahlne (1977) still be considered valid until new findings contradict the result.

### **3.2.2 Transaction cost approach**

This model is concerned with the minimisation of the Transactional costs of the firm that can lie as a base for a decision of how to internationalize. The founder of the model Coase (1937) argues through Hollensen (2004) that a firm will go international through internal growth rather than through an extern intermediary, when the cost for doing so is lower than that of an extern intermediary. The simple way of trying to explain this model is given by Hollensen (2004 p.59) *“If the friction between the buyer and the seller is too high then the firm should rather internalise in the form of its own subsidiaries”*. This model has been criticised for being too narrow in its assumptions of the human nature (Moran, 1996) through (Hollensen, 2004). Further are many critics concerned with the lack of many factors such as “internal” transactions costs and the importance of the “production costs”.

### **3.2.3 Reactive and proactive motives**

The motives of internationalisation are according to Hollensen (1999) through Agndal & Axelsson (2002) divided in reactive and proactive motives. The proactive motives include among others the exploitation of economies of scale in research and development, production, managements or image and the reactive motives are exemplified by market pressure that forces a firm to go international in order to maintain competitiveness (Agndal & Axelsson, 2002).

As Engwall & Johansson 1990 through Agndal & Axelsson (2002) describes are there also other reasons for internationalisations, such as an urge for exploiting critical resources, developing critical knowledge or identifying gaps in the market to fill.

## **3.3 What is fashion?**

Fashion is highly linked with social trends, which does not only mean clothing but also accessories, cosmetics, footwear, even furnishings and architecture. One definition by Sproles, quoted in Curran, 1991 is:

*“A way of behaving that is temporarily adopted by a discernable proportion of members of a social group because that chosen behaviour is perceived to be socially appropriate for the time and the situation.”* (Bohdanowicz & Clamp, 1994, p. 4)

This definition highlights two of the most important features of fashion, which are its social role and its transience. These factors are also the foundation for the marketing of fashion. Another more concrete definition, and one that more reflects the purpose of this thesis, is the one given by Gold (1976), which is that;

*“Fashion is the dress that is currently adopted.”* (Bohdanowicz & Clamp, 1994 p.5)

### **3.3.1 The marketing of fashion**

According to Frings (1999), fashion marketing is the entire process of research, planning, promoting, and distributing the raw materials, apparel, and accessories that consumers want to buy. It involves everyone in the fashion industry and occurs throughout the entire channel of distribution. Fashion marketing begins and ends with the consumer, and is the power behind the product development, production, distribution, retailing and promotion of the end product (Frings, 1999).

Fashion marketing differs from the marketing of other types of goods and services because of the strong influence of environmental pressures, the time constraints and the role of the buyers. Because of the strong social role of fashion, the marketers have to operate in a very difficult environment, due to the international nature of the business environment and the complexity of the industry's structure (Frings, 1999).

The transient nature of fashion means that marketers constantly have to operate within time constraints. The reason for this is that the fashion industry moves with the seasons and that there are two main collections each year, which are autumn/winter and spring/summer. This seasonal structure gives the marketers only a very limited time to reach their customers and convince them to buy the products before the next collection is launched (Frings, 1999).

The role of the buyer, meaning the person responsible for purchases at retail stores, is also significant in the industry. The buyer decides, by going to all the important fashion shows, what they should offer their consumers during the season. This gives the buyer a lot of power, and the close relationship with buyers is essential for the survival of a designer. The buyer, in return, has its responsibility towards its employer to select the clothes that will be demanded by the consumers. This in the end makes the consumer the most important part of the fashion marketing and distribution chain (Bohdanowicz & Clamp, 1994).

The fashion industry consists of a variety of different industries which all are linked with one another. The fashion marketers at all stages of the fashion industry chain need to be aware not only of the other industries they are involved with, but also of the ultimate destination of their products, the consumers. The fashion industry chain is illustrated below (Bohdanowicz & Clamp, 1994).

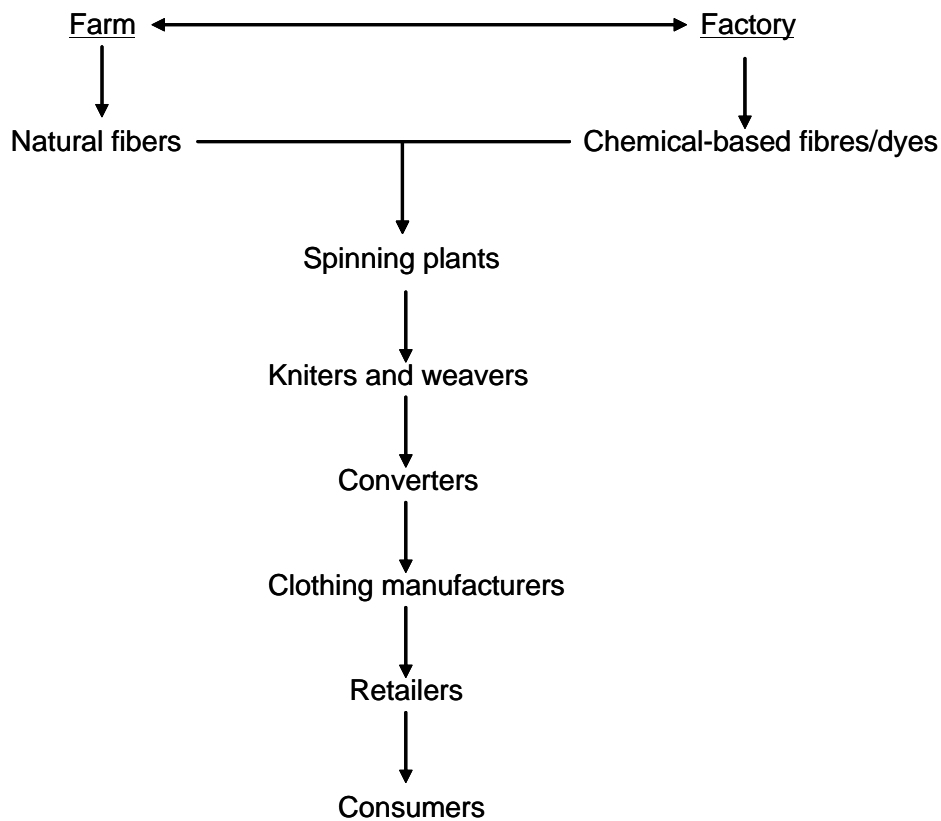


Figure 1 The fashion industry chain, (Bohdanowicz & Clamp, 1994)

### 3.3.2 The international dimension of fashion marketing

The understanding of the underlying framework of international marketing operations in the fashion industry and the effect of the international business environment of fashion marketing is of key importance to everyone in the fashion industry. It enables fashion marketers to evaluate the competition for their products and to assess new markets. Without an analytical approach, fashion marketers may find themselves losing ground to the competition (Bohdanowicz & Clamp, 1994).

Fashion companies can have varying levels of commitment to international marketing, from causal exporting to active exporting. Causal exporting is when fashion companies do not actively seek export markets as part of their marketing strategy; it rather tends to happen accidentally. The opposite is active exporting, where the fashion company makes active efforts to market their goods on an international market. The exportation and distribution of fashion can be made in different ways. The most popular method today is franchising, because of the small capital investment. Other methods are licensing, joint ventures and direct investment in an existing company on a foreign market (Bohdanowicz & Clamp, 1994).



### 3.4 The construction of a brand

*“A brand is every sign that is capable of distinguishing the goods or services of a company.” (Riezebos, 2003)*

Kapferer, (1992) through Blombäck (2002) describes branding as a “living memory” which would suggest that branding includes those things that are made in order to create a mental image of a certain brand. A brand is not solely one symbol or name but instead is it a function of everything that a customer interacts with and perceives of a certain product or company (Kapferer, 1992) through Blombäck (2002). The connection concerning the importance of brand management and the form of internationalisation in combination with success factors such as Country Of Origin (COO) in the case of Swedish fashion companies has not been the subject of many reports. Just as branding has more and more grown into being a natural part of the companies strategies, so has also the importance of COO become a more used and acknowledged part of the branding process. Riezebos, (2003) supports the importance of geographic area of origin.

#### 3.4.1 Fashion branding and distribution

Brand names have become very important in the fashion business. They identify products made by a particular manufacturer and they must fit the image that the manufacturer wants to project, reflect the style and mood of the clothes and appeal to the intended customer. The ultimate goal of the manufacturer is to establish the identity of a particular brand to the point where consumers prefer that brand above all others, a phenomenon referred to as *consumer franchising*. Once this is achieved a brand name recognition, and the resulting consumer demand, almost decides the choices of retail purchasers. Manufacturers always strive to strengthen their brands in order to build their business. If they succeed in doing this, they are able to develop a strong national or global brand, which opens the door to exporting their products to retailers or even open their own retail stores (Frings, 1999).

The purpose of branding is to help achieve and maintain a loyal customer base in a cost-effective way in order to achieve the highest possible returns on an investment. A brand is often filled with an *added value*, which means that a branded product has additional attributes which some may consider intangible but which are very real and important to the consumer. The added values in fashion are often simply emotional, which makes the brands into symbolic devices that help a consumer to express something about themselves to people like themselves (Constantino, 1998).

Manufacturers of fashion also have to decide on a way of distributing their products in order to ensure that the branding strategy is fulfilled. In order to do this, the manufacturer must plan the distribution so that the appropriate stores buy the products, that the products are represented in a desired way at selected geographical areas, and also make sure that not too many stores in the same area sells the products (Frings, 1999).

#### 3.4.2 Icons in branding

Iconic brands are according to the definition given by Holt, (2004); *“an identity brand that approaches the identity value of a cultural icon”* Iconic brands are when properly managed much more durable than trend brands. Iconic fashion brands runs more than other brands the risk of being destroyed if caught up in a trend cycle Holt, (2004). A trend cycle is when the brand is forced by expectations to invent new and exiting trends or advertising campaigns that pushes the limits for the company. Brands like Gap’s felt the bursting of its bubble

when they did not deliver another successful innovative campaign for their chino pants after 2 years of a consistent admired ads campaign.

Gap's brand got hurt by the urge for attracting younger customers, during that process they alienated their durable iconic customers which got the stock price to plummet and the company's identity to be somewhat twisted, Holt (2004).

### **3.4.3 National ideology in a brand**

National ideology is the ideas that forge the links between everyday life and those of the nation Holt, (2004). In order to be effective, the nation's ideology can't be learned or cohered from textbooks, it has to be deeply felt and taken for granted as the natural truth according to Holt, (2004). The importance of the national ideology is something not to be taken in passing, even though it shares some of its importance with religion and ethnicity, it is usually the most powerful root of the consumer demand Holt, (2004).

### **3.4.4 Brand myths**

Ideology is never according to Holt, (2004) conveyed directly but instead are expressed through myths. The most important myths are built into the branding through conveying the message of that the consumer is part of creating something bigger than themselves. Coca Cola is a company that drives heavily on the image of building the American dream Holt, (2004). Here the consumer helps the company and the country which it's represent, by buying the product, to become prosperous and powerful and thereby on some level hoping that this will rub of onto the consumer itself.

### **3.4.5 Country of origin (COO)**

In the vast field of marketing, several books, reports and other academic materiel has been devoted to the subject of Country of Origin, hereafter abbreviated, COO. It is a field that deals with the affect the country of origin has on the potential buyers of a product or service. If a company is aware of the COO-affect and its potentials, it can become very valuable. Despite what stands to be gained many companies has not fully understood the importance. The COO can often be as important as and sometimes even more important than the brand itself.

The findings of Risberg & Engström, (2004) suggests that the country of origin can play a vital part in the marketing mix to use when organising the internationalisation process and keeping it at a successful level. Their research have further suggested that Sweden possesses a positive picture in the minds of managers, marketing executives etc, Sweden is seen as being in the forefront of technological advancement, it represents stability, reliability and development (Risberg & Engström, 2004). The importance of COO is further supported by other researchers, Usunier (1999) talks about the important relation between images of the products and the symbols which was transmitted by their nationality.

Although not all scholars are altogether positive and points towards risks and restrictions when it comes to COO. According to Ekevall & Wettre (2006) is the usage of COO a risk, an identity hindering factor, (as well as an opportunity), when it comes to companies that have put so much effort in being connected with a country that the perceived values of the country becomes seen as the values of the company in the eyes of others.

For the COO to be useful as a tool of communication, the country of origin needs to enjoy credibility and must be internationally able (Melin, 1999). According to Ekevall & Wettre

(2006) is the usage of COO a risk, an identity hindering factor, (as well as an opportunity), when it comes to companies that have put so much effort in being connected with a country that the perceived values of the country becomes seen as the values of the company in the eyes of others. COO can accord Melin, (1999) come to work in opposite to what the company has intended. It can turn out to become an identity-limiting factor in those cases where the country has an unflattering reputation.

Riezebos (2003) argues that information about a branded article can influence the evaluation process by the consumers; such information is the geographic area of origin. The more general findings concerning the effect of the country of origin are the following;

## **Image Vs Identity**

The difference between the two terms are that; image is defined as *"The set of believes, ideas and impressions that a person holds regarding an object"* Kotler (1997) through Jaffe & Nebenzahl (2001). The image of a country and a brand are regarded as the mental pictures that exists in the consumers minds, therefore are what motivates consumer behaviour not the attributes per say but rather mental images in the minds of the consumers. While the identity is the way that a company aims to position itself and its products.

## **Country image effect**

According to Jaffe & Nebenzahl (2001) many companies often are unaware or overlook the country image effect and treat the world as one single market and source of product.

Similar to knowing the value of the brand it is important to be aware of the benefits to be had by knowing the value of the country image (Jaffe & Nebenzahl, 2001). Jaffe & Nebenzahl (2001) argues that a country that has an image that are better than other, especially for a product has a comparative advantage that can translate into an economic value. In a competitive environment is it therefore imperative to take advantage of all advantages that are available for the company to use. Companies that have the abilities as well as are aware of the country image value have a lot to gain by organize national and organize national campaigns to improve a country image or if the country are well seen let the image play a larger role in the advertisement for the company's products. The country image is not as often are the misconception, static, but changes over time (Jaffe & Nebenzahl, 2001).

There are financial benefits to gain from a good management of the brand, Gregory & Wiechmann (2002) claims that brand images contributes to a positive corporate financial performance. Gregory & Wiechmann (2002) argues that the company's brand often effects the valuation of the company, this is specifically true for those companies that are publicly listed, where the effect can correspond to a shift in the value of as much as 5%.

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### 3.4.6 Branding culture

According to De Mooji (1998) products are not free from culture and if a company decides to use standardized products when internationalising the decision has more to do with corporate culture than with the culture of the market and the nation which is targeted.

The culture are incorporated into the brand value, Cultural Icon, as described by Holt, (2004) constitutes of; *“a person or thing regarded as a symbol, especially of a cultural or movement; a person, institution, and so forth, considered worthy of admiration or respect”*.

Most strong brands, even those that are distributed worldwide, still have a strong national base according to De Mooji (1998). It also seems like the age of the company has been a characteristic that most large brands have in common, De Mooji (1998) argues that strong brands are usually very old.

### 3.4.7 Made-in country / Brand model

<u>Made-in country image</u>	<u>Brand image</u>	
	<b>Strong</b>	<b>Weak</b>
<b>Strong</b>	- Made-in country - Global brand	- Made-in country
<b>Weak</b>	- Brand alone - Associated country - Decomposition - Country of components	- Neutralize country and brand - Price Discount - Store - Private Label - Contract - Manufacture - Quality Control - Niche Markets

Figure 2: Made In Country Model, Jaffe & Nebenzahl (2001).

The entry strategies are dependent on many factors. This model suggests an alternative marketing entry strategy as described by Jaffe & Nebenzahl (2001). There are four possible entry strategies; the first strategy considers firms that have both strong country and brand image, the second looks at firms that have a weak country image but strong brand image.

The third possibility is a firm with weak brand image but with a strong country image. The last scenario considers a firm with both weak country and brand images. A short description of each entry strategy and examples of companies and countries are given below.

### **Strong Country Image - Strong Brand Image**

This is the ideal strategic position to be held by the company. When entering a country the COO as well as the brand should be emphasized. A couple of examples are Sony (Made in Japan) and Guinness (Made in Ireland).

### **Weak Country Image – Strong Brand Image**

These factors together refer generally to products whose production/assembly has been outsourced to developing or emerging countries. That is then often the case that the production / assembly country has a weaker country image than that of the country associated with the brand.

The right thing to do according to Jaffe & Nebenzahl (2001) is to emphasise the brand name and deemphasize the country of production/assembly. An example of the use of his strategy is when Fuji-film deemphasize that many of its product is not produced in Japan but often in China. Another strategy can also be to put into action through emphasising the country of association. An example is Pontiac that is assembled in South Korea but advertised as a car designed in Germany and assembled with American technology. British Telecom is further an example; they found that the image of Great Britain was one of old fashioned and out of touch, a fact that led the company to drop the “British” from its name to better be able to compete in the global market.

### **Strong Country Image – Weak Brand Image**

Lesser known Japanese brands are given as examples by Jaffe & Nebenzahl (2001) as a combination of strong country image and weak brand image. These brands tries to ride on the wave of a strong country image by emphasise the “Made-in-sign”. An example is the Japanese Daihatsu automobiles that enjoy a strong country image while the brand has a weaker image. A strategy is to let the word-of-mouth by sales persons emphasize the source country.

### **Weak Country Image – Weak Brand Image**

The last situation is one that faced many Japanese products in the 1960s. The strategies in the model suggest a sacrifice of profits in the short run, to be able to gain a market penetration. An example is Samsung that gained entrance to the American market with its microwave-oven by letting them be distributed by General Electric under the GE label. In the long run the product can break of less profitable strategies just like the Japanese and South Korean products have. A further possible strategy is to neutralize both the brand name and the COO. In the times when the image of Japan did not enjoyed such a high standing as it does today, Japanese manufacturer used “country neutral” brand names such as Canon, Sharp and Citizen in order to easier gain entrance to the American market.

### 3.5 Key success factors

When searching the relevant literature for a definition of what key success factors in internationalisation really are, there are not many sources to be found. Every business sector and product type has their own ways of finding customers abroad. In an attempt to define key success factors for new products in general, Cooper et. al. (1990) has thru an empirical study of small firms with new products found “Eleven key lessons for new product success”, which we in spite of the study’s age find to be relevant. The eleven key lessons are;

1. The number one success factor is a unique superior product.
2. A strong market orientation is critical to success.
3. An international focus in product design, development and target marketing is key to successful product innovation.
4. The pre-development activities – the homework – are vital.
5. Sharp and early product definition improves the odds of success.
6. Synergy is vital to success – step-out project tend to fail.
7. New product success is predicable; and the profile of a “winner” can be used to make better project selection decisions.
8. New product success is controllable.
9. More emphasis is needed on completeness, consistency and quality of execution.
10. The resources must be in place.
11. Companies that follow a new product game plan do better.

When further searching the literature for more specific success factors in the marketing of a new product or brand, we came across a study by Watson et. al. (1997). Their study “Marketing success factors and key tasks in small business development” concluded that marketing in general is under-utilised in small firms. The reasons for this is summarised as follows:

- Marketing is often deemed as peripheral in small businesses, particularly if the business is successful.
- Small businesses have limited resources and marketing is costly (or perceived to be so)
- One person is involved in every decision and is responsible for day to day operations as well as planning for the future.
- The small business owner-manager is a generalist and unlike large business managers cannot draw upon a staff of specialist advisers.
- Marketing practice does not readily lend itself to standardisation but tends to be very situation-specific and dependent on several factors.
- There is some evidence to suggest small business owner-managers lack skills and knowledge in marketing and marketing research.

### **3.6 Limitations / Explanation**

The many variables of a company's internationalisation process can be immense and the task to find and evaluate them all is not deemed possible, and neither is it within our purpose to do so. A narrower approach has therefore been chosen, we have focused on the COO-effect and the brand images role when internationalising.

We felt that a more specified model would serve our purpose better, we wanted a model based on the factors that are specially interested in, therefore has both the Uppsala model and the Transaction cost approach been put aside in favour for the COO/Brand Image model.

The reason why we choose the model made by Jaffe & Nebenzahl (2001) is that it has several advantages that other internationalisations model lacks. An example is that many other entry strategy models are not concerned to the same degree with the COO-effect and the brand importance in combination. Both the Uppsala model and the Transaction cost model can be very useful in other studies of internationalisations, but since our focus is targeted more towards the brand- and COO effect our choice is the Made in Country / Brand Image model developed by to Jaffe & Nebenzahl (2001).

We are of course aware that this model can not be put to use in all markets and on all products without being aware of the risk of a mismatch; as described by Jaffe & Nebenzahl (2001) as the COO and the product image not matching. An example that for a long time has been true but now has geared towards a change is the combination of Japan and clothes design. Cars from Japan may be regarded highly but the Japanese clothing is not, according to Jaffe & Nebenzahl (2001). This is because the Japanese are not associated with clothes manufacturing and design. So even though Japan has a positive country image it might not be relevant for all products (Jaffe & Nebenzahl, 2001). In the case of Sweden we do not see a mismatch risk since Sweden to such a high degree and for such an extended period of time has, and still are, associated with good design and clothes manufacturing. The trademark of Sweden as a producer of quality goods we argue is a further source of assurance that the risk for mismatch is very limited.

## 4 The studied companies

Four companies agreed to participate in our research, the companies in the study are the Swedish fashion brands; Filippa-K, Nudie Jeans, Whyred and Acne Jeans.

### 4.1 Filippa K

Filippa K was founded by Filippa Knutsson, Patrik Kihlberg and Karin Segerblom in 1993. Filippa Knutsson had a background in fashion and design before she started Filippa K, her mother is a designer and an artist, and her father was the founder of the famous Swedish fashion brand Gul & Blå. It was also at Gul & Blå that Filippa got her hands-on training before she and Patrik started Filippa K (Seppänen & Maluszynski, 2004). The designing of the clothes is the work of Karin, neither Filippa nor Patrik are designers, instead they are the driving forces behind everything but the design itself. Filippa has the title Creative director, and she is the one who comes up with the ideas and instructs Karin what to do while Patrik is the CEO (Seppänen & Maluszynski, 2004).

The company with about 120 persons employed, had a turnover 2006 of SEK 323 Million and an increase in turnover for the fiscal year 1/7 2005 - 30/6 2006 of 35% (Saldert, 2007). In 2004, half of the revenue come from Filippa K's 10 own stores in Sweden, Norway, Denmark and Holland, the rest came from independent retailers (Leijonhufvud, 2005).

Filippa K aims for the price segment ranging from affordable middle to the high range. The clothes that Filippa K designs are for both male and female as well as for kids although recently has the company also begun an effort to widen its offering to include accessories and shoes. Other things besides clothes are hotel rooms and coffee mugs (Bohm, 2005, Sedvallson, 2005).

### The internationalisation of Filippa K

In Oslo, Norway in 1997, the company opened up its first store outside Sweden, at the same time as the first Swedish store was established in Stockholm. A year later, the third store opened in Copenhagen, Denmark (Filippa K, 2005).

The reason for the internationalisation was the vision of the two founders Filippa and Patrik, a vision that stills holds true today. They wanted the company to be perceived as an international brand (Seppänen & Maluszynski, 2004). The "active" internationalisation process started year 2000, with a growth in Europe, a year later the expansion continued with representation in the Netherlands and Belgium. In 2003, the distribution was secured in Canada and the United States. The same year, the Netherlands grown to become the company's second largest market, Sweden being the largest, and 50% of the turnover was now generated from outside Scandinavia (Filippa K, 2005).

The earlier standpoint that the internationalisation process is deemed a calculated risk by the company as a way of reaching new markets, as supposed to just keeping a focus on developing the brand in Sweden. The risk is that the financial assets has been spread making it somewhat harder to control the usage of compared to keeping the focus on fewer markets (Seppänen & Maluszynski, 2004).

The internationalisation process has recently been given an unexpected boost and putting the earlier so careful process to shame, and a chance for a real expansion through the entrance of Antonia Ax: son Johnsons venture capital firm, Novax, as a part-owner of Filippa



K. Novax, who's owner also owns Åhlens, Kicks and Lagerhaus has as of 16<sup>th</sup> of June 2005 bought 28% of the company for a sum in the regions of 40 Million SEK. The reason for the change in Filippa K's earlier so careful internationalisation process, where now given up for a more aggressive expansion, is that the company wants to grow in a faster pace and needs external capital (Leijonhufvud, 2005).

The expansion started by establishing a flagship store in Antwerp, Belgium, as well as 11 other stores where eight are in Denmark two in Norway and one in Gothenburg. On top of that is Filippa K in search for suitable places in London, New York, Germany, Spain and Finland, countries that are deemed to be an important part of the future expansion. The investment from Novax is said to be a lasting one with no strategy for an exit (Leijonhufvud, 2005).

### **Uppsala-model / Psychic distance**

Filippa K started their internationalisation with an entrance into Norway in 1997, followed by Denmark. Both these countries are both psychologically and physically close to Sweden and follow the stepwise model part of the Uppsala model by Johanson & Wiedersheim-Paul (1975). The further step into the Netherlands, which have grown to become a very important market for Filippa K implies that the psychic distance to the Netherlands is just as low as Johanson & Wiedersheim-Paul (1975) found it to be, ranking it as number six according to psychic distance to Sweden.

### **Branding /COO**

The vision of Filippa K, when it comes to how Filippa and Patrik want their company to be perceived can be summarized as "if you think of Scandinavian fashion you should think about Filippa K". The overarching philosophy behind the company, their brand and its collections, is to design clothes that are very characteristic for Scandinavia, "clean" and "simple" clothes with earthly colors (Seppänen & Maluszynski, 2004).

Filippa is awarded the prize as the Swedish Fashion Designer of the Year, "Guldknappen" in 1997 (Filippa K, 2005).

The head office in Stockholm wants to keep a tight control of the image that the stores transmits, so that it corresponds to the values that Filippa wants its customer to connect to the brand (Seppänen & Maluszynski, 2004).

The deliberate connection to the Swedish simplicity and Scandinavian design that Filippa K uses and enhances in their marketing has been the choice of the founders from the start, and has been made in cooperation with the world renowned advertisement agency TBWA (Olsson, 2004).

Filippa K herself wants the brand to express style, quality and simplicity. It should also be strongly connected with Swedish fashion design (Leijonhufvud, 2005).

Filippa K has a developed plan to keep the brand value from being left out of control in new markets; they limit the number of retailers that can carry the Filippa K brand in its stores to about 10 companies. Thereafter, the number of retailers is increased in a rate that allows Filippa K to monitor the growth in the new country. The level of agreement and cooperation has until today been the basis on which Filippa K built its decisions to enter a

new market. The persons involved in the business must fit into the Filippa K family (Sepänen & Maluszynski, 2004).

## **4.2 Acne Jeans**

Acne Jeans was created by the design collective Acne, founded by Jesper Kouthoofd, Tomas Skoging, Mats Johansson and Jonny Johansson (Boberg & Ericson, 2001). Acne Jeans is a company that designs, produces and markets jeans, mainly distributed in Scandinavia, but also available in New York, Milan, Montreal, Rotterdam and Tokyo (Acne Jeans-History, 2005). Acne Jeans AB is owned by Acne AB to 58%, the production company Efti owns 29% and the remaining 13% is owned by the employees (Acne Action jeans, 2003).

Acne Jeans are the design collective Acne's idea of a promotional campaign to promote the agency started in 1997. The first choice stood between creating a commercial spacesuit or jeans, the decision to choose the jeans spawned the start of a company that in 2004 had won several design awards and had a turnover of 50 Million SEK.

The idea was to make 100 pairs of raw denim jeans with the red stitches made from a poor quality with single stitches. The ill manufactured jeans were later given to friends and families. The jeans immediately created a buzz and the requests for more jeans hastily came from shops and retailers. In short time was a collection developed, a collection that included besides a five-pocket jeans line and accessories as well as both a male and a female fashion line (Acne Jeans-History, 2005).

The company expanded too rapidly and in 2001 they found themselves in a liquidity crisis, Acne Jeans was very close to filing for bankruptcy. Fortunately, a change of CEO manage to turn things around for Acne Jeans and the company focused on a smaller collection in order to build a strong market in Sweden before once again tackle the international market (Leijonhufvud, 2004). The reformation of the company was a success, from being very close to bankruptcy in 2001, the company had in 2004 reached a turnover of 2004 of 50 Million SEK with a result of 5 Million SEK before tax (Bark, (2004). In 2005 the sales were up to a total of 107 Million SEK and a profit of 20 Million SEK before tax (di.se, 2006).

The turnover for 2006 was 187 Million SEK, an increase in turnover for the fiscal year of 2006 with 75% (Saldert, 2007).

The trend of jeans has meant a real boost in the growth of Acne Jeans. During 2004, Acne Jeans increased their sales with 355% from 11 to 50 Million SEK The exceptional increase in sales rendered Acne Jeans to become the fashion supplier on the Swedish market that had grown most in 2004 (Sundén, 2005).

### **The internationalisation of Acne Jeans**

CEO Mikael Schiller felt that the Swedish market was limited and that it was a necessity to focus on export in order for Acne Jeans to have a chance to grow (dinapangar, 2007). Acne Jeans is at this moment active in more than 30 countries (dinapangar, 2007). Acne Jeans had in 2005 over 200 retailers in Scandinavia, Germany, The Benelux countries, Great Britain, France, Japan, USA and Canada. Their first own store opened in 2003 in Stockholm (Acne Jeans-History, 2005), (Bark, 2004). Their most important market besides Sweden is Denmark where they are represented with an office and two own stores, the company has deliberately chosen not to move ahead to fast with the internationalisation in order to take the time to choose the right stores to operate in (Challis, 2006). Today Acne Jeans designs,

produces and markets jeans that are distributed in Scandinavia, USA, Milan, Montreal, Rotterdam and Tokyo (Acne Jeans-History, 2005).

### **Uppsala-model / Psychic distance**

The start in Stockholm that continued into Denmark and further on into the rest of Scandinavia, Germany and The Benelux countries, follow the stepwise model part of the Uppsala model by Johanson & Wiedersheim-Paul (1975). These countries are both psychologically and physically close to Sweden. And the presence of the Benelux countries suggests that the psychic distance between the two countries are low, thereby making the entrance of the Benelux countries a more natural step than more physically close but psychologically distant markets.

### **Branding / COO**

The Acne group today constitutes of the fashion company Acne Jeans, the advertisement agency Acne Creative, the developer of filmmaking tools Acne Characters and the film company Acne Film. Acne Film is one of Sweden's most decorated, and has increasingly grown to become an evermore important actor on the international market (Grahn Brikell, 2004). Among the companies that uses parts of the Acne group for their advertisement is the competitor H&M, which has given Acne Creative the assignments to develop the fall campaign in 20 countries (Bark, (2004).

Acne with its group of companies has found itself to sit on double chairs. The reason for this is that Acne Film and Acne Creative does commercials for other jeans brands at the same time as Acne Jeans tries to compete with the same brands (Boberg & Ericson, 2001). The ones responsible for this situation at Acne do not see a conflict of interest in their behaviour since Acne Jeans themselves do not put any funds towards ordinary commercials nor marketing, instead they have put their faith in the power of word-of-mouth and the use of Swedish celebrities such as Nina Persson from Cardigans and The Hives that uses Acne's clothes. Besides the Swedish celebrities, Iggy Pop also favour the Swedish brand (Bark, (2004).

Acne Jeans is a company that on top of the financial recovery, also has won rewards for its design. The awards includes "Designer of the Year"-award given by Swedish Elle in 2000. This award was motivated with that Acne had created in a very short time, a brand strong enough to compete with multinational companies. In 2004 Acne Jeans, besides receiving Damernas Värld's design award "Guldkappen", also got appointed the "Best Swedish clothes brand" by the magazine Café (Bark, 2004).

Even though Acne is often seen as synonymous with trendy urban people, the designers at Acne themselves sees the target customer as those that looks for a clothes that makes you feel a little smarter, the philosophy behind the brand is to transfer energy to the wearer according to Jonny Johansson, chief designer at Acne Jeans.

## **4.3 Nudie Jeans**

Nudie Jeans launched its first collection at the Copenhagen fair in 2001 and became an instant success and they sold out their collection right away. The interest for the brand rapidly grew thanks to exposure in the "right stores" in London and Los Angeles (Challis,

2006). Since then the organisation has grown, in 2005 the number of sold products abroad increased with 78% (Challis, 2006). Today they are represented in more than 1000 stores in 22 countries world wide. Nudies greatest markets are Sweden, Norway and The Netherlands with over 100 retailers in each country. This large sales network is managed by only 18 people at the headquarters in Gothenburg, Sweden, where all the management and marketing is done. The rapid and vast expansion has been made possible by contracting agents and distributors all over the world and today about 100 people works with the Nudie Jeans brand on a daily basis. The turnover in 2005 was 228 Million SEK with 160–170 Million SEK of sales from outside the Nordic countries, in 2006 the turnover was calculated to in the regions of 250 Million SEK (Challis, 2006).

The philosophy of Nudie Jeans has been the same from the beginning; it is all about Jeans and the love of the fabric and its possibilities. Nudie only works with jeans and has no ambitions to expand their collection to other types of clothing. They are not looking for short-term trends in fashion, instead they design what they feel is right for the time being (Stenberg, 2005).

All of Nudies work is made with a long-term perspective, from the collections to the building of their sales network. According to Challis (2006), Nudie has the whole time of the expansion hold it back a little in order to achieve a controlled expansion.

### **The internationalisation of Nudie Jeans**

The distribution is made thru agents within Scandinavia and in the rest of the world it is handled by distributors on the different continents which in their order has their own agents, which makes up an effective and easy to control sales network. Nudie prefers that their distributors only market their brand in order to secure fidelity and devotion to the brand. The selection of agents and distributors is made thru contacts and recommendations and in the end it is the personal feeling that decides. The choice of countries is decided by the demand and possibilities on that market and also the existence of suitable agents and distributors, who often seeks out Nudie and makes the first contact since the company has a good reputation in Europe. Nudie Jeans does not have any own stores and only sell their collection thru agents (Stenberg, 2005).

The company has not experienced any larger problems with their internalisation. They have solved it by laying a lot of responsibility on their distributors to get customers and market the brand in their part of the world. Nudies main concern in the internationalisation process has been to secure the level of quality as they have grown. Furthermore, they do not find the differences between different countries in Europe to be a problem since they often deal with people of their own age and interests. Clear directives and information to the agents and distributors has also contributed to the low level of problems on the international market (Stenberg, 2005). However it is one special market that has had the attention from the start but has only recently been penetrated, it is Japan, a market said to be equally large as the whole European market (Challis, 2006). Today it is the fifth largest market for Nudie. The largest is Holland followed by Sweden, North America and Germany. The reason for not entering the Japanese market was that Nudie actually was afraid, *“You are not given a second chance, if you make a mistake you are screwed”* Palle Stenberg, Marketing Manager at Nudie quoted through Challis (2006).

## **Uppsala-model / Psychic distance**

The start in the closest countries to Sweden both psychologically and physically follows the stepwise model part of the Uppsala model by Johanson & Wiedersheim-Paul (1975). The growth in Europe formed by uncertainty avoidance into markets such as Holland that has become a very important market, point towards that Holland is just as psychologically close to Sweden as Johanson & Wiedersheim-Paul (1975) found.

The jump to USA and Japan differ from the stepwise description of the internationalisation process by the Uppsala model. It was a risk taking that differed from the otherwise so controlled and careful expansion plan of Nudie Jeans. The Japanese market has grown into the fifth largest for Nudie Jeans. Something that suggest that this step away from the controlled expansion plan has worked out.

## **Branding / COO**

The branding of Nudie has been made in the simplest way possible, both internally in the company and to the customers. They use a folder that they put in the back pocket of their jeans in the stores that functions as a marketing and information folder for both the people that sell and buy their products. The people working in the stores selling Nudies jeans are considered by them to be their most important marketing channel and sales support, since they are the ones closest to the customer and that has a direct contact to them. The foundation for all marketing of Nudie is the “passion for jeans”.

Nudie Jeans does not in a larger extent adopt their collection to different parts of the world, since they believe that jeans works and looks the same in most parts of the world and therefore design their collection for an international market from the beginning.

The price level is quite high since the company has aimed for the highest quality from the beginning and produces all their jeans in Italy where they can find the best quality.

The brand strategy is constantly changing for Nudie as an adoption to the changing world, but the philosophy stays the same in the end and will always be connected to the concept.

COO is not considered as the main objective at Nudie, since they design international clothes. Still they show the origin of the products thru images and mentality which they send out to their customer thru the leaflet in every pair of jeans. They rather lift forward that the jeans are made in Italy, which will give a guarantee for the quality of the product. In their business contacts they are however more forward with the fact that they are Swedish, since it gives them advantages in getting easier by with business people.

## **4.4 Whyred**

The company was founded in 1998 and launched its first collection of menswear in the spring of 1999. The second collection was launched during fall of 1999 and both collections was widely appreciated and won different Swedish fashion awards. During the spring of year 2000 Whyred launched its first womenswear collection.

The team of three people who started Whyred worked at the Swedish fashion company H&M and today the organization consists of people with different backgrounds in various industries.



Whyred's headquarters is in Stockholm where they have their management and marketing and also design their clothes. The organization is small and consists of only 12 people (Ottosson, 2005). The turnover for 2006 was 25 Million SEK, that is an increase for fiscal year 1/7 2005 - 30/6 2006 of 127% (Saldert, 2007).

### **The internationalisation of Whyred**

Whyred's clothes can be found in a total of 56 stores in 9 countries, but they only have two stores in Stockholm which features only their brand. All the other stores are multi-brand stores, which are contracted through agents made up by them selves or distributors. The selection of the stores which will sell Whyred's clothes is mostly selected through personal contacts and recommendations, which provides a safe way to expand to new cities, countries and markets. The company now has its main focus on the Japanese market and aims to contract several stores there (Ottosson, 2005).

Whyred has from its beginning aimed to be an international brand, while keeping its roots in Sweden. They succeed in this by keeping the headquarter and management in Sweden and only contract distributors and agents to market their clothes on the international market. All sales are managed by two salespersons stationed in Stockholm, Sweden. Whyred keeps a near and regular contact with its contractors and visits all their contracted stores once every season. The management of an international brand is perceived as hard but manageable at Whyred (Ottosson, 2005).

### **Uppsala-model / Psychic distance**

Whyred keeps true to the Swedish aura that is a large part of the company. The internationalisation has followed what a smaller company that can't afford to take to much risk in an early stage is expected have done. Keeping to markets both psychologically and physically close to Sweden and follow the stepwise model part of the Uppsala model by Johanson & Wiedersheim-Paul (1975). Holland is a large market and concurs with the findings of Johanson & Wiedersheim-Paul (1975) that Netherlands are psychologically close to Sweden. Much like Nudie Jeans has Whyred grown bolder and taken on markets further away, and not necessarily following the stepwise model of the Uppsala model. The jump to Japan suggests this.

### **Branding / COO**

The target group of Whyred is quite hard to define, since they have the philosophy that they create the kind of clothes they like with the belief that the customers will find them. But as a definition of the typical Whyred wearer one can describe either a person in the age between 30 to 35 with a good economy or a fashion aware youngster with clothes as a priority. The price segment is in the level of middle- to high prices. Whyred aims to create an outfit for the consumer, instead of separate items as is common (Ottosson, 2005).

The marketing of the Whyred brand is mainly made through sponsoring and word-of-mouth. The company has many contacts in the music- and media industry that they provide with clothes in exchange for publicity from the celebrities. The philosophy of that the customers will find their clothes suits well with the "word-of-mouth" marketing, since fashion interested people is always on the look for what's new. The company also uses

“look-books” consisting of the latest collection in the stores they contract. Whyred also has a fashion show for every season launch of a new collection, which takes place in Stockholm. The greatest marketing however is made by getting into the press for free through articles in different magazines, which Whyred has succeeded well in (Ottosson, 2005).

The importance of COO is high at Whyred. Their connection to Sweden gives them an important advantage on the market, since Sweden is considered to be exclusive. The label “Whyred Stockholm” is marked on every item they make, in order to clarify that it is designed in Sweden. The production is then made in Italy, Portugal and Poland, which is marked in a less visible fashion. They have a thorough control of the manufacturing plants in order to secure the level of quality and that the manufacturing does not violate any human rights such as child labour (Ottosson, 2005).

## 4.5 Relations in the Swedish fashion Industry

*“People linked within the same social cluster tend to know what others in their cluster know”* (Ellis, 2000).

The Swedish fashion scene is a mixture of people that is very intertwined with each other almost all of them have either worked for, or together with each other. The findings of Ellis (2000) support the theory that knowledge of foreign markets is commonly acquired through interpersonal links rather than collected systematically via market research. Social ties play a huge role in the information gathering and the basis for decision making.

Filippa Knutsson from Filippa K is related to Johan Lindeberg from J Lindeberg. Peter Blom from Peak Performance is chair member of Filippa K. Filippa Knutsson ex husband Patrik Kihlberg, CEO of Filippa K is also on the board of Acne Jeans. Jonas Berg chief designer from Gant, Lena Patriksson Keller is one of the founders of Whyred has worked with Jonas Berg at H&M, she also is cofounder of a PR-agency with a special focus on Swedish fashion companies, that has both Filippa K Tiger and Gant as customers (Skarin, 2004).

One of the founders of Acne Jeans, Johnny Johansson has his background at Diesel, where he worked close to another Swedish fashion creator, Johan Lindeberg, the founder of J Lindeberg (Leijonhufvud, 2004). Acne Jeans has further connections with the others actors on the Swedish fashion scene, they share the same storage room as Filippa K and Björn Borg, Filippa K and Acne does also share the same distributor in North America (Leijonhufvud, 2004). The relationship with Filippa K deepens further because, Patrik Kihlberg, CEO of Filippa K is also on the board of Acne Jeans (Skarin, 2004). The relationship with the rest of the Swedish fashion industry has through the entrance of Novax strengthened even further since Novax also owns part in the Swedish fashion brand “We”, (Leijonhufvud, 2005).

To further show how strong the cooperation and shared interests in the Swedish fashion industry is, a newly announced deal is a telling example. It is the deal between David & Martin Design and Filippa K owned by Novax Filippa Knutsson and Patrik Kihlberg. Filippa K has bought 39% of the jewellery designer company, and the plan is to open up stores keeping the name of David & Martin Design (Aronsson, 2006). What makes the deal mentionable is that David & Martin Design before this deal sold their jewellery through Acne Jeans and has also made a collection for Acne. The restraints described by Baird, Lyles, & Orris (1994), (Barringer & Greening, 1998; Forsman et al., 1995) such as financial

and managerial that our small companies are affected by, has had the affect that the networking of the Swedish fashion companies has become a way of combat those restraints. The networking, although not officially communicated as a deliberate and thought out strategy we believe has had an important affect to help the companies to achieve a greater success.



## **5 Analysis of similarities and specifics**

When making a general comparison of the four studied brands, we find many similarities in company structure, branding and their internationalisation process. The one company that differs from the rest is Filippa K, who from the beginning has a different strategy and business structure. The other three, Nudie Jeans, Acne Jeans and Whyred, we found to be homogenous in most parts of their actions and view on the business. However there are some specifics to the success of their internationalisation.

### **5.1 Similarities in the companies**

#### **5.1.1 The marketing of the brands**

The argument of Frings (1999), that fashion marketing begins and ends with the consumer, is very true for the companies in this study. The best advertising tool the fashion companies have is the persons wearing the clothes and how they talk about the brand in their social environment, called word-of-mouth. All of the studied companies have shown an understanding for the power of fashions social role and the influence of environmental pressure to buy certain brands. This is shown by the importance the companies' puts into the process of selecting its retailers, to make sure that their brand will be correctly represented to the consumers. The use of famous people like artists is also used to great extent, which further enforces the role of the wearer as a marketing tool.

According to Bohdanowicz & Clamp (1994), the retailer (i.e. buyer) has a lot of power over the designer and the brand. This contradicts with our empirical findings from all of the brands in the study, since exclusivity and scarcity is a great part of the branding strategies. The exclusivity is created by limiting the number of stores that sells the brands in every geographical region, and also by limiting the number of items sold from each design. The retailers has to fit the image the brand wants to give the consumer and it is also often the case that the retailer is the one struggling to be given permission to carry the brand in the store. The chosen retailers are also continually controlled by the brands, in order to insure that the quality remains.

#### **International dimension of marketing the brands**

In the view of the rules and how to market an international brand, the studied companies goes against the theory of Bohdanowicz & Clamp (1994), that the international market has to be deeply analyzed and understood in order to be successful. The brands in our study tend more to take the opposite approach and create the kind of clothes they like themselves and then the retailers and customers will find them. The most important factor for the brands is to be original and unique in terms of design, quality and branding.

All of the brands have an active strategy on internationalisation and exporting. Filippa K is the most aggressive on the international market due to the involvement of Novax, who demands a rapid expansion. Acne, Nudie and Whyred expands in a slower phase and puts great effort in finding the retailers that fits them best on each new geographical market.

### 5.1.2 Ways of internationalisation

We did not set out to test the Uppsala model in any extensive way, but despite that we have noticed several factors that suits what is stated in the Uppsala model when it comes to internationalisation.

As Hollensen (2004) described, the Uppsala model is suggesting a sequential pattern of entries into foreign markets where the physically nearby markets was the first to enter. This is in accordance to what our companies have done, by entering Denmark and Norway. The suggested order of deepening commitment to each market as Hollensen (2004) describes as a part of the Uppsala models internationalisation progress is not followed in any consistent way by our companies. They have entered Denmark and Norway, but not necessarily deepened their commitment in those markets, instead they are satisfied by positioning themselves in stores they seem fit, or with agents that arrange sales in desired cities. There is often no desire from the companies to deepen the positioning right away before continuing to other countries, because the entry often positions the company at an acceptable level.

The four companies seem to share a view that entering Denmark and Norway is not really considered as an internationalisation process since the markets are so similar. Nor is the step into Holland and the Benelux countries considered a particularly large step. A fact found when researching the companies was that they all had entered Holland/ Benelux countries but especially Holland, which is the largest market for Nudie and also one of the largest for the other companies. If this is because the markets are so similar or for any other reason is hard to tell. We believe that the psychic distance between Sweden and the Netherlands are low. This was to a degree supported by the findings of Johanson & Wiedersheim-Paul (1975) that seems to concur that the Netherlands are psychologically close to Sweden, they rank the Netherlands as the sixth country according to psychic distance from Sweden. It is a fact though that our companies are doing well there and the people seem to like Swedish designer clothes.

We further found that the concept of psychic distance played a larger part of the companies' international process than what they themselves communicated, or seemed to be aware of. To a relatively inexperienced manager of a small Swedish fashion company the task can be very straining, and a reason for the manager to search ways of reduce risk and to find the less complicated solutions. This we believe is a reason for the start in countries psychological similar to Sweden, as well as the close relationship and idea swapping in the Swedish fashion industry. This we believe is in connection to the findings of Barringer & Greening (1998) that turbulence is counteractive when it came to managing the growth and geographic expansion. The searches for security and safe environment for the company to grow seem to us play a large role for the Swedish fashion companies. The fact that Swedish companies at times use Scandinavia and the Northern Europe as an origin when marketing, supports our findings that the psychic distance in the neighbouring countries in Scandinavia is low and therefore logical as a natural step when internationalizing. The use of Northern Europe further sustain our idea that countries such as the Netherlands are relatively alike Sweden when it comes to factors that decides the psychic distance.

We did not find anything that concurred with the findings of Ellis (2000), which contradicted what Johanson & Vahlne (1977) found. We can not see any resemblance in the result of the Swedish fashion companies, compared to the companies that Ellis (2000) investigated, who hardly had any emphasises on the psychic distance. Instead did the companies we investigated all start out in psychologically close countries. It is notable, that the findings of Ellis (2000) was based on the fact that 90% of the companies investigated was not the instigator of the internationalisation, but was rather pulled into the internationalisation

by companies in countries psychologically distant. Therefore must the findings of Johanson & Vahlne (1977) still be considered valid until new findings contradict the result.

The critic against the model as an explanation and description for all internationalisation processes, seems much anticipated and put forward also by the authors Johanson & Wiedersheim-Paul (1975) by themselves already when they delivered their model. Riddle & Gillespie (2003) sees the size as an important factor when the internationalisation process becomes, to a large degree dependant, and formed by informal networks. The smaller companies are using their informal networks, such as business connections and non business social relationships for example friends and family. This goes against the traditional portrait of a gradual process of maturation and growth in a kind of controlled pattern in preparation for a stepwise internationalisation process described by the Uppsala model.

The leapfrogging that our companies have done is one aspect that does not fit into the Uppsala model, which is also one thing that the model have been criticised for. Our companies quickly enters markets that is physically distant and are quite culturally unlike the Swedish market, such as USA and to an even higher degree, Japan. But it is only where the fame of Sweden is large that COO can be effectively used. The focus on quality or the fame of a person like Filippa K has to be more in focus.

### **5.1.3 Similar Key Success Factors**

As Cooper et. al. (1990) stated, that the number one key success factor is a unique superior product, all of our studied companies has done what must be deemed as a necessity on the fashion market, namely to create something unique and in some way superior to other brands. The companies also have a strong market orientation, which is mainly shown thru the narrow selection of retailers and geographical placement of the stores to reach the target group. The synergy effects on the Swedish fashion market is primarily the experiences and contact network all of our studied companies enjoy because of their private and professional relations. The one key lesson stated by Cooper et. al. (1990) that none of the companies fulfils completely is that *"Companies that follow a new product game plan do better"*. The studied companies has from the beginning lacked a concrete game plan for their internationalisation and have more instead relied on the product it self to get acknowledgement and thereby create success for the company.

The success factors stated by Watson et. al. (1997) focuses on the marketing part of the enterprise and mainly argues for the lack in marketing skills and experiences in small firms. We find these conclusions to differ from our results since the managers in the companies we have studied all have succeeded in their marketing. The reason for this is generally due to previous work experiences and the closeness to a network of specialized professionals.

## 5.2 Specifics in the companies

As a primary tool for determine and analyzing the specifics in the companies concerning their internationalisation we have chosen to use the “Made in country/COO” model by Jaffe & Nebenzahl (2001).

### 5.2.1 Made in country / COO

The placement of the companies in the matrix has been made based on facts about the companies retrieved from interviews done with key persons in the companies, and from secondary information.

<u>Made-in</u> <u>Country Image</u>	<u>Brand Image</u>	
	Strong	Weak
Strong	<b>Filippa K</b> - Made-in Country - Global Brand	<b>Whyred</b> - Made-in Country
Weak	<b>Acne</b> <b>Nudie</b> - Brand Alone - Associated Country - Decomposition - Country of components	- Neutralize country and brand - Price Discount - Store - Private Label - Contract - Manufacture - Quality Control - Niche Markets

#### Filippa K: Strong COO / Strong Brand

The value of having a strong brand was learnt by the founders of Filippa K already when they worked at Gul & Blå, a company who’s brand was, and to some degree still are very well-known. The value of keeping the brand as true to the picture, that the company wants to be the perceived by the customers, is manifested by the effort and importance by which new members of the company are chosen (Seppänen & Maluszynski, 2004).

As the cooperation with Novax is providing a chance for a much more extensive internationalisation, the value of keeping the Filippa K brand values becomes even more important (Filippa K, 2005). As suggested by the COO-model, Filippa K put their efforts on being seen as an international company. In the eyes of the Swedish/Scandinavian customers a picture of a company that represents Sweden abroad, a company whose clothes the customers should feel proud to wear.

For the foreign customers, the name itself is a clear indication that this is a company that is from a different place compared to their country, something exotic. Fronted by a tall blonde girl with an unusual name-Filippa Knutsson herself.

Having established the name, the position as a more high-end fashion designer goes well together with the new planned flagship stores.

### **Acne Jeans: Weak COO / Strong Brand**

Being created as a “ploy”, the brand did not have a Branding / Internationalisation plan from the start, instead Acne let the brand itself be used as a promoting tool, using celebrities and word-of-mouth (Acne Jeans-History, 2005). Since the start, the customer-demand has been the driving force that decides in what direction the company should head. Therefore the Swedish aspect as a COO has not been a major part in the branding, the name itself, Acne Jeans, do not tell the customers that the company comes from Sweden. The company rather position themselves as a cool and unconventional fashion designer (Acne Jeans-History, 2005). Even though their unconventionality do not stretch further than using red stitching and a red logo on the back pocket.

Acne has the possibility to use their Swedish origin as a tool when in their branding and internationalisation, but has chosen not to do so, instead they have built a name separated from values connected to Sweden. As in the case of Gant that have chosen not to “confuse” the customers by including the Swedish aspect but instead playing heavily on the American values, even though they are Swedish. Acne have decided that if Sweden do not have the reputation of being cool and unconventional it is of no use to use Sweden as a COO in the branding abroad (Acne Jeans-History, 2005).

### **Nudie Jeans: Weak COO / Strong Brand**

Nudie tries to get the distributors to build love and devotion towards the brand, they further have to promise to only sell Nudie. All those that work for Nudie should love it. This is a thought out plan to build-in values into the brand (Stenberg, 2005).

The expansion is often the result of distributors’ requesting to sell the jeans, but there are also cases when the company is making deliberate efforts to internationalise. The target countries physical boundaries are seen more as a secondary factor. Nudie rather looks for and targets customers that share the same values and preferences as the company (Stenberg, 2005).

Nudie have chosen to rely on sales persons with a passion for jeans to represent the brand. By using the persons the importance of Sweden as a COO is downplayed, in favour for a non specific COO. A folder that comes included when you buy the jeans, is the source from which pictures and small stories are used in order to communicate the values of the

brand (Stenberg, 2005). This folder creates an aura around the brand that strives towards becoming a myth, that the customer s can be a part of when buying the jeans.

Since Sweden is not used as COO, Italy is instead used as a Country of Production, COP, thereby working as conveyer of recognised good quality. The higher end of prices for jeans for which Nudie is aiming works well with choosing Italy as COP.

The quality that Sweden stands for is however used in business contacts. Sweden does have value for Nudie, but not to be used in branding purposes aimed towards customers. However, it can be a part of facilitating the internationalisation where Sweden's name is used to build confidence in business contacts.

### **Whyred: Strong COO / Weak Brand**

Whyred values personal contact and relies much on feelings when it comes to who is allowed to represent and sell Whyred clothes. The aim to be seen as an international brand in the middle-high price segment is done through sponsoring of public persons (Ottosson, 2005) In order to create an appearance around the brand to be able to build on towards creating a myth surrounding the brand to be used in the internationalisation process. The other Swedish celebrities wearing the clothes have strong ties to Sweden and is often seen representing Sweden abroad, thereby tying the clothes and the Whyred brand to Sweden as COO. The COO is today deemed to be the most important tool for recognition compared to just trying to brand the Whyred name on itself without the ties to Sweden.

Whyred has therefore labelled their clothes with *Stockholm* in order to emphasise that the Swedish design is the base of the clothes. Using Stockholm instead of Sweden is a new angle that further distinct the brand from the other brands that are using "only" Sweden as a COO in their marketing. By using Stockholm, a town famous for being beautiful, Whyred has taken one step further in its COO / branding efforts towards the myth.

The Country of Production (COP) is very much downplayed since neither Portugal nor Poland has the values sought after by Whyred when it comes to production.

### **COO Risks**

According to Eckevall & Wettre (2006) do some companies, although Sweden is the COO, use of the perceived values of whole of Scandinavia in their marketing. And in some case even the whole of northern Europe. As to the risk of using COO, that both Eckevall & Wettre (2006) and Melin, (1999) warned about. A recent example stands out. Eckevall & Wettre (2006) gives the example of Denmark that in 2005 and 2006 suffered a bad blow towards its reputation and the values that it stood for, when the cartoons depicted the prophet Muhammad was published by a Danish paper in 2005. In this case the negative reactions and public views reached from boycott of goods, the Danish-Swedish dairy company Arla lost up to 10million SEK a day at the beginning of 2006 (svt.se, 2006, a) to the torching of the embassies of both Sweden and Denmark (svt.se, 2006, b).

Of the four researched companies are Filippa K and Whyred those that run the largest risk, since they are those that put the greatest effort in profiling using COO.

### **5.2.2 The decision to internationalise**

One thing to keep in mind when trying to sort out if the plans for the company has indeed been the brainchild of a single person or a collective effort inside the company, is that it is often very hard to get hold of that information. Not even those inside the company are always sure who their plan to enter a specific market is made by.

The person in charge might also think that they are in charge of the plan where to internationalise, but there are outside forces that might act as a pulling force that the leader is unaware of. Therefore has the One-person decisions not been given such a large role in our work but been treated as a contributing factor while we have focused on the COO and more branding related factors. Despite that we have tried to determine what our findings points towards.

The restraints and risk that one person decisions puts on a company, according to Baird, Lyles, & Orris (1994), such as those in our investigation are real. Although we have seen that the strong leaders of the investigated companies uses their relationship and knowledge to combat the risks that one person decisions contains, and turn it to their advantages.

#### **Filippa K**

The individual networks has played a huge role for Filippa K and it has been the ideas of Filippa and Patrik that has to a large degree steered where the company has opened stores and which markets they have entered. With the entrance of Novax the absolute decision power of such decisions have shifted somewhat over towards letting more sources interact when decisions concerning store location and market openings are made. This might mean that feelings are to guide less in the future when Novax, that has no emotional ties to the company, are a part in the internationalisation process.

#### **Acne Jeans**

The basis for Acne Jeans is a design-collective, and as such the decisions is often discussed by many at the company, making it hard at a later stage to find out the influence of one person. The situation Acne Film and Acne Jeans found themselves in, where the clear boundaries between working for, and compete with rival companies where very unclear. This gives a hint of that the company, at least then, was not run with a strong hand from one person that decided the internationalisation process, but it seemed more to be a collective idea.

#### **Nudie Jeans**

Nudie has put a lot of effort in securing the right distributors and representatives for the brand and the information from Nudie is meant to be clear and precise. The fact that Nudie has deliberately slowed down the internationalisation process where they felt that they could not fully control the whole chain of representatives. This implies that there is a tight control in the internationalisation process which might point towards a more extensive one person decision atmosphere.

## **Whyred**

Whyred is a company that uses personal contacts and recommendations for their internationalisation, which opens up for decisions that are not based purely on financial grounds. On the other hand, Whyred does employ two persons responsible for sales which should hinder one person decisions, at least in theory.

## **Iconic brand and myth building**

The four companies have all put great efforts in building their brand, but it is only Filippa K that has a person that impersonate the brand. Filippa Knutsson is the brand. There are always risks with using a person getting as connected with the brand as Filippa K has done. If the person leaves the company or does something that attracts negative publicity it can be very hurtful for the brand. But as long as Filippa is continuing being a good role model / spokesperson for the brand, she increases the brand value in a way that the other three companies can not compete with.

The three other companies that relies heavily on their myth building and do not have a person that can be a spokesperson as Filippa K, is running more of a risk of loosing control over the brand. Especially Acne, who leaves it very much up to the customers to form their picture of the brand can have much of the work threaten. A risk is that the companies enter markets in a growing scale and making the clothes available to more and more customers diluting the brand value. Going from something cool and little bit exclusive that not everyone can afford, or can buy, to becoming more easy accessible and loosing much of its attraction.

The newly started Swedish fashion companies do often offer their clothes through a mix of retailers, and if they can afford it, their own stores. Almost all of the companies are putting efforts towards growing abroad. Filippa K, We and J Lindeberg all have more than half of their sale coming from outside Sweden, and Nudie sells more than 70% of their Jeans abroad (Leijonhufvud, 2004).

When building a brand on myths and exclusive design to reach for more high-end customers, there are market segments where the products runs a risk of diluting the value of the brand. Therefore there are risks in the quick and large internationalisation that several of the companies are in the middle of.

We discovered that many of the Swedish fashion companies are quite alike in much of its design and style. The fact that the leaders and employees of most of the Swedish fashion companies either are related or know each other, can be the reason for that. Another reason is the usage of same PR-agents and the same basics in the Swedish and the Scandinavian fashion design.

The company that has left most of its brand-affecting tools in the hands of others is Acne, who put their trust in word-of-mouth and using celebrities as promotion. A risk is that the company can not control what messages the celebrities' sends out. A scandal involving one of the Acne promoting celebrities can hurt the company. It is further very hard to control word-of-mouth. It is equally hard for the other companies to manage word-of-mouth, but they are using other methods as their main source of branding, such as flagship stores that Filippa K are using.



### **5.2.3 Specific Key Success Factors**

#### **Filippa K**

The company Filippa K was started with, and still has, a very clear goal, which is to be an international brand that symbolizes Scandinavian design and fashion. In their internationalisation they have followed a sequential pattern in entering new geographical markets with a strong control over the brand and how it is managed. Experiences from earlier employments and projects in combination with a strong, well defined team with complementary skills, created a good growing ground for the company and its ambitions.

Filippa K has fulfilled all of the relevant key lessons for success made up by Cooper et. al. (1990). This in combination with a well defined and executed marketing plan, has made Filippa K one of the most successful Swedish fashion brands.

#### **Acne Jeans**

Acne Jeans is hard to put into any theoretical model, since they have made quite the opposite to what is deemed as a traditional way to start a company and develop a brand. The jeans brand started as a marketing tool for their other ventures, and since the company was not planned there where no defined goals or plans for how to go about the business. It nearly ended with catastrophe, but after having restructured the company and starting to take it more seriously the success came quickly. Our analysis is that the company survived because of having a unique superior product which allowed them to get a second chance on the market. The word-of-mouth concept is one of the strongest marketing tools there is, and Acne has had the skills and fortune to be blessed with a strong and good reputation which has led them to success.

#### **Nudie Jeans**

We find Nudie Jeans to fulfil every key success factor stated by Cooper et. al. (1990). They have from the beginning had a strong market orientation with an international focus in product design. Furthermore, the consistency of their product development, production and marketing gives them a solid base for handling and expanding their sales network in to new geographical markets. As they seek a low grade of complexity in their product, combined with high quality and the best distribution available, they have created a unique superior product with all the means for success.

#### **Whyred**

Whyred owes their success primarily to having produced a large need for their collections on the market. This has been made thru a pull strategy where they have used their contacts among famous people who wears their clothes and made sure it is shown in newspapers and magazines. This however is a well planned marketing strategy which they have executed well. The unique feature of Whyred is that they create outfits for their customers instead of single items, which also is a large factor in their success.

## 6 Conclusion

Our ambition to look into the amount of branding used in the search for the success of Swedish fashion companies, led us very quickly to focus on the COO and one person decision. Despite these two factors singled out as important parts of the success they are only parts of something bigger. They are not the whole answer to how to be a successful Swedish fashion brand when internationalising, but they are such critical ingredients which makes them absolutely vital.

Much has happened since we started to investigate the four companies and the part of the Swedish fashion industry they represent. Since we started the work on our thesis, 50% of the companies, Filippa K and Acne Jeans, have been partly bought up by external interest. We believe that this shows that it is a demand for the Swedish fashion companies that has been successful in creating a brand that is well known and has succeeded in establishing themselves abroad.

We found the importance of targeting psychologically similar countries to minimize the risk and also using the knowledge at hand as a strategy all the companies used. This importance for the relationship in decision taking that Riddle & Gillespie (2003) talks about correlates well with what we have found in the four companies that we have as representatives for the Swedish fashion industry.

The Uppsala-model concentrates on the basics of the often intricate and complicated issue of the internationalisation process. The companies that we have investigated in our thesis all have a picture of how the internationalisation for their company started. But what we found out was that the own perception often as not the whole truth. In fact was it often the case that different persons in the company did judge completely different stages as their start on internationalisation.

We expected the companies we investigated to be following a more updated and modern strategy of internationalisation than the U-model. This was our view partly because the companies that we looked at are run by relatively young people and the U-model being developed in 1975 should quite naturally have been replaced by more modern ideas.

All followed what Johanson & Wiedersheim-Paul (1975) describes in their model, at least when it comes to the psychically close markets. The companies opened up and choose to be present on the markets that are close to Sweden such as Norway and Denmark. And what we found interesting was that the Netherlands was represented in several of the companies as a country that was targeted in an early stage.

Although agreeing with parts of the Uppsala model findings, the claim by Johanson & Wiedersheim-Paul (1975) that the companies tends to expand stepwise when it comes to countries targeted by the internationalisation we could not confirm. Instead did it seem as the invested companies once present on the Nordic market they turned their attention to much farther away markets such as USA and Japan. This behaviour does not agree with the Uppsala model but instead concur whit what the critics of the model put forwards as the most apparent criticism, namely the inconsistency in the incremental stepwise internationalisation put forward by Johanson & Wiedersheim-Paul (1975).

The deliberate stages and thought-out plans of the whole internationalisation process as put forward by Johanson & Wiedersheim-Paul (1975) in their Uppsala model was not an all covering recipe written in stone and to be taken as a perfect truth. Instead do Johanson & Wiedersheim-Paul (1975) consider their findings as an idea of what the internationalisation process could look like for some companies. Although valid in many aspects of the interna-

tionalisation process and clearly holding up to the test of time. The model lacks in vital parts of explanatory nature important to our goal. Such as the importance of branding and especially the usage of COO. Therefore has the model been used as a compliment and not as the main model onto which to hang the whole research.

We believe that some of the facts not concurring with the Uppsala model such as the leaps from the Nordic countries and the Netherlands to USA and Japan are because of the development in techniques such as the computer and the Internet that have occurred in the years since 1975 when the Uppsala model was written. These new techniques have made information available to the companies of today that to some degree removes the barrier of uncertainty of the far away markets such as USA and Japan, making the companies investigated more prone to take the chance on markets that in 1975 were much harder to get market information about for a small Swedish company. Furthermore are the investigated companies commodity; fashion, something that is we believe easier than the mechanised parts demanding after-service that the companies in the Uppsala model was producing, to take into new markets although far away once they have gotten a foothold in the nearby markets. Thereby making the jump to USA and Japan easier.

We are not the only ones to take an interest in the Swedish fashion companies that has grown so much in the recent years. After Novax has entered Filippa K as a part owner, the latest company to be targeted by outside interest is according to di.se, (2006), Acne Jeans that has drawn upon the attention of Mats Qviberg and Sven Hagströmer, who has through their investment company Öresund, bought 20% of Acne Jeans for 70 Million SEK. In the footsteps of other Swedish fashion company like GANT, the plan is to float the company on the Swedish Stock market (di.se, 2006). The reason given for the deal is that Acne Jeans has succeeded in building a strong brand that is well-known among the younger buyers and has established themselves firmly abroad (di.se, 2006).

Our conclusion when looking at Acne Jeans was that it is a company that is not using COO and promotes Acne Jeans as a company from Sweden. They have instead used the same approach as GANT, namely to promote their strong brand and building an aura connected to the brand itself.

Looking at the four chosen companies, Filippa K with both strong COO and strong brand image is taking advantages of both Sweden as a well-known design country, and the recognised Filippa K brand itself. Filippa K is doing what is suggested by the model developed by Jaffe & Nebenzahl (2001).

Whyred with strong COO and weak brand image has acted as suggested by Jaffe & Nebenzahl (2001), namely using Sweden, with a twist and putting Stockholm on the label. And furthermore, not having a well-known brand, Whyred is using word-of-mouth to increase the brand image.

Acne and Nudie both are in the weak COO and strong brand image position in the model by Jaffe & Nebenzahl (2001). They both have put efforts towards being recognised by their name and brand, rather than come across as Swedish fashion brands representing the same values as Filippa K and Whyred. A similarity that can be seen is that Acne Jeans and Nudie's names are far from names that can be traced to Sweden. Both are using the benefits of being Swedish only in business contacts with other companies, and not towards the customers. If having goods that do not correspond with values perceived to be in connection with the COO, Jaffe & Nebenzahl (2001) suggest to build a brand independent from Sweden in the eyes of the customers, as both companies have done.

The view of Sweden and Scandinavia is the same for all the companies, the difference is the degree the companies choose to use the image of Sweden/ Scandinavia. Rather it is the design itself that has been the main focus, the Scandinavian/Swedish design-language has come as a natural effect from the fact that the designers and those in charge of the companies are Swedish. Therefore also bringing very similar sets of values and ways of thinking, the relationship between the actors of the Swedish fashion brands to further contribute to create a unison frame with similarities

Using the Uppsala model, together with the Made-in Country Image/ Brand Image model developed by Jaffe & Nebenzahl (2001) we believe that we have delivered a better covering picture of the fast moving internationalisation process of the Swedish fashion companies.

Even though the persons interviewed and the secondary material from the two other companies did not talk about COO specifically, or singled out the friendship/relationship in the Swedish fashion industry, it has become clear to us that these factors are exceedingly important. We have interpreted the collected data together with the theories used, thereafter drawn the conclusions that the key Success factors that have taken these firms so far and have been important in the building of the successful brands/companies, are in fact to a large degree the ones we have singled out, namely; COO and the relations in the Swedish fashion Industry. This in combination with the creation and marketing of superior products in different manners on the international market for fashion.

A Further hindrance for us to get time from the companies was that they experienced a lot of attention from the media. The natural choice for the companies was to focus on getting their pictures in the paper and their stories on TV. The outcome of this was that there where a plethora of secondary sources of data. This worked out to our advantage in those companies that referred us to such data. Besides the passwords we got from the companies to be able to access their own press releases and business information, we focused our search for secondary data to; business magazines, newspapers and internet. We believe that there was more than enough data for replacing the lack of data received from an interview. We can not see a large negative affect on the quality of our work due to us not being able to get all the interviews we had hoped for.

We consider these conclusions to answer what the key success factors are for the studied companies and thereby fulfilling the purpose of this thesis.

## **7 Suggestion for further studies**

We found the low psychic distance between Sweden and the Netherlands really interesting, and believe that a further study on the subject could be fascinating.

Since our work started, more companies have made themselves a name by creating Swedish designer clothes, such as Cheap Monday and House of Dagmar, this is supported by the writings of Challis (2006). We want to give a short description on what we believe is good representatives of the future of Swedish Fashion industry, and companies well worth keeping an eye on.

### **Cheap Monday**

Cheap Monday, even though being a small actor has sold well over 200 000 pairs of jeans (Julander, 2006) and is a good example of the inspiration that have arise in the footsteps of other companies that been successful such as Acne Jeans. They both started their jeans designing career as a marketing tool and give-away. Acne started theirs to advertise, and Cheap Monday to give as gifts to customers and also to promote the store. Cheap Monday has gone from a small actor in 2004 to already in 2006 being ready to enter the Japanese market (Julander, 2006).

And just as Nudie and Acne, Cheap Monday has chosen to use a name not connected to Sweden but signals a hip modern type of attitude that distance itself from an image of Sweden that seems to suit Filippa K and House of Dagmar.

### **House of Dagmar**

Apart from Cheap Monday we have chosen another company to suggest for a further investigation. It is a company that has despite its tender age, launched its first collection in 2005, and has already won "The Rookie of the year 2005" awarded by the Swedish Fashion Council and "Best New Designer" at Swedish Elle Awards in 2006, (Dagmar, 2006).

This young company is a good representative for the new Swedish fashion companies, and has only after one year retailers in Denmark, Norway, France, USA and Holland / Benelux, (Dagmar, 2006).

At a first glance, this company seems to follow what Filippa K has done before them, to choose a name of the company that sounds exotic and Swedish. The internationalisation also seems to have followed the earlier discussed pattern of starting in Denmark and Norway to move down to France, Holland and the Benelux countries, and then take the jump over to the vast market of the USA.

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# Appendix A

## Interview guide, English

- Describe the company briefly (number of employees, turnover and concept)
- When did you go international?
- In what countries are you active today? And to what degree?
- Do you use retailers or own stores?
- How many stores are you represented in, or own yourself in Sweden and abroad?
- Why have you gone international? What motives were behind?
- What are the motives for the chosen countries?
- How do you view internationalisation as a concept- is it solely positive, or have you experienced negative aspects such as risks and limitations?
- What is your basic brand strategy? What do you want the brand to represent and be connected to?
- Who is your target group? Is it any different between countries?
- In what price segment are you located?
- What marketing channels are you using?
- Have you changed anything in your strategy over time?
- How important is your Country of Origin, where the clothes are designed and where they are produced in your marketing?
- Do you cooperate with companies or organisation within marketing and distribution?
- Do you arrange your own fashion shows and/or are you represented on fashion fairs? If that is the case, where and how?
- How is your distribution organised?
- Who is the driving force behind the internationalisation process, is it a particular person that has arranged the internationalisation process?
- In what way, if any, have Hennes & Mauritz history and success affected you? Are there any persons in your organisation with a background in Hennes & Mauritz? If so, in what way have this influenced you?

## Appendix B

### Intervjuguide, Svenska

- Beskriv företaget kort (antal anställda, omsättning och koncept)
  - Vilket år internationaliserade ni er?
  - I vilka länder verkar ni idag? Och i vilken utsträckning?
  - Använder ni er av återförsäljare eller egna butiker?
  - Hur många butiker finns ni i eller har ni i Sverige och i utlandet?
  - Varför har ni internationaliserat er? Vilka motiv låg bakom?
  - Motiv till valda länder att vara verksam i.
- 
- Hur ser ni på internationalisering som begrepp – är det enbart positiva aspekter eller har ni upplevt negativa aspekter i form av risker och begränsningar?
- 
- Vilken är er grundläggande märkesstrategi? Vad vill ni att märket ska representera och förknippas med?
  - Vilken är er målgrupp? Skiljer den sig mellan olika länder?
  - Vilket prissegment är ni i?
  - Vilka marknadsföringskanaler använder ni er av?
  - Har ni förändrat något i er strategi över tiden?
  - Vilken betydelse tycker ni att ursprungsland har för er marknadsföring? Var kläderna är designade. Var de är producerade.
  - Samarbetar ni med andra företag eller organisationer inom t.ex. marknadsföring och distribution?
  - Genomför ni visningar eller representerar er själva på mässor? I så fall var, hur, och när?
  - Hur sker er distribution?
  - Vem eller vilka är det som ligger bakom er internationalisering? Är det någon särskild person som drivit processen?
  - På vilket sätt, om något, har Hennes & Mauritz historia och framgång påverkat er? Finns det några personer i organisationen med bakgrund i H&M? På vilket sätt har detta influerat er?