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Análisis de la Cadena de Valor de las Empresas del Sector Textil-Confección y Estrategia de Marca en los Mercados Internacionales de Moda

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Analysis of Value Chain in the Textile-Clothing Sector, Sources of Equity and Brand Strategy in International Fashion Markets

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"Dedicado a mi padre"

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INTRODUCCIÓN

1. Motivación y planteamiento de la tesis

La idea de esta tesis surge a raíz de una doble motivación. Por un lado, hemos detectado la importancia y el potencial que tiene el sector textil-confección y moda en la economía de Galicia. Sin embargo, existen amenazas y retos que las empresas deben de afrontar correctamente para evitar una pérdida notable de competitividad así como aprovechar al máximo las oportunidades que se le presentan en este nuevo entorno de liberalización e internacionalización del sector. Así, las decisiones de deslocalización, la subcontratación de a producción, la estrategia de internacionalización o la gestión adecuada de la cadena de valor son cuestiones prioritarias en las que entendemos que es necesaria aportar una investigación novedosa y eficaz que ofrezca, de un lado, un marco teórico con el que analizar este nuevo entorno económico, y por otro lado, dar respuesta a las grandes interrogantes ante las que se encuentran las empresas del sector: ¿dónde deslocalizar la producción?, ¿cómo gestionar adecuadamente la cadena de valor?, ¿qué estrategia debo implementar para hacer frente ante la gran competencia en costes?, ¿qué activos debo potenciar?, ¿qué variables de marketing-mix pueden ser más eficaces en la gestión de esa cadena de producción-distribución-comercialización? ¿qué nivel de integración vertical u horizontal debo afrontar?, ¿qué canal de distribución permite dar una mejor respuesta a la demanda y un mejor control de la producción?, ¿cuál puede ser el papel de la marca en estas decisiones? Son interrogantes que ahora mismo están en la mente de los directivos y técnicos de los departamentos de producción, logística o exportación de las empresas del sector textil-confección y moda.

Además de las cuestiones señaladas, he querido hacer un trabajo donde aportar mis conocimientos de este sector, puesto que casi toda mi experiencia profesional la he desarrollado dentro del sector textil-confección y moda. Concretamente, he trabajado como técnico de exportación desde el año 2002 en una de las empresas de moda gallegas más importantes, la cual está afrontando un proceso de internacionalización muy sobresaliente e interesante que entendimos que sería también interesante investigar. Mi experiencia de trabajo me ha permitido conocer muy bien el funcionamiento y dinámica del sector así como entrar en contacto directo con directores y técnicos de otros departamentos que me ha ayudado enormemente en la obtención de información muy valiosa que también hemos querido reflejar a lo largo del desarrollo de esta tesis.

La experiencia investigadora de mi director me ofreció una visión muy clara de los problemas a investigar, los arriba citados, así como el énfasis que deberíamos poner en la búsqueda de nuevas metodologías de investigación más novedosas y eficaces. Sobre la base de esta experiencia y capacidad investigadora y de mis conocimientos y experiencia del sector comenzamos en el bienio de doctorado 2005-2007 este proyecto de investigación. El proyecto fue aprobado en 2007 y ahí decidimos hacer un planteamiento de tesis original y novedosa en el que queríamos destacar dos cuestiones principales. La primera era buscar una nueva metodología de investigación más operativa y eficaz en la resolución de problemas y la otra hacer un planteamiento de tesis que diera respuesta a las interrogantes que nos hicimos al principio. Paralelamente, nuestra intención era llevar los resultados que íbamos alcanzando a diferentes congresos nacionales e internacionales. Así, decidimos hacer una tesis con diferentes ensayos o trabajos de investigación. Antes de mostrar sintéticamente cuáles fueron estos trabajos de investigación resaltamos otra de las aportaciones de esta tesis doctoral, el uso, principalmente, de la investigación cualitativa. De hecho, como veremos, dos de los ensayos son de naturaleza cualitativa. El tercero, segundo por orden de los que se presentan, combina la investigación cualitativa con la cuantitativa. En este sentido, la investigación cualitativa ha esclarecido y permitido aplicar mucho mejor las técnicas de análisis cuantitativo.

2. Enfoque metodológico: Investigación Cualitativa y Modelización Causal

Para dar una respuesta a estas preguntas a las que nos hemos referido anteriormente, hemos detectado y observado un importante número de estudios de naturaleza cuantitativa que no ofrecen una respuesta clara a estos problemas. En muchos casos, se da una respuesta genérica o en otros se recurre a planteamientos o metodologías cuantitativas cuya operatividad se aleja de la resolución del problema. Por esta razón, siguiendo las orientaciones de mi director, hemos potenciado la metodología de naturaleza cualitativa. En concreto, hemos recurrido, primeramente a la entrevista en profundidad con directivos y técnicos del sector y al manejo de información de carácter cualitativo. Una vez hemos recogido esta información, la hemos ordenado y formalizado para construir, por un lado, un cuestionario semiestructurado que permitiese luego en una segunda fase, responder fácilmente a las cuestiones formuladas. Por otro lado, nos ha permitido hacer y construir el modelo de cadena de valor, las matrices de obtención de ventaja competitiva, matriz de penetración y flujogramas de producción, logística y operaciones.

Asimismo, hemos manejado información de estudio de casos del sector e información de los flujos comerciales y productivos del sector que junto con la información anterior nos han permitido realizar un estudio de caso de la marca Carolina Herrera, en adelante CH, que es inédito y original.

Esta información ha sido utilizada en los tres trabajos de investigación. En el primero de los trabajos se utilizó tanto la información cualitativa, entrevistas en profundidad con directivos y técnicos del sector, como los cuestionarios semiestructurados. En el segundo de los trabajos se utilizó una parte reducida de información del cuestionario semiestructurado que se complementó con un estudio cuantitativo con 250 consumidores. En concreto, se utilizó la técnica del análisis de estructura de covarianzas. Es de señalar que se obtuvo una información muy valiosa de los directivos que se incorporó para seleccionar aquellos ítems que identifican mejor los constructos o variables latentes. Para el tercer ensayo, estudio del caso de la marca CH, se recurrió al análisis de información y datos internos de la empresa así como el análisis de los flujos comerciales de la propia marca. Se incorpora, asimismo, un estudio de benchmarking de uno de los principales líderes mundiales del sector en complementos de lujo como las marcas Loewe y Vuitton.

3. Problemas de investigación y estructura general de la tesis

Como ya se indicó al comienzo, la industria del textil-confección es hoy en día uno de los pilares de la economía gallega. Actualmente, debido a la gran competencia global y a la existencia de países con un coste de mano de obra muy reducido (p.ej. China, India, Sudeste Asiático,…) el sector está experimentando grandes cambios, principalmente en cuanto a la deslocalización de la producción hacia esos países y la aparición de nuevos formatos comerciales. Y es que desde inicios de los años 1990, y más en concreto desde el año 2005 con la liberalización mundial del comercio internacional de productos textiles y la supresión de las cuotas a la importación por parte de la UE, el sector textil europeo está sufriendo la enorme competencia de los países emergentes, lo que ha generado una gran inestabilidad laboral en el sector. Este hecho conlleva que muchos pequeños talleres hayan cerrado y que lo que fue la base de la creación de una gran riqueza para la Comunidad gallega se esté perdiendo, con todos los riesgos de pérdida de capital social y humano que esto implica.

Así, el creciente proceso de internacionalización de la economía, unido al de liberalización del comercio exterior de productos de confección ha cambiado el entorno en el que operaban las empresas del sector textil-confección gallego. Estos hechos, unidos a la saturación de los mercados domésticos donde estas empresas operaban y a la proyección internacional de las cadenas de distribución, han ocasionado, de un lado, una excelente oportunidad de crecimiento en los mercados exteriores así como la posibilidad de localizar materias primas y mano de obra que tienen un menor coste, pero, por otro lado, supone también una amenaza al tener que hacer frente a una mayor competencia. Por ello, creemos que es necesario hacer un análisis profundo de lo que está ocurriendo en este sector, tanto para afrontar las amenazas o riesgos que supone, como para dar una respuesta a las oportunidades que también existen en este entorno.

En este contexto global, hemos identificado tres cuestiones de investigación. La primera cuestión se centra en establecer cuál debe ser la forma de obtención de la ventaja competitiva y la redefinición de la cadena de valor. Esto permitirá orientar mejor las decisiones de producción, localización, distribución y comercialización. El segundo problema, trata de identificar las fuentes de diferenciación y de valor de marca en el sector textil-confección. Por último y en tercer lugar se investiga el posicionamiento competitivo y la estrategia de marca del caso de CH. Para cada una de esas cuestiones hemos realizado un trabajo de investigación que exponemos a continuación. Para ello, vamos a dividir esta tesis en tres partes, cada una de ellas relacionada con los nuevos retos que debe afrontar este sector ante los profundos cambios que está experimentando.

4. Síntesis de los ensayos realizados

4.1 Primer Ensayo: Análisis de la cadena de Valor y Fuentes de diferenciación.

El primer ensayo lleva por título "Analysis of value chain and sources of differentiation in fashion markets". El objetivo de este estudio es doble. Por un lado, se trata de llevar a cabo un análisis estratégico de la cadena de valor de las empresas gallegas del sector textil-confección, y, por otro, analizar las fuentes de la ventaja competitiva en las que las compañías del sector deben basar su estrategia, así como la definición de las principales fuentes de diferenciación.

Para la realización de este estudio, se realizó una investigación cualitativa consistente en 40 entrevistas en profundidad, y, una vez se depuró, organizó y clasificó esa información se realizó un cuestionario semiestructurado a esos mismos directivos o técnicos de exportación. En concreto, primeramente se realizó una entrevista en profundidad que sirvió para identificar cuáles eran las fuentes de diferenciación, actividades y/o fases de la cadena de valor así como las decisiones estratégicas más relevantes (subcontratación, diversificación,…). Una vez identificadas, en la segunda fase se llevó a cabo un cuestionario semiestructurado que fue construido a partir de los resultados anteriores, en el que además de la medición de los factores de diferenciación, se analizó la estrategia y obtención de ventaja y enfoque, así como la organización de la cadena de valor (fases o actividades). Se seleccionaron cuarenta y seis directivos de empresas de moda gallegas. En concreto, las empresas representadas han sido Adolfo Domínguez, Roberto Verino, Caramelo, Carolina Herrera, Purificación García, Kina Fernández, Florentino y Antonio Pernas. Asimismo, se seleccionó a cuatro técnicos de la empresa Inditex. Para asegurar la fiabilidad de los resultados, se han hecho las entrevistas de forma individualizada de forma que ninguno de los directivos o técnicos tuvieran relación entre ellos. Finalmente, se pudieron realizar cuarenta entrevistas. Finalmente, se incluyeron unas variables de clasificación como tamaño de la empresa, facturación, número de empleados, e indicadores de competitividad internacional.

Los resultados de la investigación muestran que las compañías deberían seguir una diferenciación de enfoque centrada en segmentos específicos de consumidores para competir en los mercados internacionales. Entre las variables que más contribuyen a la creación de dicha diferenciación destacan la marca y el diseño. El diseño se revela como una variable estratégica de la cadena de valor que no debe ser subcontratada, y las compañías del sector textil-confección deben llevar a cabo un control más exhaustivo de las actividades de la cadena de valor, especialmente de los acabados de las prendas y el control de calidad final.

Este trabajo de investigación ha sido presentado en el 6th Global Conference of the Academy of Marketing´s- Brand, Identity and Corporate Reputation SIG, en abril de 2010 y en el congreso internacional de ICABE en Septiembre de 2010 (International Conference of Applied Business and Economics). Fue seleccionado para su publicación como Research Paper en este congreso y será publicado en la revista European Research Studies Journal.

4.2 Segundo ensayo: Fuentes de valor de marca en los mercados de moda

En este caso presentamos un ensayo titulado "Design and Brand Image as sources of equity in international fashion markets", que trata de identificar las fuentes de diferenciación en el sector textil-confección y en los mercados de la moda, así como determinar cuáles son las fuentes del valor de marca.

La metodología empleada fue un estudio cualitativo a 40 ejecutivos de compañías del sector textil-confección. Utilizó una parte reducida de los datos recogidos de la investigación cualitativa del anterior estudio. Basándose en los resultados obtenidos en esta etapa inicial, se realizaron posteriormente 250 encuestas a consumidores potenciales de prendas de confección y moda. Se tomó un abanico amplio de firmas que recogían públicos, estilos y preferencias dispares, lo que permitió tomar una muestra heterogénea que incluía a perfiles de consumidores diversos. Así, los consumidores tuvieron que evaluar las siguientes marcas de confección: Adolfo Domínguez, Purificación García, Carolina Herrera, Emidio Tucci y Cortefiel. Con el objetivo de que se lograra la mayor representatividad de la muestra de consumidores, se seleccionaron unidades muestrales de todas las franjas de edad desde los 18 hasta los 65 años, e igualmente de ambos sexos, con una mayor representación del sexo femenino del 64% frente al 36% de hombres. Los encuestados fueron asignados aleatoriamente a las diferentes marcas y evaluaban los diferentes ítemes que definen los constructos que conforman el valor de marca. Así, cada marca fue evaluada aleatoriamente por 50 consumidores.

Los resultados muestran que tanto la imagen de marca como el diseño, son fuente del valor de marca, que deberían permitir a las compañías del sector no sólo mejorar su diferenciación, sino también obtener una posición competitiva más fuerte en los mercados internacionales. Los resultados preliminares también indican que la diferenciación dirigida hacia segmentos específicos del mercado, debe ser la base competitiva para las compañías de tamaño medio en los mercados internacionales.

Este trabajo de investigación ha sido presentado en el 7th Global Conference of the Academy of Marketing´s- Brand, Identity and Corporate Reputation SIG, en abril de 2011. Ha sido seleccionado para poder ser sometido como Research Paper en alguno de los special issues que se han propuesto. Las revistas en consideración son Journal of Product and Brand Management y Journal of Marketing Management.

4.3 Tercer ensayo: Análisis del estudio de caso "Carolina Herrera"

Por último, el tercer trabajo titulado "Fashion Brand 'Carolina Herrera' Internationalization Strategy: Democratic Luxury Or Maximum Exclusiveness?" trata de examinar cuál debe ser el posicionamiento estratégico así como las cuestiones fundamentales del modelo de negocio, la estrategia de marcas así como el proceso de internacionalización seguido por CH. Para el análisis del posicionamiento se ha seguido un análisis benchmarking, centrándose en los principales líderes mundiales del segmento de complementos de textil como son Vuitton y Loewe. Los principales resultados se resumen como sigue.

La estrategia de negocio seguida por Sociedad Textil Lonia reside en su modelo de gestión unificada, cuasi-integrada y global del negocio, lo que otorga a la compañía un gran control sobre el proceso de producción, distribución y comercialización, así como una enorme flexibilidad y agilidad para adaptar la producción a las necesidades del mercado en un corto plazo de tiempo. Si bien, no se puede afirmar que sea un sistema de producción "justo a tiempo" o "Just-in-time production system", sí encaja en el sistema de respuesta rápida o quick response, ya que permiten una respuesta rápida a las demandas cambiantes de los consumidores y dota de flexibilidad al sistema productivo y de comercialización.

Del análisis Benchmarking se pueden concluir que el lujo y el glamour no están reservados para una élite o unos pocos privilegiados, y reconocen que el lujo se ha globalizado hoy en día, entendiendo que existe un nicho de mercado a nivel mundial que demanda productos de marca y de gran calidad. Es el segmento que hemos denominado como lujo democrático que busca productos de marca de diseñador. Hay, por tanto, un aumento de la demanda de marcas de diseñador por parte de clientes de rentas medias y altas. Para atender a este aumento de la demanda de marcas de diseñador por parte de estos clientes se propone la fórmula de la diversificación de la cartera de marcas y la definición de un posicionamiento dirigido hacia ese nicho o segmento de mercado globales. Por otro lado, variables como exclusividad, diseño, calidad del servicio, ubicación y formato del punto de venta son factores clave para desarrollar una marca de moda de lujo.

También podemos concluir que tras un riguroso análisis de Benchmarking, el posicionamiento planteado por la compañía para competir directamente con marcas de moda de lujo como Prada, Armani o Gucci carecería de sentido hoy en día, debido a la ausencia de una imagen de marca de gran exclusividad y la necesidad de potenciar la estrategia de distribución mediante la creación de lugares exclusivos y entornos mucho más innovadores. Por tanto, la estrategia de fortalecimiento de la posición competitiva de la compañía en los mercados internacionales y posicionados en el mercado de lujo democrático tiene mayor coherencia en el momento actual.

Este trabajo ha sido sometido a la revista Journal of Fashion Marketing and Management y la categoría del paper es Case Study.

ANALYSIS OF VALUE CHAIN AND SOURCES OF DIFERENTATION IN INTERNATIONAL FASHION MARKETS

ABSTRACT

Purposes: The aim of this paper is to address three issues. Firstly, this paper aims to make the strategic analysis of the value chain of the Galician textile-clothing sector. Next, we attempt to analyse the sources of competitive advantage on which companies will build the strategy, as well as defining the main sources of differentiation. Lastly, the international projection of different companies that belong to the Galician medium-sized and big companies' strategic group will be analysed.

Design/methodology: To respond to the objectives put forward, the fieldwork was divided into two clearly different stages. Firstly, 40 in-depth interviews with executives were carried out followed up by a questionnaire.

Findings: Results indicate that the differentiation focused on specific segments must be the foundation on which companies compete in international markets. Among the variables that contribute most to the creation of that differentiation are the brand and the design. The latter is a strategic variable of the value chain that should not be subcontracted. Galician companies need to have better control of the operations in the value chain, especially the finishes and control of end quality.

Originality/value: This paper advances in the strategic analysis of the value chain of the textile-clothing sector and the contribution of branding and other intangible assets in building the strategy in the international fashion markets.

Key Words: Value chain, differentiation, brand, competitive strategy, fashion

1. INTRODUCTION

The growing liberalisation of foreign trade for clothing products, tied to greater internationalisation of the economy, have notably changed the environment in which Galician companies operate. On the one hand there are commercial opportunities for growth in foreign markets, as well as the possibility of finding raw materials and low labour costs. However, there is growing competition from Southeast Asian countries such as China, India, Hong Kong which, thanks to their very low labour costs, are absorbing more and more both basic clothes-making tasks as well as those tasks that generate greater value (Buelens, 2005) –e.g. clothing products that have a high value-added-. Within this new international context, it is very appropriate to analyse the entire value chain to detect both those strategic activities (and stages of the chain) as well as the competitive factors. This will enable greater orientation of both production decisions –e.g. subcontracting- as well as commercialisation decisions.

Therefore, this paper aims to make progress in the strategic analysis of the value chain of the textile-clothing sector. This aspect is extremely important, especially if we analyse international markets, given that some value chain activities may be subcontracted or relocated in other markets. Thus, those liberated resources would be concentrated on those activities that could potentially generate greater value-added, which would lead to greater competitiveness and a better market focus. More specifically, the aim of this paper is to address three issues. Firstly, to define those priority or basic activities of the value chain, which would enable us to know which activities should be subcontracted and which ones should not. At the same time, we aim to identify the competitive factors on which Galician companies must act to improve their competitive position in the international fashion and clothing market. Next, we attempt to analyse the sources of competitive advantage on which companies will build the strategy, as well as defining the main sources of differentiation. Lastly, using the Treadgold (1990) methodology, we will analyse the international projection of different companies. To satisfy these aims, our research involved in-depth interviews and questionnaires targeted at executives from the Galician clothing and textile sector. We start with a review of the literature that covers the main concepts used in this paper and the principal findings which, at an empirical level, have been carried out in the research into internationalisation of the textile-clothing sector. More specifically, those related to the study of the value chain, strategy and subcontracting decisions. The methodology and the results we hope to achieve are explained hereunder.

2. REVIEW OF LITERATURE

2.1. Value Chain and Internationalisation

The value chain of the textile-clothing sector comprises three levels: fibres and textiles, apparel or clothing and distribution (Dicken, 2003). In turn, two very different activities can be clearly distinguished: textile and clothing. Firstly, the textile sector is capital intensive, and there are barriers to access in the form of investments in technology, innovation and development of new materials (synthetic, chemical or artificial fibres) or in new manufacturing techniques or fabric production. Elsewhere, the clothing sector is labour-intensive and easy to access. The countries where these tasks are carried out have reduced labour costs, such as the case of Southeast Asian countries (China, India, Bangladesh, and Singapore) or Eastern Europe, mainly the former. These countries have a clear advantage in terms of cost and have developed labour-intensive tasks, while more developed countries have focused on capital intensive tasks. However, as we will see, the current dynamics are changing for some territories or regions, such as the specific case of China.

In turn, clothing articles can be separated into basic products and fashion product, with the latter contributing greater value-added and thus a higher price. Industrialised countries, such as the EU-25, have excellent prospects in value-added textile and clothing products, as there is qualified and relatively low-cost labour, mainly in countries that have recently joined (Poland, Czechoslovakia and Romania -particularly Romania-) (Boudier-Bensebaa & Andreff, 2004). This workforce is used to manufacture quality products. Elsewhere, there are reasons why European companies keep their factories in Europe. These companies have decided to maintain R&D centres because of the complementary nature between local production and production carried out in other countries, as well as the possibility of producing small batches or catering to urgent orders. However, recent literature has shown that countries from East Asia, mainly China, have developed a powerful export sector based on low labour costs and increased quality and capacity / speed of delivery (Ge, 1999). This factor means that the Chinese export sector is becoming the most competitive sector on the international stage and is rivalling countries from the East and from the Mediterranean region in the production of high value-added garments (Abernathy, Volpe, & Weil, 2006). This fact would confirm that there are other factors, such as government policies, attracting foreign capital, or political stability, to explain the greater international competitiveness of certain regions, territories or countries (Kilduff & Chi, 2007).

So, the competitiveness factors that allow or ensure survival in these markets must be targeted at an extremely changeable market in which there are potentially global segments that are not just sensitive to the price factor but also to the fashion factor. Responding to this market requires huge production flexibility and distribution straight to the consumer as well as the quickest time to market (Ge, 1999). To respond to these challenges, manufacturers have integrated themselves vertically and forwards and have taken on the distribution activities. One example that synthesises these variables is the ZARA case in which the flexible production and just-in-time systems not only enable stock to be reduced to the absolute maximum (Lopez & Fan, 2009) but also provide the market with any new item or fashion concept in a very short space of time. By the same token, clothing products, especially those with the highest value-added, must include a differentiation factor (Knight & Kim, 2006).

This differentiation factor is usually a very distinctive style. Recent literature adds the identification of segments or niches to these success factors (Parrish, Cassill, & Oxenham, 2006). Elsewhere, the cost is the determining factor for very basic clothing and apparel. As the basis for defining the competitive strategy, the choice of the cost factor or differentiation factor reveals the importance of creating a competitive advantage as well as identification of those vital activities of the chain that provide the end product with high value from the consumer's point of view. Viz., what should be the source of competitive advantage on which companies should build their strategy? We will delve into this in the next section.

2.2. Competitive strategy: Competitive advantage and sources of differentiation

According to Porter (1990), there are two ways of obtaining a competitive advantage. Firstly, the cost, which attempts to minimise the production cost, enabling products to be offered to the market at a very low price, and secondly, the differentiation that seeks to provide unique value for which the consumer is prepared to pay the corresponding higher price. When the level of differentiation is very clear, this price premium can be extremely high. Apart from being able to differentiate the supply properly, it is also necessary to be able to select and define the segment or niche at which the supply is targeted, especially in clothing and fashion markets (Parrish, Cassill, & Oxenham, 2006). This global niche- or segment-focused supply can compete against low-cost imports from Asian countries.

In fashion markets, the consumer looks for a product with social significance, but the same time a product that is functional and, above all, which has a distinctive style (Knight & Kim, 2006). This distinctive style is one of the criteria that enable the consumer to recognise and distinguish one offer from another. To this end, the differentiation strategy may be backed or supported through those activities of the chain that provide the highest differential value to the end product. Research into the sources of differentiation in the textile sector has focused on the brand (Wigley & Moore, 2006), although attention is currently being diverted to other variables such as product quality or service quality.

2.3. International projection

Although we could understand that the value chain of fashion is influenced and controlled by manufacturers and producers that control all of the tailoring, clothes making or manufacturing and finishing activities, this is notably influenced by distributors (Gereffi, 1999). As explained in the first part of this section, because the clothing and fashion market is very changeable, it is these agents -the distributors- that are best positioned to discover new trends, tastes and preferences in this market. Elsewhere, and as we also explained, factors like economic globalisation, the disappearance of commercial barriers and the formation of large economic spaces have shaped huge global segments, with similar tastes and needs in different countries (Levitt, 1983). The perception of this business opportunity tied to the non-existence of opportunities for growth in domestic markets has led distributors to seek international growth. This process of distribution internationalisation (e.g. Carrefour, Wall-Mart, etc.) has reinforced the negotiating position with clothing retailers, which have had to react with the development of new formats and concepts such as fashion brand manufacturers without factories (Mango, Nike) or manufacturers of fashion brands with their own distribution chains (Inditex or H&M). This process of manufacturers seeking international projection can be explained by the variables of geographic presence -concentrated, disperse, multinational and global internationalisation- and, therefore, by the control exercised throughout the chain -high, medium and low- (Treadgold, 1990). Selecting these criteria is vital in understanding the international projection of companies. The initial criterion places emphasis on the possibility of a uniform supply to the market (the last link called the global market would be the best example). The second criterion is essential in understanding the importance of controlling activities throughout the chain. So, as control of operations increases, the possibility of providing an efficient and appropriate response to the market grows.

3. RESEARCH METHODOLOGY

To respond to the objectives put forward, we divided the fieldwork into two clearly different stages. Firstly, there was an in-depth interview followed up by a questionnaire which included both closed questions as well as the occasional open question that was added after the interview stage. The companies that finally took part in the study were Adolfo Dominguez, Roberto Verino, Caramelo, Carolina Herrera, Purificacion Garcia, Kina Fernandez, Florentino and Antonio Pernas. Similarly, four executives were chosen from the company Inditex (two from Zara, one from Bershka and another from Pull and Bear) who were included in the study as they can provide very valuable information on sector dynamics and knowledge.

3.1. In-depth interview with executives

This in-depth interview was used to define the activities and/or stages of the value chain (supply of materials, production -which in turn includes the design, pattern, cutting, sewing/tailoring, finishing off and quality control-, distribution and marketing, as well as the most relevant strategic decisions (subcontracting, diversification, etc.) and the most obvious competitiveness factors in each stage. The interviews were carried out individually so that none of the executives or specialists was aware of how the others had responded. This initial stage was used to structure and organise the different stages of the value chain as well as identify the main variables, procedures and routines of each of these stages. All this output was pooled together to compile a questionnaire for sector executives which is explained below.

3.2. Questionnaire for Executives: Preparation of the questionnaire and Measurement of variables

The questionnaire was drawn up on the basis of previous interview. The variables and measurement scales are shown in Table 1. In addition to measuring the factors of competitiveness and differentiation, we also analysed the strategy –obtaining an advantage and focus-, decisions on subcontracting and organisation of the value chain (stages or activities). Lastly, we included classification variables such as the size of the company, turnover, number of employees, and international competitiveness indicators.

TABLE 1: Selection of variables, items and measurement scales used in the Research (In-depth Interview and Questionnaire)

Main And Strategic Interest Aspects	Items Used	General Purpose/Measurement Scale
Stages of production and subcontracting decision ***(information obtained following the in-depth interview)***	1. Design 2. Pattern 3. Tailoring 4. Finishing off 5. Quality control	1. Own Activity 2. Subcontracting
Competitiveness factors in different stages: Production / Logistics /Distribution and marketing ***(Information obtained following the in-depth interview)*** **(Own compilation)**	Open question in the initial stage of qualitative research (2009) and then the executive assessed how each of these items contributed to the company's competitive capacity	The presence of these factors contributes to the company's competitiveness…: *Measurement scale: 1. Totally disagree…5. Totally agree*

Main And Strategic Interest Aspects	Items Used	General Purpose/Measurement Scale
Competitive strategy at international level (Porter, 1990)	Sources of competitive advantage	1. Cost 2. Differentiation
	Scope or focus	1. The entire market 2. Segment
Factors of differentiation (Own compilation)	Open questions to executives in the initial stage of qualitative research (2009) and then the executive assessed the company's potential for differentiation	The following items contribute to differentiation of its supply over competing rivals Quality of the finishes - Quality of the materials - Brand-design - Design of the point of sale - Brand image - Service quality at points of sale *Measurement scale: 1. Totally disagree…5. Totally agree*
Degree of internationalisation and operating strategy (Treadgold, 1990)	International presence	1. Concentrated internationalisation 2. Scattered 3. Multinational 4. Global
	Control of operations (according to strategy employed in the internationalisation process – market entry strategies-)	1. High costs / High control 2. Medium costs / Medium control 3. Low costs / Low control

Source: Own elaboration

4. RESULTS

4.1. Value Chain and Competitiveness factors

As shown in Table 2, which includes the average values of the scores given by the executives to the different variables of each of the value chain stages, there are three prominent results. First of all, the competitiveness factors rated by the executives and tied to distribution must be focused on looking for or improving market accessibility, and making this as direct as possible ($X5_{distr}$=4.32) and to reinforcing the image of the ensign or chain ($X4_{distr}$=4.18). Another of the most influential variables is currently the extent and penetration of the network ($X2_{distr}$=3.35).

Secondly, there is a very positive assessment of brand-related assets. The first of these, brand image ($X3_{comer}$=4.71), and the other one which the executives have called brand-design ($X4_{comer}$=4.82). This latter result is particularly outstanding and there are two reasons why we would like to emphasise it. First, because the design highlights a new area in brand equity management, and then, because it may be presented as a very important differentiation factor for companies. In fact, the strategy of developing haute couture brands and design has been a success strategy for leading brands such as Versace, Armani, Chanel, etc. (Fernie, Moore, Lawrie, & Hallsworth, 1997; Moore, Fernie, & Burt, 2000). In effect, and as the executives indicated in the qualitative stage, the design very often includes a distinction or touch that lends that extra 'something' to their collections. Lastly, another of the marketing variables that has also been emphasised by the executives is management of the point of sale ($X2_{comer}$=4.28). This not only includes customer service but also obtaining first-hand information on market trends, viz., market research function (e.g. analysis of trends, fashionable colours, new creations or new styles).

TABLE 2: Average values of the core competitiveness factors for the different stages of the value chain in the textile-clothing sector identified by executives (n=36)

X_{prod}	Production and Supply Variables	X_{dist}	Distribution Variables	X_{logist}	Logistic Variables	X_{comer}	Commercialization Variables
2.91	Supply of materials or fabrics	3.24	Cooperation with customers	**4.1**	Time to market (**)	3.98	**Direct sale to the consumer (own network)**
3.29	Cooperation with suppliers (materials)	3.35	Extent of the distribution network			4.28	**Management of the point of sale**
3.40	Low unit production costs	3.71	Penetration of the distribution network			**4.71**	***Brand image**
3.97	* Production flexibility	4.18	* Image of the ensign or chain			**4.82**	*** Brand-Design**
4.7	*** Design (e.g. pattern, fashion design, etc.)**	**4.32**	*** Direct distribution**				

Source: Own compilation, based on the in-depth interview (2009) and the questionnaire (2010)
**values that were prominent within the different stages of the value chain;*
*** The time-to-market value reached 4.9 for companies of the Inditex group and production flexibility reached 4.5*

The third item of interest is the very high score that executives gave to logistics - which was also defined as the consumer response time or time to market- ($X1_{logist}$=4.1). What underlines this data is the importance of providing an immediate and efficient response to the end consumer, given that a very changeable market means that the capacity to respond is a determining factor. In this regard, we should point out that this variable, in the case of the multinational Inditex, occupies a privileged place as a competitiveness factor in the executives' opinion. This company has developed just-in-time production systems, which provide an immediate response to market needs and, therefore, reduce production stock to the maximum. Finally, the most prominent result in production is the design ($X5_{prod}$=4.7). This figure verifies the previous result and is presented as a variable with high potential for differentiation. Other results that are worthy of mention are the fact that the rating of the unit production cost is not so high ($X3_{prod}$=3.40) and that flexible production is valued highly ($X4_{prod}$=3.97).

A further objective that we wanted to respond to was analysing the decision to subcontract production stage activities or tasks. To do this, we carried out a difference of proportions test for each of the production stage activities. The results are given in Table 3. The executives immediately identified those stages that should not be subcontracted, such as design and pattern. This was ratified in the data analysis. However, quality control was an activity where there was a certain discrepancy. Most executives said there should be strict and rigorous control by the company involved, especially in high-end garments. This is not always the case, however. This means that the company's supply, and therefore the brand, does not offer consistent and constant quality for all garments.

TABLE 3: Difference of proportions test and percentage of subcontracting within the different production chain stages (n=36)

Variables	Subcontracting	Own activity	Total
Design*	0% (0/36)	100% (36/36)	**36**
Pattern*	13.88% (5/36)	86.11% (31/36)	**36**
Cutting*	88.89% (32/36)	11.11% (4/36)	**36**
Tailoring/Sewing*	100% (36/36)		**36**
Finishing off*	72.2% (26/36)	21.8% (10/36)	**36**
Quality Control**	**58.33% (21/36)**	**41.66% (15/36)**	**36**

Source: Own elaboration
*Difference of proportions test: * significant (p<0.05); ** not significant (p>0.05)*

4.2. Competitive strategy and differentiation variables

After the value chain analysis, the executives were asked to name the competitive advantage on which the strategy should be based. Here there was a unanimous response. Executives from Galician companies pointed to segment-focused differentiation (92.5%); while the executives from the multinational Inditex said that the better strategic option would be cost leadership with a segment approach (7.5%) (table 4). It is clear that the strategic option which should be chosen by Galician companies is differentiation with a segment approach, which is coherent with preliminary research (Parrish, Cassill, & Oxenham, 2004).

TABLE 4: Source of competitive advantage identified by executives of Galician companies (n=40)

		ADVANTAGE			
		%	**Cost**	**%**	**Differentiation**
FOCUS	**Whole Market**		Cost leadership. The entire market (0/40)		Differentiation: The entire market (0/40)
	Segment	**7.5%**	**Leadership in segment cost (4/40)**	**92.5%**	**Segment differentiation (36/40)**

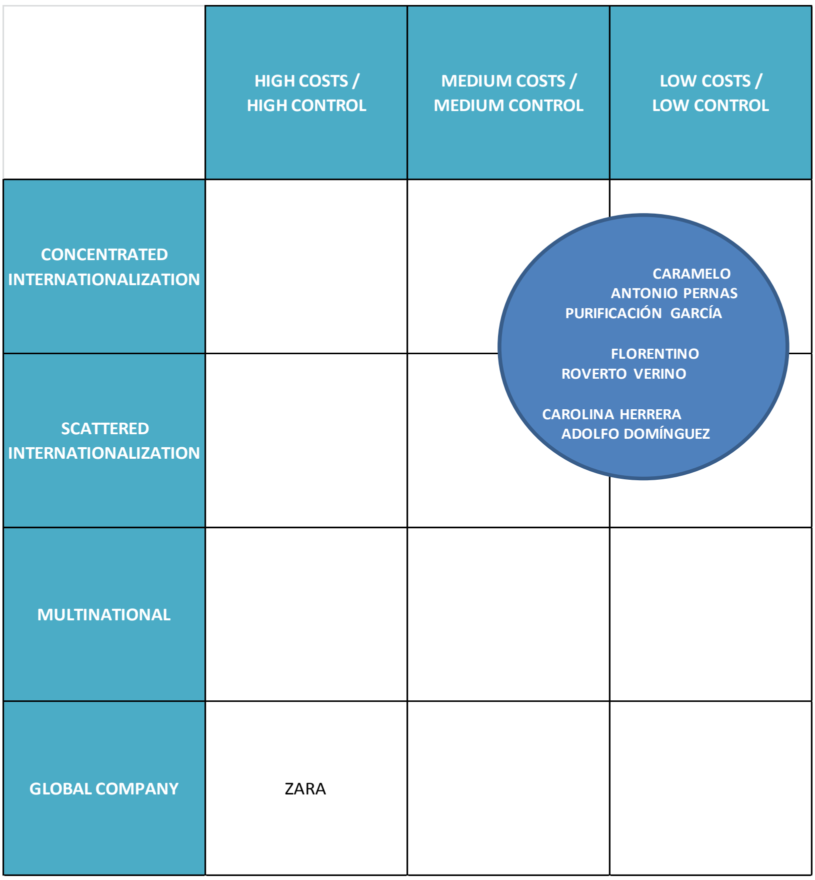
Source: Own elaboration based on the questionnaire given to executives (2010); the entire sample (n=36 companies and n=4 Inditex)

Having emphasised the differentiation strategy, they were asked which of those variables had the greatest potential for differentiation. Besides to research the competitive factors for different stages of value chain, different items were selected to measure the contribution of differentiation of the supply over competing rivals (table 1). In the main, executives highlighted the marketing variables, with prominence given to brand-design (4.91), brand image (4.82) and design of the point of sale (4.68) (figure 2). By the same token, the most outstanding production variable is control of the production process, especially the quality of the finishes (4.5). Nevertheless, product quality (4.0) and service quality (4.0) did not receive, in relative terms, a high evaluation. The biggest factor is the importance of marketing variables, especially the brand and the design, as intangible assets on which the company should act to provide a distinguished and new offer.

4.3. International projection

As Figure 1 shows, Galician companies position themselves in two quadrants. Firstly, in the concentrated internationalisation quadrant, an approach used by companies with a lower degree of internationalisation (Caramelo, Pernas, and Purificacion Garcia) and which exercise low control over operations. In the upper quadrant are the companies Adolfo Dominguez and Carolina Herrera, which are pursuing scattered internationalisation but which, unlike the foregoing, have a higher control of operations in the value chain. The two companies also have a higher percentage of sales abroad and – in the opinion of the executives – their forecast is to continue growing. This will require greater control of operations. The multinational Inditex is in the lower left quadrant. This company has developed just-in-time production systems that provide an immediate response to market needs and, therefore, reduce production stock to the maximum. This means the company exercises high control over the chain operations. As it has been explained before, this is one of the key factors of success for this company (Lopez & Fan, 2009), which, in accordance with the Treadgold methodology, would be rated as a global company.

Figure 1: International projection of Galician companies from the textile-clothing sector: degree of internationalisation and control of operations



Source: Own elaboration based on Treadgold (1990)

5. MANAGERIAL IMPLICATIONS AND CONCLUSIONS

This paper has contributed notably to defining factors of competitiveness and sources of differentiation, as well as analysing the value chain and the role brands have in defining the strategy and in creating greater value for the company. The context has been restricted to Galician textile-clothing companies that operate in international markets, mainly companies. The main implications have been organised in accordance with the main sections that have been revealed in section 2. We will start with the factors of competitiveness and the value chain.

5.1. Factors of competitiveness, value chain and internationalisation

The results obtained from the interview with executives have revealed how important the commercialization stage is in becoming more competitive. The conclusion we can draw from this analysis is that manufacturers need to focus their efforts on creation of their own network of shops or franchises, preferably the former, as this will enable greater control of the market evolution. In fact, the own network of shops appeared to be the most valued competitiveness factor in the commercialization stage.

In addition to this factor, the executives emphasised brand-related assets. More specifically, the brand image and what they have called brand-design. There are two main implications for the company. First of all, that this activity and those directly related to it, such as pattern design, should not be subcontracted. Secondly, production and marketing need to be reinforced with designers, pattern designers and stylists. These agents should not only achieve an innovative, authentic and distinguishing design, but also continually examine the market to identify the latest trends for inclusion in new collections. Another of the marketing variables emphasised by the executives is management of the point of sale. Thus, in addition to providing customer service, it is also necessary to obtain first-hand information on market evolution, viz., strengthen the market research function (for example, analysis of trends, fashionable colours, styles, etc.).

Lastly, a further variable that companies need to reinforce is quality control. This is because the activity, vital in generating value, is very often deficient and quality control is extremely important in obtaining a distinguished product.

5.2. Competitive strategy and differentiation variables

In this section, executives of Galician companies were unanimous with regard to the different options they were given. Apart from the multinational Inditex, the executives' perception focused on the importance of segment-focused differentiation, a result that is in line with recent research (Parrish, Cassill, & Oxenham, 2006). This differentiation should be based on a value offer tied to a very distinctive style. In addition, the style should be transmitted by the brand and must be coherent and present in all products offered by the company. This implication is coherent and goes a long way to reinforcing the previous implication. The brand, its image and design, play a fundamental role as differentiation factors. These variables should be the basic pillars on which the company builds its strategy. A synthesis of the implications described can be seen in Figure 2, which provides a detailed analysis of the value chain, the activities to be subcontracted and the key sources of differentiation.

5.3. International projection of companies

Despite displaying growth in international markets, Galician companies need to have better control of the operations in the value chain, especially the finishes and control of end quality. By the same token, they need to develop new point-of-sale formats, a fact that is shown as the differentiation factor as yet unexploited by companies from this strategic group.

Figure 2: Analysis of the value chain of the textile-clothing sector in international markets: Assessment of the basic or value generating activities, tasks to be subcontracted and the key sources of differentiation

Source: Own elaboration

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DESIGN AND BRAND IMAGE AS SOURCES OF EQUITY IN INTERNATIONAL TEXTILE-CLOTHING AND FASHION MARKETS

ABSTRACT

Introduction: Growing internationalisation of the textile sector has modified the competitive structure in which textile-clothing and fashion companies operate. On the one hand, there is an excellent opportunity to grow in foreign markets. On the other hand, such actions are a threat as bigger market competition is encountered and is led by emerging economies such as China, India or Southeast Asian nations. One of the best ways of dealing with this competition is the creation of leading brands to differentiate supply from this global competition.

Objective: The aim of this research is to identify sources of differentiation in the textile-clothing and fashion market as well as finding out sources of brand equity to distinguish the offer, enabling a better competitive position to be achieved.

Methodology: To reach this objective, qualitative research was first carried out with 50 sector executives of small and medium sized companies. Based on the results from the initial stage, 250 surveys were then carried out with potential consumers in order to analyse brand equity.

Results: The results indicate that differentiation focused on specific segments must be the foundation on which companies compete in international markets. One of the variables that most contributes to the creation of that differentiation is brand image. In addition, design is shown to be a source of brand equity and a strategic variable to differentiate the product from competitors.

Keywords: Brand equity, textile-clothing products, fashion, differentiation, strategy.

1. INTRODUCTION

The growing process of globalisation of the economy, coupled with the regulation of foreign trade of clothing products, has changed the environment in which firms from the Galician textile-clothing sector operate. These facts, tied to the saturation of domestic markets where these companies operated and to the international projection of distribution chains, have led, firstly, to an excellent opportunity for growth in foreign markets as well as the possibility of sourcing raw materials and labour at a lower cost and, secondly, it also represents a threat in light of increased competition.

Prior research has shown that intangible assets are of huge importance and relevance in contributing to greater competitiveness (Lu & Beamiss, 2001, Delgado-Gomez, Ramirez-Aleson, & Espitia-Escuer, 2004). More specifically the brand, patents, human resources and know-how are assets that the competition find difficult to copy. The brand stands out from among these resources, as it is presented as a sign or indicator that not only favours recognition by the consumer but also sets the offer apart from the competition. The brand therefore enables value to be added to the product, also known as brand equity (Aaker, 1991; Keller, 1993). Moreover, the appearance of this construct has accentuated even more the importance of the brand role in marketing organisation and strategies in recent years (Keller, 2007). The conclusion has therefore been drawn that the brand is a strategic asset for the company. In other words, the brand is profiled as one of the biggest corporate assets, because of its capacity to provide sustainable competitive advantages that are difficult to copy (Keller, 2007).

Elsewhere, identification of the activities of the value-generating chain, which from the consumer's point of view reveal a high potential value of differentiation, would enable the company to establish and set the foundation on which to create that differential advantage. So, capitalisation of those activities that generate equity for the brand is a crucial aspect in improving competitiveness. By achieving this, the brand would strengthen the competitive position of the company in the international market. By the same token, although some researchers have emphasised the importance of studying the brand in international markets (Malhotra, Peterson, & Kleiser, 1999), a review of literature has shown that research carried out on brand equity of the textile-clothing sector on the international stage is fairly small scale (Jung & Sung, 2008; Tong & Hawley, 2009).

Discovering the sources of brand equity and their importance in the strategic management of the value chain within an international context represents an original contribution in research into internationalisation and the brand. More specifically, the aim of this paper is to address two issues. Firstly, we aim to analyse the sources of differentiation in light of the international context in which the sector is currently immersed. Secondly, we need to find out what variables and factors have the biggest impact in the creation of brand equity. To achieve these aims, we first carried out an in-depth interview with executives and specialists from the Galician textile-clothing sector. Based on the results of this quantitative stage, we designed and compiled a survey targeted at 250 consumers to assess the sources of brand equity in the market of clothing and fashion products. We start with a review of the literature that covers the main concepts used in this research paper and the principal findings which, at an empirical level, have been carried out in the research into international fashion markets, and more specifically, those concerning the study of strategy and brand equity. The methodology is explained below, followed by the results. Lastly, we highlight the implications and main conclusions resulting from the study.

2. LITERATURE REVIEW

2.1. Competitive Strategy and the Textile-Clothing Sector

According to Porter (1990), there are two ways of obtaining a competitive advantage. Firstly, the cost, which attempts to minimise the production cost, enabling products to be offered to the market at a very low price, and secondly, the differentiation that seeks to provide unique value for which the consumer is prepared to pay the corresponding higher price. Previous literature and studies agree that differentiation is shown as a highly interesting strategic option when there are attributes in the product or service that are highly valued by the consumer and for which the consumer is prepared to pay a higher price. In effect, on numerous occasions the consumer is prepared to pay a price premium for a certain attribute (e.g. the design of a car or the taste of a food product). In some cases, these price premiums are extremely high (Netemeyer et al., 2004).

While the textile sector is capital intensive, the clothing sector is labour intensive and presents few entry barriers. Here, countries with low labour costs such as Southeast Asian countries (e.g. China, India, Bangladesh or Singapore) or Eastern European countries, mainly the former, have a huge cost-competitive advantage. In turn, clothing articles can be separated into basic products and fashion products, with the latter contributing greater value-added and thus a higher price. Industrialised countries, such as the EU-25, have excellent prospects in value-added textile and clothing products, as there is qualified and relatively low-cost labour, mainly in countries that have recently joined (e.g. Poland, Czechoslovakia and Romania -particularly Romania-). However, recent literature has shown that countries from East Asia, mainly China, have developed a powerful export sector based on low labour costs and increased quality and capacity / speed of delivery (Ge, 1999). This factor means that the Chinese export sector is becoming the most competitive sector on the international stage and is rivalling countries from the East and from the Mediterranean region in the production of high value-added garments (Abernathy, Volpe, & Weil, 2006).

Elsewhere, the determining factor for very basic clothing and apparel is the cost. However, the markets for clothing products with higher value-added are not only sensitive to the price factor but also to the fashion factor. Responding to this market requires huge production flexibility and distribution straight to the consumer, which let cooperation with customers and suppliers as well as the quickest time to market (Ge, 1999). It is also necessary to have a style that incorporates a differentiation factor. Research into the sources of differentiation in the textile sector has focused on the brand (Wigley & Moore, 2007), although attention is currently being diverted to other variables such as product quality or service quality and design. In fashion markets, the consumer looks for a product with social significance, but at the same time a product that is functional and, above all, which has a distinctive style (Knight & Kim, 2006). This distinctive style is one of the criteria enabling the consumer to recognise and distinguish one offer from another. There are other variables that incorporate a differentiation factor in addition to the brand and design, such as the perceived quality of the product and the service quality. Perceived quality in the product is being researched as a variable that forms part of the brand equity, which is explained in detail in the next section. With regard to service quality, there are consumer segments that place a positive value on customer care and personalised treatment.

Apart from being able to differentiate the supply properly, it is also necessary to be able to select and define the segment or niche at which the supply is targeted, especially in clothing and fashion markets (Parrish, Cassill, & Oxenham, 2004). This global niche -or segment-focused supply- can compete against low-cost imports from Asian countries. Once the segment has been defined, the company needs to position itself in the segment. One of the variables that best complies with this function is the brand. The brand enables and facilitates recognition by the consumer and is also one of the key variables that have driven fashion internationalisation. It is therefore necessary to explain its importance and, above all, delve into the sources of equity that enable the company to reinforce its competitive position. This is explained in the next section.

2.2. Brand and Sources of Brand Equity

As shown, the brand is a key factor in internationalisation in the fashion sector (Moore, 2000). This hypothesis has been shown both for distributors as well as manufacturers. In the case of certain distributors (e.g. El Corte Inglés, Marks & Spencer, etc.) the exposure of exclusive brands in foreign markets was the impetus behind internationalisation (Fernie, Moore, Lawrie, & Hallsworth, 1997). These are fashion distributors that sell exclusive brands, offering very attractive and haute couture products. In the case of fashion manufacturers, this hypothesis is even truer.

Existing literature has not only highlighted brand importance but also recognises the sources that enable brand equity to be created. Its multidimensional nature on which the main papers are based has been recognised in the contributions from Aaker (1991, 1996) and Keller (1993). According to Aaker (1991) brand equity is conceptualised in a multidimensional way, based on five areas: brand awareness, perceived quality, the image or associations, loyalty and other proprietary assets such as patents or copyright, etc.

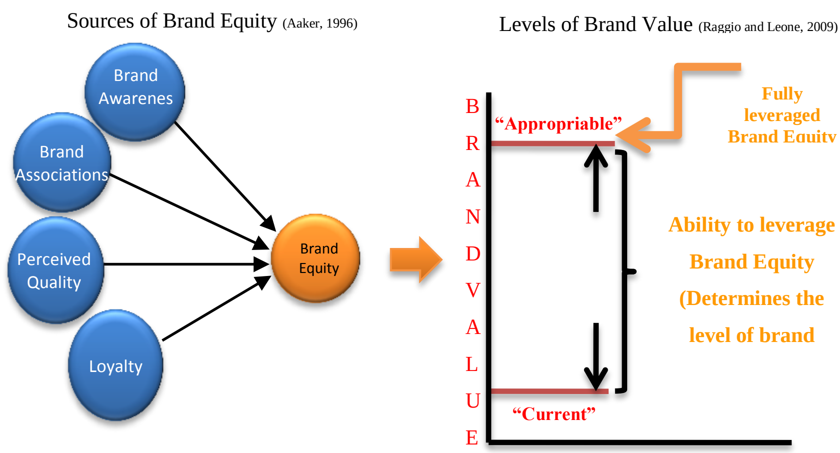
Brand awareness includes the potential capacity of the consumer to recognise or remember the name of a brand within a certain category of product (Aaker, 1991). Keller (1993) pointed out that this factor is related to the consumers' capacity to identify the brand under different circumstances. Brand awareness represents one of the conditions required for a brand to possess equity. However, studies are now appearing that show that it is not possible to prove a positive relationship between brand awareness and brand equity (Atilgan, Aksoy, & Akinci, 2005). Similarly, there are studies that show that this relationship is not significant (Agarwal & Rao, 1996; Delgado & Munuera, 2001). The underlying explanation could lie in the saturation of brand name usage or that in the studies carried out the brands were already widely known by consumers.

A further dimension is perceived quality. Perceived quality is defined as the technical superiority of a product or service that must be valued and perceived by the consumer (Zeithaml, 1988). Previous research has tied this variable to a superior differentiation of the brand, as well as a greater predisposition to pay a price premium (Netemeyer et al., 2004).

Next is brand image, also referred to as brand associations. Aaker (1991) defines brand associations as any item that remains in the consumer's memory and which generates a positive association. Keller (1993) points out that these associations can be sensory impressions, emotions or simple verbal or visual descriptions. As indicated by Yoo, Donthu, and Lee (2000) and Del Rio, Vazquez and Iglesias (2001), it is possible to create a favourable attitude and predisposition towards a product which will lead to a greater predisposition to purchase or use the product. This variable contributes greatly to the creation of brand personality (Aaker, 1996) as it accentuates its capacity to be distinguished from other alternatives that compete directly. This is the basis for creating a singular and distinctive offer. We are referring to the unique value or singularity (Mohd, Nasser, & Mohamad, 2007). Singularity is defined as the degree by which consumers feel that the brand is different and distinct from the remaining alternatives that exist in the market. So if the brand is perceived as unique with regard to the alternatives, a higher price can be charged. The singularity of the brand is therefore considered a primary or core asset of brand equity (Aaker, 1996; Agarwal & Rao, 1996; Netemeyer et al., 2004) and can be used as the basis to establish a price premium (Kalra & Goodstein, 1998). This variable becomes even more relevant in fashion markets, especially if one is seeking an offer with a high level of differentiation. For fashion markets, this variable will be tied to a characteristic and singular style that would provide it with its own personality or a different style. The variable that contributes to defining the singularity is the design or style, and in the case of fashion, is very often created by the designers themselves (Armani, Adolfo Dominguez, Versace, Carolina Herrera, etc.).

The fourth dimension we look at is loyalty. Loyalty refers to the link between the customer and the brand. Numerous studies and research are showing that this is the variable that has the biggest influence on brand equity (Atilgan, Aksoy, & Akinci, 2005; Mohd, Nasser, & Mohamad, 2007). As far as fashion is concerned, Tong and Hawley (2009), who researched the importance of marketing variables on sources of brand equity, have emphasised that this variable has the biggest influence on the formation of brand equity. Thus, the brand equity components would therefore be defined. Based on these foundations, model of brand equity was built.

Figure 1: Brand Equity and Relationship with Brand Value



Source: Own elaboration

There are other variables such as perceived value (Netemeyer et al, 2004) or satisfaction and reputation (de Chernatony, Harris, & Christodoluides, 2004). A synthesis of the most relevant empirical evidence about the relations between the dimensions and brand equity can be seen in table 1.

Table 1: Dimensions of brand equity and relations between sources of equity and other relevant constructs identified in literature

Dimensions Related with Brand Equity and Relationships	Author/s	Contribution
Brand equity dimensions and its relationship with Brand Equity	Yoo et al. (2000); Yoo & Donthu (2002) Kim & Kim (2005) Kayaman & Arasli (2007)	A quite number of studies demonstrate the multidimensional status of Brand Equity. A positive relationship was found to exist between the components of customer-based brand equity and the firms' performance.
	Kayaman & Arasli (2007) Rios & Riquelme (2010) Pappu et al. (2005) Atilgan et al. (2005)	Brand Awareness and brand Associations are distinct dimensions. Weak support is found for the influence of brand awareness on brand equity. This fact is related with saturation and more empirical evidence is needed.
	Jung & Sung (2008) Tong & Hawley (2009)	When loyalty is the most important component of brand equity, there is a very positive correlation with purchase intention.
	Pappu, Quester & Cooksey (2006) Broyles, Schumann, & Leingpibul (2009)	It is not possible to generalize the results for different product categories. Brand equity dimensions must be analyzed according to intrinsic nature of products/services (e.g. design for the case of products, or trust in case of services)
Utilities of brand (functional and symbolic), brand associations and brand equity	Del Río, Vázquez, & Iglesias (2001); Cheng-Hsui Chen (2001) Pappu et al. (2006) Kim, Knight, & Pelton (2009)	The core of the brand associations, which is connected with different brand utilities, is one of the key factors in driving brand equity. The explanation and definition of these brand utilities may help to measure correctly brand equity. Brand associations contribute to the definition of brand personality, a fundamental aspect to recognize product/service benefits.
Singularity and Brand equity	Netemeyer et al. (2004); Mohd et al. (2007)	Brand Uniqueness, which is directly associated with brand personality, is one of the most important antecedents of WTP premium of a brand.
Trust, Brand Loyalty and Brand Equity	Lassar, Mittal, & Sharma (1995)	The customer-based brand equity scale is developed based on the five underlying dimensions of brand equity: performance, value, social image, trustworthiness and commitment
	de Chernatony et al. (2004)	The findings reveal that brand trust is rooted in the result of past experience with the brand, and it is also positively associated with brand loyalty, which in turn maintains a positive relationship with brand equity.
	Chaudhuri (1995)	Results indicate support for both theories of brand equity and double jeopardy since both direct and indirect relationships were found between attitudes/habit and brand equity outcomes. The indirect relationships were mediated by the concept of brand loyalty.
Brand Equity and Perceived Value	Kim, Jin-Sun, & Kim (2008)	All dimensions of brand equity (brand loyalty, perceived quality, and brand awareness/association) positively affected perceived value.
	Holehonnur, Raymond, Hopkins, & Fine (2009)	Quality and price–prestige relationships serve as drivers of value equity, whereas brand awareness and brand attitudes drive perceptions of overall brand equity. Further findings support the influence of brand and value equity on consumers' purchase intentions

Source: Own elaboration

The identification of the sources of brand equity and knowing how these influence the formation of brand equity would enable fashion companies to differentiate the offer better as well as contribute to creating differentiated products in the market. To respond to these issues, we carried out both qualitative and quantitative research which is explained below.

3. RESEARCH METHODOLOGY

We divided the fieldwork into two clearly different stages. Firstly, qualitative research was carried out and this was followed by a quantitative stage.

3.1. In-Depth Interview and Questionnaire with Executives: Selection of the Sample and Measuring of Variables

In the qualitative stage, we first carried out an in-depth interview to identify the sources of differentiation, activities and/or stages of the value chain as well as the most relevant strategic decisions (subcontracting, diversification, etc.). Later we gave them a structured questionnaire based on the previous results. To do this we selected 46 executives from Galician companies. Specifically, the companies represented were Adolfo Dominguez, Roberto Verino, Caramelo, Carolina Herrera, Purificación García, Kina Fernandez, Florentino and Antonio Pernas. Similarly, four specialists were chosen from the company Inditex. To ensure the reliability of the results, interviews were carried out individually so that none of the executives or specialists was aware of how the others had responded. Lastly, 40 interviews were carried out, 36 with executives and specialists of the medium-sized and big firms and 4 with the multinational group Inditex. This initial stage was used to structure and organise the different stages of the value chain as well as identify the main variables, procedures and routines of each of these stages and obtain extremely valuable information on the factors of differentiation. This information was used as an input to draw up the questionnaire for executives as well as the one for consumers. In fact, the differentiation variables and stages of the value chain (supply of materials, preparation -which in turn includes design, pattern, cutting, sewing, finishing and quality control-, distribution and marketing) were identified thanks to the output of these interviews. A questionnaire was drawn up for executives and specialists from the sector using all of this output. The variables and measurement scales are shown in Table 2. As it can be seen from the table, in addition to measuring the factors of differentiation, we also analysed the strategy -obtaining an advantage and focus-, and the organisation of the value chain (stages or activities). Lastly, we included classification variables such as the size of the company, turnover, number of employees, and international competitiveness indicators.

Table 2: Selection of variables, items and measurement scales used in the Qualitative Research

Main and strategic interest aspects	Items used	General purpose/Measurement scale
Competitive strategy at international level	Sources of competitive advantage (Porter, 1998)	1. Cost 2. Differentiation
	Scope or focus (Porter, 1998)	1. The entire market 2. Segment
Organisation of the value chain	Procurement/Logistics (in and out) Production/Distribution/Marketing	Organise the different stages of the value chain
Factors of differentiation	Open question to executives in the initial stage of qualitative research (2009) followed by Likert scale on the degree to which they agree with each of these items and how they contribute to differentiation of the company	The following items contribute to differentiation of its supply over competing rivals Measurement scale: 1. Totally disagree…5. Totally agree

Source: Own compilation

3.2. Quantitative Phase: Questionnaire to Consumers

As a complement to this research with executives and specialists from the sector, research was also carried out with consumers to measure the brand equity based on classic brand equity measurements, including the design. As will be explained later, this was highlighted by executives as a variable which, as well as being a factor of differentiation, is a source of brand equity, and which executives speak about as brand-design. Two hundred and fifty potential consumers of apparel and fashion that did recognise the aforementioned brands were interviewed. These potential consumers came from different geographical locations in Spain. A wide range of firms was used, targeted at different types of public, styles and preferences. This enabled us to have a heterogeneous sample that included profiles of different consumers. The consumers had to assess the following clothing brands: Adolfo Dominguez, Purificacion Garcia, Carolina Herrera, Emidio Tucci and Cortefiel. In order to have the greatest representativeness of the sample of consumers, we selected sampling units of all age ranges from 18 to 65, and likewise from both sexes, with greater representation of females (64%) than males (36%). Those questioned were randomly assigned to the different brands and assessed the different items that define the constructs that make up the brand equity. Each brand was therefore assessed randomly by 50 consumers.

Scales obtained from previous research were used to measure the different components of the brand equity. Brand awareness was measured using the scale proposed by Yoo et al. (2000). The items that make up this scale refer to general awareness and the consumer’s familiarity with the brand. A further dimension analysed was perceived quality. Perceived quality was measured using the scale proposed by Yoo et al. (2000) as well as the one proposed by Pappu, Quester and Cooksey (2005) who specifies the characteristics and quality (consistency and trust) associating these to the goods. It is an appropriate refinement of the scale of the aforementioned authors. Likewise, brand loyalty was measured using a scale similar to the one proposed by the aforementioned authors –see table 3-. The fourth dimension is the associations. It is important to point out that although Aaker (1996) considers three types of different associations such as personality, perceived value and organisational-type associations, the selection of reflective indicators has been based both on a review of literature, mainly from the aforementioned authors, as well as the results of qualitative research. Prominent at this stage was the size of brand personality, a crucial and determining element of brand associations. This is what would provide a real distinction for the brand. This variable includes the concept of singularity, vital in explaining higher brand equity (Netemeyer et al., 2004). More specifically, the variable that would endow the brand with great personality, and which would reinforce brand image, would be the design. This can be seen in the case of two garments with the same textiles and materials, one that was authentic and the other an imitation, something very typical in the textile sector. In this specific case, both options would be very similar and even the brand image would be very alike, but the real difference lies in the design. If this is also distinctive, it would contribute great value. For this reason, in addition to the classic items used to measure brand image, items associated to design were also used. From the executives' point of view, these items would be those that provide greater brand image. Moreover, organisational associations would be more connected to the corporate dimension or to consumer confidence towards the brand, but those attributes would already be covered in some of the quality assessment items where the consumer evaluates whether the products are reliable and trustworthy. In all cases we used the Likert-type 5 point scale (1 = totally disagree; 5 = totally agree). A synthesis of the variables or indicators and the measurement items are given in table 3. The sampling error was 7.1%. The information was captured through a structured questionnaire and the fieldwork was performed in February 2010. The information was processed using the statistical program Spss 15.0. Besides that we used Amos 16.0 to run the model.

Table 3: Measurement scales, latent variables and reflective indicators used to measure brand equity

Latent variables	Indicators	Measuring scale
Brand awareness Yoo et al. (2000)	BrAw1: I am able to recognise brand X easily from among others of the same category BrAw2: Brand X comes immediately to mind when I think about fashion products BrAw3: I am very familiar with brand X BrAw4: It is easy for me to remember brand X	1. Totally disagree …. 5. Totally agree
Perceived Quality Yoo et al. (2000); Pappu, Quester, & Cooksey (2005)	PerQual1: Brand X is of higher quality PerQual2: The likelihood of brand X products being functional is high PerQual3: Brand X products have excellent characteristics PerQual4: Brand X offers reliable and trustworthy products	1. Totally disagree …. 5. Totally agree
Brand Associations (Own compilation based on Netemeyer et al., (2004)	Dis1: Brand X has a very singular and characteristic style Dis2: Brand X has a very characteristic design and style and is very different from other brands Dis3: Brand X has a unique design and stands out from other brands Image1: I associate some specific characteristics of X immediately Image2: It is easy to associate brand X with fashion products Image3: I have a very good image of brand X	1. Totally disagree …. 5. Totally agree
Loyalty Yoo et al. (2000)	Loy1: I am loyal to brand X Loy2: Brand X is my favorite Loy3: I only purchase brand X	1. Totally disagree …. 5. Totally agree
Brand equity Yoo et al. (2000)	BrEq1: It makes sense to buy brand X instead of others available in the market BrEq2: Even if other brands had features that were similar to brand X, I would buy brand X BrEq3: Even if other brands had other characteristics, I would still prefer brand X	1. Totally disagree …. 5. Totally agree

Source: Own source

4. RESULTS

To respond to the objectives laid down, we divided the section into two clearly different parts. Firstly, we reveal the results on the source of competitive advantage and the variables with the greatest potential for differentiation. These results have been taken from the interview held with executives and compared with the prior research mentioned in section 2. Afterwards, we analyse the sources of brand equity. Let's start with the first part.

4.1. Strategy, Value Chain and Sources of Differentiation

To carry out this analysis, we first researched the source of competitive advantage on which firms should focus. So, the executives were asked to name the competitive advantage on which the strategy should be based. Here there was a unanimous response. Executives from Galician medium-sized and big firms pointed to segment-focused differentiation which is coherent with preliminary research (Parrish, Cassill, & Oxenham, 2004); while executives from the multinational Inditex said that the better strategic option would be cost leadership with a segment approach (table 4).

TABLE 4: Source of competitive advantage identified by executives (n=40)

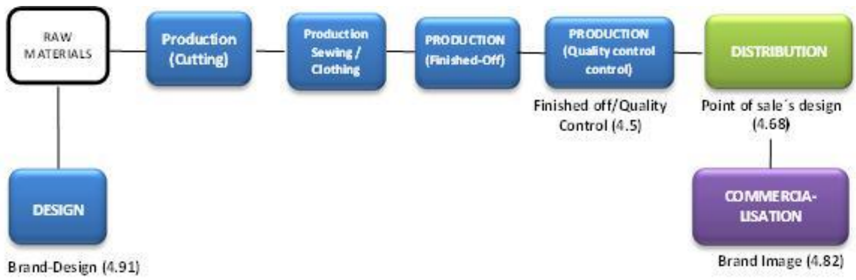
		COMPETITIVE ADVANTAGE			
		%	Cost	%	Differentiation
FOCUS	Whole Market		Cost leadership. The entire market (0/40)		Differentiation: The entire market (0/40)
	Segment	7.5%	Leadership in segment cost (4/40)	92.5%	Segment differentiation (36/40)

Source: Own elaboration based on the questionnaire given to executives (2010)

Once the advantage has been named, the value chain was analysed. We proceeded to identify the stages of this and the most outstanding differentiation variables. In an international context, companies can subcontract those most labour-intensive activities or tasks to countries with relatively low labour costs. More specifically, there are production stage activities -such as sewing, cutting or tailoring- which can be carried out in Asian countries or Eastern Europe. These resources would be released to focus on activities that generate equity for the company. Elsewhere, identifying the variables with the greatest potential for differentiation could be used as the basis for the creation of the differential advantage on which the company should build the competitive strategy. Brand capitalisation of these pillars would allow the competitive position to be consolidated and strengthened.

Having emphasised the differentiation strategy, executives were asked which of those variables had the greatest potential for differentiation. Besides researching the competitive factors for different stages of the value chain, different items were selected to measure the contribution of differentiation of the supply over competing rivals. In the main, executives highlighted the marketing variables, with prominence given to brand-design (4.91), brand image (4.82) and design of the point of sale (4.68) (figure 2). By the same token, the most outstanding production variable is control of the production process, especially the quality of the finishes (4.5). As can be seen, the biggest factor is the importance of marketing variables, especially the brand image and the design, as intangible assets on which the company should act to provide a distinguished and new offer.

Figure 2: Key sources of differentiation of the value chain of the textile-clothing sector in international markets (n=36)



Source: Own elaboration

4.2. Analysis of the Sources of Brand Equity

As well as creating the differential advantage on which companies should build the competitive strategy, this advantage must be perceived by the consumer. Given that the brand is presented as a fundamental asset both for building the strategy and for the internationalisation of the firm (Malhotra, Peterson, & Kleiser, 1999), this requires an analysis, from the consumer's standpoint, of what the sources of brand equity are. Discovering the weight or weighing of those sources in the formation of brand equity represents a crucial objective in strategically managing the brand in fashion markets. This is explained below.

4.2.1. Analysis of the Measurement Model

Prior to analysing the causal relations we will briefly examine the measurement model. This required a confirmatory factor analysis for the purpose of validating both reliability and statistical validity. The first analysis revealed the need to remove several items from the proposed scales in order to measure brand awareness (BrAw3) and others from the scale that measures brand associations (Image2 and Image3). Having removed these indicators, the results showed an appropriate specification of the proposed factorial structure (see table 5). In this regard, all of the indicators presented significant standardised lambda coefficients in excess of 0.50, which verifies the convergent validity of the scales (Steemkamp & Van Trijp, 1991). By the same token, the coefficients presented a good ratio with each of the underlying factors ($R^2 > 0.3$). With regard to the analyses concerning reliability, the composite reliability coefficients and analysis of the extracted variance exceeded the suggested values of 0.7 and 0.6, respectively (Anderson & Gerbin, 1988; Hair, Black, Babin, Anderson, & Tatham, 2006). Similarly, the discriminating validity of the measuring model was also ratified by checking that none of the reliability intervals of the estimated correlations between each pair of dimensions contained the value 1. Finally, the quality indicators of the goodness of fit exceeded the established limits.

4.2.2. Analysis of Causal Relations

Having analysed and checked the measurement model, we then analysed the causal relations, viz, the influence and importance of different variables or sources of brand equity. As table 5 shows, brand awareness has a negative influence, although no significant, on brand equity (β_{15}=-0.016; t=-0.253). A priori, this result may be thought of as contradicting the theory. However, there is more empirical evidence that backs the findings of this research. This has been revealed in studies such as Agarwal and Rao (1996) or Atilgan, Aksoy and Akinci (2005) whereby brand awareness had no influence on brand equity. The interpretation given to this result is that although brand awareness is a necessary condition for brand equity, this component may acquire a secondary or irrelevant nature when it becomes very repetitive or when it is already known by consumers. Viz., there is a threshold of saturation beyond which consumers do not value that supposed brand awareness. Thus, the best advertising for a fashion brand would be word-of-mouth, while any marketing action targeted at creating awareness would not only create higher brand equity but also would lead to an effect of saturation. Analogously, a loose of exclusivity as a consequence of extending the brand to other targets, and consequently more brand awareness, should have a negative effect for that brand.

Table 5: Confirmatory Factor Analysis

Construct	Indicators	Lambda	R^2
Brand Awareness	BrAw1 BrAw2 BrAw4	0.710 0.713 0.718	0.505 0.508 0.515
Perceived Quality	PerQual1 PerQual2 PerQual3 PerQual4	0.882 0.885 0.875 0.733	0.779 0.784 0.765 0.537
Brand Associations	Des1 Des2 Des3 Image1	0.822 0.827 0.811 0.509	0.675 0.684 0.658 0.675
Loyalty	Loy1 Loy2 Loy3	0.844 0.897 0.692	0.712 0.805 0.480
Brand equity	BrEq1 BrEq2 BrEq3	0.705 0.850 0.905	0.497 0.722 0.818
$\chi2$ =558.123 df= 179 p-value=0.000 CFI=0.880 GFI=0.811 RMSEA=0.079			

Source: Own compilation

Similarly, perceived quality has a positive yet significant effect (β_{25}= 0.185; p=0.038). This is a result that was anticipated in the research stage carried out with the executives. Although consumers do not recognize the fabrics, their components or their intrinsic characteristics, they are able to recognise an overall image that reflects quality of finishes and great detail in the preparation. Therefore, the image of quality can be perceived by the consumer on recognising the finishes, buttonholes, etc. Likewise, this activity would also require strict control of the production chain, especially when the preliminary activities are subcontracted, a required practice at Galician firms and one which, however, is not currently being performed.

The remaining variables have had a significant influence on brand equity. Specifically, brand image (β_{35}= 0.309; p=0.018) greatly influences brand equity. This is a very important result. This result confirms, as explained in the foundations section, the importance that the image of positive associations created in the minds of consumers has in these markets. In the case of fashion, these associations must be associated to know how, to an image of quality or to an image of “fashion”. A variable presented as new in our study would be directly connected to this factor: design. Design would represent what the executives expressed as own style. This variable would allow definition not only of brand personality -and which in many cases is built by the designer (Purificacion

Garcia, Adolfo Dominguez or Carolina Herrera)-, but also the differentiating factor based on which a consumer can easily distinguish one product from another and even an imitation of the authentic product.

Analogously, the results show that brand equity is significantly determined by loyalty (β_{45}=0.397; p=0.001). This result ratifies previous research that showed the importance of this variable in the formation of brand equity (Atilgan, Aksoy, & Akinci, 2005, Jung & Sung, 2008) and in the creation of trust towards the brand (Delgado & Munuera, 2005; Wan, Kandampully, Lo, & Shi, 2006). Lastly, it is important to point out that by analysing results and considering formative factors instead of reflective ones, using the PLS program, very similar results are reached.

Table 6: Causal analysis

Causal relationship	Weight of regression	t Student	p
****β_{15} Brand Awareness → Brand equity**	-0.016	-0.253	0.800
***β_{25} Perceived Quality → Brand equity**	0.158	2.074	0.036
***β_{35} Brand Associations → Brand equity**	0.309	4.616	0.018
***β_{45} Loyalty → Brand equity**	0.397	6.797	0.001
$\chi 2$ =220.742 df= 109 p-value=0.00 CFI=0.953 GFI=0.908 RMSEA=0.064 R^2 (Brand Equity)= 0.432			

*p<0.05 (significant) **p>0.05 (insignificant)

Source: Own compilation

5. IMPLICATIONS

This research has contributed notably to defining the sources of differentiation as well as analysing the role that brands have in defining the strategy and in creating greater equity for the company. The context has been restricted to companies from the Galician textile-clothing sector operating in international markets. The main implications have been organised on the basis of the principal sections revealed in section 2. Let's start with the factors of differentiation and the value chain.

5.1. Competitive Strategy and Differentiation Variables

In this section, the executives of fashion firms responded unanimously from among the different options that were presented to them. Except for the multinational Inditex, the executives' perception focused on the importance of differentiation targeted or focused on one segment, a result that is coherent with recent research (Parrish, Cassill, & Oxenham, 2006). This differentiation must be based on an offer of value tied to a very distinctive style. Moreover, this style must be transmitted by the brand and must be uniform and present in all products offered by the company. This implication is coherent and greatly reinforces the previous implication. The brand, its image and design, play a fundamental role as factors of differentiation. These variables should be the basic pillars on which the company builds its strategy.

5.2. Sources of Brand Equity in the Textile-Clothing Sector

Finally, we wanted to know the main sources of brand equity from the consumer's standpoint. The results were conclusive and coherent with the foregoing implications. In fact, loyalty, and brand associations (which includes design and image), and perceived quality were shown to be the most outstanding sources. Consumers, if they perceive a clear level of differentiation, tend to be loyal to this. As we have already said, achieving that level of differentiation depends on the design and brand image. This distinctive design is a source of differentiation that enables consumers to immediately recognise the products of one brand and bestow it with a winner effect (Caruana, Pitt, Berthon, & Page, 2009). The allocation of resources to these variables of design (designers, pattern designers, stylists,...) or image (e.g. celebrities, etc.) and even the extension of the brand towards designer products are strategic decisions that will increase brand equity for the company.

6. CONCLUSIONS, LIMITATIONS AND FUTURE LINES OF RESEARCH

The purpose of this paper was to research the role of the brand in the construction of a competitive advantage and in the creation of value of Galician companies from the textile-clothing sector, mainly those that operate in the international markets. More specifically, it was to find out the sources of brand equity having huge potential for differentiation and enabling the company to create a differential value. Following the same structure that we have used to date, we list below the main conclusions.

6.1. Competitive Strategy and Differentiation Variables

Apart from the multinational Inditex, the perception of the executives has focused on the importance of segment-targeted or focused differentiation. This differentiation must be based on an offer of value tied to a very distinctive style. Moreover, this style must be transmitted by the brand and must be uniform and present in all products offered by the company. In fact, the design is an asset on which firms can build an offer with a unique and different value, viz., their own style. However, and as the results show, it also promotes or improves recognition by the end consumer of the value offered, namely improving the differentiation of the product over the alternatives that compete directly with this product.

6.2. Sources of Brand Equity

Loyalty, associations, and quality, have been shown to be the most outstanding sources of brand equity. As we have already said, achieving that level of differentiation depends on the design and brand image. The allocation of financial resources to the design and image variables is profitable for the company. One application of this would be the strengthening of production and marketing units through the creation of a network of designers, stylists, etc. and fostering the brand image through celebrities, etc. Lastly, it is interesting to see how the extension of the brand towards designer products will increase brand equity for the company. The investment in these two intangible assets is therefore shown to be a source of brand equity that would enable the company not only to improve its differentiation but also obtain a stronger competitive position in the international markets and even obtain higher prices or a greater predisposition on the part of end consumers to purchase the product.

The research carried out is not exempt from limitations. We must point out that this study has been limited to the Galician case. This methodology could be applied to other cases such as other clusters from other countries (e.g. Italy, France, USA or China). By the same token, it would be opportune and enriching to test the application of the study in other international markets to ratify the importance of the design factor, although as we have shown this was emphasised by the huge majority of sector executives and specialists. Lastly, progress should be made in the methodologies for measuring brand equity. In this regard, progress should be made in measuring the constructs, validating the current measurements with a formative focus. Some studies of recent literature are focusing on this methodology, although the results being obtained are in line with the current research.

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FASHION BRAND "CAROLINA HERRERA" INTERNATIONALIZATION STRATEGY: DEMOCRATIC LUXURY OR MAXIMUM EXCLUSIVENESS?

ABSTRACT

Introduction: The Company Carolina Herrera has identified a market niche that demands garments, apparel and accessories and to which it can offer a somewhat differentiated product with excellent quality. This market niche is the target of several companies with very renowned Brand names and great reputation, such as Loewe and Vuitton, which may be clearly identified as the leading companies and worldwide references. In this scenario, the question of which internationalization strategy must be pursued to access the luxury fashion product market should be raised.

Goals: To answer this question, Spanish fashion retailer Carolina Herrera's internationalization process and strategy are to be analysed.

Methodology: A Benchmarking analysis was carried out for the purpose of identifying best commercial performances of leading worldwide Brand names to determine and raise the marketing planning strategy.

Findings: The Company has identified a global market niche with positive growth rates such as luxury fashion apparel and accessories. Nevertheless, the most significant strategic positioning may be democratic luxury, due to the lack of a brand image with great exclusiveness.

Originality: The study of internationalization of the Brand name CH is approached from a Benchmarking point of view, integrating all fundamental marketing strategic planning process variables.

Keywords: Internationalization, Benchmarking, Branding, Fashion Markets

1. INTRODUCTION

Carolina Herrera is a fashion Brand name with a renown and quality image. The company has identified a market niche that demands garments, apparel and accessories to which it may offer a somewhat differentiated product with excellent quality. However, this market niche is already targeted by several companies with very renowned Brand names and great reputation, such as Loewe and Vuitton, which could clearly be identified as the leading companies and worldwide references in the luxury fashion apparel and accessories sector (Reynolds, 1985). This exclusive brands group could also include Armani, Dior, Hermés, Versace, Chanel, Prada, Gucci and Calvin Klein.

Faced with this scenario, we examine whether there is the possibility of carrying out a complete new brand positioning to enter this market niche, luxury fashion apparel and accessories, or on the contrary, efforts should focus on strengthening its brand positioning strategy within an international scope.

To answer this question, Spanish fashion retailer Carolina Herrera’s (hereinafter CH) internationalization process and strategy are going to be analysed as a case study. For that purpose, three basic elements of marketing strategic planning will be used, such as the ‘Benchmarking’, which will allow us to make a quite rigorous analysis of the competition, particularly these leading brands; segmentation and positioning that will allow an accurate identification and definition of the target audience or the potential market at which the Company should aim (Kothler, 2007); and finally the Marketing-mix, viz., marketing variables that the Company has to reach this potential market. Because Brand plays a determining role in the firm’s internationalization and in penetrating international markets (Malhotra et.al., 1999), the role played by Brand as an impetus and a transmissive vehicle of internationalization strategy, each of these facts, are analysed in this study.

This study has been organized in the following way. First, it explains how the CH concept in the current fashion textile and clothing internationalization process context commenced and how it grew. This part will enable us to appreciate the company’s core strengths and weaknesses and what kind of role brand played in this internationalization process. It is the starting point of marketing planning strategy that should be complemented with the competition analysis, a matter analysed next. Thus, pursuing the benchmarking philosophy, worldwide leaders, key commercial practices and the

Company’s rivals are analysed. Next, the definition of positioning and segmentation strategies is examined, as well as the role Brand should perform. In this section, the positioning matrix will be defined in which competitors identified and explained previously are included. To complete the marketing planning strategy, the study tackles more significant aspects of marketing-mix variables. Lastly, it concludes with main strategic implications that try to solve the issue brought up.

2. THE COMPANY’S BEGINNING, CONCEPTUALIZATION AND INTERNATIONALIZATION PROCESS

2.1. The beginning of the Company and the Carolina Herrera concept in current context

The European textile and clothing sector is characterized by its fragmented and disperse production, with great number of small and medium size companies, which are mainly located in Italy, United Kingdom, France, Germany and Spain (Nordas, 2004), whereas textile distribution channels are characterized by their huge concentration level (Stengg, 2001). In this context, in 1997, the company Sociedad Textil Lonia, S.A, (STL) was launched, as an industrial project of clothing and sale of garments, apparel and accessories whose aim is the medium-term development of several brands in all worldwide markets, with its operations base in Spain.

Its owners, the Domínguez brothers, created this industrial project after the stock market flotation of the family company Adolfo Domínguez. The company started out in 1997, with the Purificacion García Brand, because of the personal relationship with the fashion designer and due to the fact that they noticed she had isufficient financial capacity to industrialize and expand her brand name. We can therefore surmise that the Galician company began its forage into the fashion industry with outstanding ‘know-how’ due to the experience acquired by its founders with the company Adolfo Domínguez.

In this way, the first brand that STL launched onto the Spanish market in 1998 was PG, with men and women’s collections, aiming at the market segment with a medium-high purchasing power and which also demands quality and design apparel. Results achieved at PG far exceeded the expectations set by the company.

On the other hand, legendary fashion designer Carolina Herrera started up the company Carolina Herrera New York Ltd.in that same city and began her vertiginous business career, with high-fashion collection and accessories. In 2000 she signed a commercial licensing contract with STL to start the worldwide expansion of her firm from 2001 onwards and which plans for the medium-term inauguration of 20 stores in Europe, 40 in the United States and a similar amount in South America, Asia and the Pacific area, without dismissing the possibility of opening new boutiques in the most prestigious department stores in the world. During spring-summer 2000 it began to develop the CH brand for launch in Spain, aimed primarily at the market segment with high purchasing power, offering great quality and exclusive design products.

Nowadays, the CH brand is the flagship of the company located in Ourense. Over a thirteen-year period, STL has become the second Galician largest company in the clothing sector, with a turnover of 260 million euros in 2010, behind the multinational company Inditex. It has 305 stores in 23 countries worldwide and 102 points of sale for the PG Brand in three countries. There were 1700 employees in 2010, distributed between the factory, headquarters and over 300 points of sale in Spain and the rest of the world.

The textile Company owns a commercial licensing contract for both brands, negotiated with both designers, which allows their commercial running of the same. Under this contract, STL, is in charge of the global design, tailoring, distribution and management of the two brands, while fashion designers Purificación and Carolina Herrera are responsible for supervising collections once a year, as well as taking part in various PR events.

Control of the overall procedure, including design, production and distribution is from central headquarters in Pereiro de Aguiar (Ourense), with 26.100 m2 distributed over five warehouses in a lineal sequence, reproducing the textile production chain sequence and connected to each other. The first warehouse is for raw materials and dressmaking; next is the tailoring premises; the third is used for ironing, labelling and QA processes; the fourth one is for storage of finished products and is from where garments are distributed daily to all point of sales, while the fifth houses the design, patterning, management, administration, architecture, finance, exports and purchase departments.

Due to its business experience, to the abolition in January 2005 of quotas on textile exports and to non-constrained access by all members of the World Trade Organization to the developed country markets, the company has reorganized its production process, getting rid of the warehouse and the tailoring or dressmaking activities. So, following

Keenan et al. (2004) and Berkeley and Steuer (2000) there is a clear example of product subcontracting of the labour intensive parts of the production process to third countries with lower wages costs (especially to China, Hong Kong and Portugal).

2.2. One business and management model: 'One company, two brands'

Dealing with two fashion projects set in different market segments such as PG and CH has forced the company to lay down two different marketing strategies for the two brands. Both brands already exist in their markets: PG in the Spanish market and CH in North American market. STL undertakes growth of both brands in the international and national markets. This brand portfolio has allowed STL to aim at different market segments in the most effective way. The biggest threats to this business strategy are the cost of maintaining several brands and the risk of cannibalization among them. The company has tackled possible cannibalization between CH and PG by differentiating brands, particularly by product, target market, image and merchandise display.

In recent decades there has been a new trend in the textile retail industry that consists of a business model revaluation to adapt to changing customer preferences (KPMG, 2005). Fashion companies are becoming much more flexible and vertically organized (Samiee, 1995), and are adopting new technology to increase productivity and development (Berkeley & Steuer, 2000). In fact, the great advantage of the business strategy followed by STL lies in its unified, quasi-integrated and global management model, which provides the company with great control over the production process, distribution and commercialization, as well as great flexibility and speed in adapting production to market needs in the short term.

This enables the company to have a large degree of verticalization, meaning that different stages of the value chain are integrated, such as the design, patterning, and delivery to point of sales, distribution and store management. Its flexible structure, as well as its customer orientation and the advanced information technologies used, allow a flexible and swift response to the customers' demand and excellent market orientation. Even though it cannot be called a 'Just-in-time production system', it does fall into the quick response system, because it allows a rapid response to changing customer demands (Castellano, 1993, 2002) and makes the productive and commercialization system more flexible.

A totally brand new CH garment might be designed, manufactured and delivered to the store within four weeks. STL designs all apparel and takes charge of the patterning and QA of the garments, while 90% of the collection is subcontracted in Spain and abroad. The remaining 10% is subcontracted to small Galician and Portuguese workshops, owing to pressing needs and their proximity. CH accessories, such as handbags, purses and footwear are also subcontracted to specialized leather manufacturers. The company takes charge of the merchandise distribution, exporting and logistics, as well as point of sale management. Its own points of sale could be stores or Outlets, opened in big cities to sell the off-season collections or garments with small imperfections. Both Outlets and company stores are managed by the company's Product Management Department.

That way, the management method used by the company is quasi-integrated management of design, production and distribution, which allows minimizing fashion variable trends risks, adjusting production to real demand and removing production channel intermediaries. As remarked on previously, this unified, integrated and global business management model gives production control to the company and provides it with the flexibility needed to adapt production to short-term demands and market styles. This management model is backed by an advanced IT system, which every day processes all information from the stores to central headquarters, which provides daily monitoring of articles sold at each point of sale, both in Spain as well as abroad. This information is subsequently used in the design and production departments, to continue manufacturing those articles sold and keep on designing those articles customers like.

The STL management model is being put into practice by other fashion retailers. So, the company's initiative of signing commercial alliances with great designers and creating their own brand textile distribution, yet directly managed by the company, is starting to be emulated in Spain. If to date large Spanish companies like El Corte Inglés or Cortefiel have been restricted to creating their own brands (usually leaving out great designers) or allocating space in their stores to allow them to set up their 'corners', current trend shows a clear commitment towards these brands and providing commercial and industrial support to the creation of retail brands. This is the case of Jesús del Pozo and Pedro del Hierro, respectively supported by El Corte Inglés and Cortefiel, for the creation of a network of stores bearing the designers' brand, and for which the former will be responsible for production and management.

2.3. The CH brand internationalization process: motives, market selection and entry process.

2.3.1. The Carolina Herrera Brand's internationalization process

A trend observed in recent decades in the textile, clothing and fashion sector consists of the sector's increasing internationalization, as well as the appearance of new international rivals (Cerviño, 1998; Bonache & Cerviño, 1997; Akehurst & Alexander, 1996; Guillén, 2006).

In this extremely competitive setting, CH opened its first store in Ourense in 2001 and for two years expanded into the Spanish domestic market, with openings in the largest Spanish cities. International expansion began in 2002 with the inauguration of the Miami store (USA). As explained previously, in 2010 the company operated in 23 countries and international sales accounted for 60% of total sales in 2010, with the United States and South America by far the most important markets. The reason for commencing international growth in North American market was due to the fame fashion designer Carolina Herrera attained in this market, as she has lived in NYC since the 80s, and it is from here that she continues with her haute couture company 'Carolina Herrera New York'. The company continued to expand in Mexico and South American countries, likewise because of the fame the fashion designer had in those markets, due to her Venezuelan status and because she lived in Caracas during her childhood and youth.

2.3.2. Internationalization motives

Previous literature has classified retail internationalization reasons into 'push' factors, those that encourage the company to search for international opportunities, and 'pull' factors, those that involve attractive conditions in foreign markets (Treadgold & Davies, 1988; Alexander, 1995). The limited growth opportunities in the domestic market had been the main influence in Carolina Herrera's international expansion decision. Most retail companies involved in internationalization processes originated from mature and extremely competitive markets. So, as Treadgold (1990) remarked, the perception of non-existent opportunities in their domestic markets, linked to the business opportunities perception in new international markets is most important motivating factor.

Thus, 'pull' or motivating factors for CH are brand awareness in foreign countries such as the United States or South American countries, uniformity of consumption patterns throughout the different countries ‘sharing a unique fashion culture’, the existence of consumer groups that demand design and quality fashion in different countries and finally, the abolition of barriers to export and import, and the development of IT.

McGoldrick (1995) and Hutchinson et al. (2007) contribute with a third group of factors related to company organization, which are the qualifying or empowering factors. CH’s expansion in New York, specifically the store on Madison Avenue that opened in 2010 and upcoming openings in Paris and Tokyo, are only justified on image and status reasons, because these capital cities are considered ‘fashion capitals’ and are extremely competitive. The North American market was perceived as a high-risk market, due to the high demands of North American consumers. In addition to this, the internationalization process does involve increased expenditure and costs and high risk in different markets.

Quinn et al. (2009) also mentions the inhibiting factors, related to the company and its environment that hinder internationalization. The first stage of internationalization is characterized by physical and cultural distance, perceived risk and lack of experience. Administrative barriers in South American countries (export trade barriers in countries like Mexico, Colombia, Venezuela or Argentina) and the different season in the Southern hemisphere in South America were inhibiting factors, as well as the cultural distance in the Middle East and the geographical distance in Asia.

The notion of physical distance and level of uncertainty level a company has to certain foreign markets have been cited as a critical factor in deciding where carry out international expansion (Dupuis & Prime, 1996; Lee, 1998; Evans et al., 2000). However, previous research has shown that some retailers overcome physical barriers due to their products and particularly desirable brands (Fernie et.al., 2003; Moore, 1998). Many authors have pointed out that this is the situation of fashion retailers that sell exclusive brands (Laulajainen, 1992; Lewis, B. & Hawksley, 1990; Moore, 2001).

2.3.3. Market selection: Disperse Internationalization

Carolina Herrera’s internationalization process in no way follows the classic ‘stages model’ (Johanson & Wiedersheim-Paul, 1975; Bilkey & Tesar, 1977; Cavusgil, 1980), starting their expansion in closer geographical and cultural markets, followed by more distant ones. Carolina Herrera carries out what author Treadgold (1990) calls Disperse internationalization. Thus, the expansion process began in the United States, a geographically and culturally distant market, and it was the popularity of the fashion designer in this country that was the key factor in market choice.

In this first stage of 'cautious expansion', between 2002 and 2004, CH expanded in the North American market, especially in large cities with a large Hispanic population such as Miami, New York, Las Vegas, San Diego, Scottsdale, Houston, South Coast, and Dallas. In 2010 expansion continued with the 'image' store opening on Madison Avenue in New York, which was a strategic company decision to create brand awareness and international prestige. 2010 also saw the Orland Outlet (Florida) open for logistics reasons.

The second stage in the expansion process, in 2005, focused on Mexico, followed in 2006 and 2007 by the Middle East (Kuwait, Qatar, UAE, Bahrain, Saudi Arabia and Lebanon). An Outlet store opened in Mexico in 2009 and from 2006 to 2009 growth focused on South America: Panama, Colombia, Venezuela, Aruba, Argentina, Costa Rica, Brazil, while at the same time point of sales continued to open in new cities in Mexico, like Puebla, Monterrey, Los Cabos and Cancun.

European expansion began in 2009, starting with London and Warsaw openings. In 2010 this expansion continued with Paris and Istanbul, followed by Brussels, Cannes and Montecarlo. Having overcome the continuous export barriers in South American countries, the company planned brand expansion in countries such as the Dominican Republic, Ecuador, Chile and Uruguay, countries where the company had already purchased shop units. It was also in 2010 when the comnpany attempted to conquer the Asian markets, such as Japan and China, searching for local partnerships and agreements with commercial partners well established in this area and with fashion market experience and knowledge. The company is now planning to open in cities like Tokyo, Osaka, Seoul, Kuala Lumpur, Hong Kong and Taipei. A summary of the countries where the company has already entered, as well as chronological development and the entry method used in each country is shown in Table I (Market Entry Strategies).

Table 1: Market Entry strategies

Country	*Year of Establishment*	*Type of entry*	*Number of stores by type of entry*			
			own store	*corner*	*franchise*	*joint venture*
Spain	2001	Own store and corner	30	75		
Portugal	2001	Own store	4	1		
USA:						
Miami	2002	Own store	1			
New York	2003	Own store	1			
Woodbury	2003	Own store (Outlet)	1			
Las Vegas	2004	Own store	1			
Houston	2004	Own store	1			
Dallas	2004	Own store	1			
San Diego	2005	Own store	1			
Scottsdale	2005	Own store	1			
Boca Raton	2004	Own store	1			
Orlando	2010	Own store (Outlet)	1			
New York (Madison Ave.)	2010	Own store	1			
Mexico:						
Mexico D.F.	2004	Own store and corner	4	16		
Puebla	2004	Own store and corner		3		
Monterrey	2004	Own store and corner		3		
Cancun	2004	Own store and corner	1	2		
Guadalajara	2004	Own store and corner		3		
Los Cabos	2009	Own store (Outlet)	1			
Punta Norte	2009	Own store and corner	1			
Middle East:						
UAE (Dubai)	2005	Franchise			4	
Kuwait	2006	Franchise			1	
Lebanon	2007	Franchise			1	
Saudi Arabia	2007	Franchise			1	
Qatar	2007	Franchise			1	
Bahrain	2007	Franchise			1	
Central America:						
Panama	2007	Franchise			1	
Aruba	2008	Franchise			1	
Costa Rica	2009	Franchise			1	
South America:						
Colombia	2008	Franchise		3		
Venezuela	2009	Franchise		3		
Costa Rica	2009	Franchise		1		
Brazil	2009	Franchise		1		
Argentina	2009	Franchise		1		
Dominican Republic	2010	Franchise		1		
Chile	2011	Franchise		1		
Ecuador	2011	Franchise		1		
Peru	2011	Franchise		1		
Uruguay	2011	Franchise		1		
Europe:						
United Kingdom (London)	2009	Own store	1			
Poland	2009	Own store	1			
France (Paris)	2011	Own store	1			
Romania	2011	Own store	1			
Czech Republic	2011	Own store	1			
Asia:						
Turkey (Istanbul)	2011	Franchise			1	
Russia	2011	Joint Venture				1
Japan	2011	Joint Venture				1
South Korea	2011	Joint Venture				1
Taiwan (Taipei)	2011	Joint Venture				1
Malaysia	2011	Joint Venture				1

Source: Own elaboration (Year 2010 data).

Carolina Herrera’s international expansion has adopted three different entry methods. First, its own point of sales or branches. This direct investment strategy is the most expensive and means high control and risk levels. Carolina Herrera has adopted this strategy in most European countries, the United States and South American countries. The second method is the ‘joint-ventures’. This is a cooperation strategy that combines ‘know-How’ and foreign company experience with production facilities, especially in large competitive markets (Ring & Van de Ven, 1992; Jorde & Teece, 1992; Gualti, 1995).

This entry strategy is considered for more risky markets due to geographical and cultural distance, such as Asian countries where CH is not yet established but planning future openings.

The third and final strategy is the franchise, which is selected for high risk countries that are culturally distant (Flavian & Polo, 2000; Coviello & McAuley, 1999). These include important markets like Saudi Arabia, Kuwait or Central America countries. The CH franchise follows the same business model as its own point of sales with regard to product, store location, interior design, human resources and logistics. Meanwhile, the franchisee is responsible for fixed assets investment and staff recruitment.

Once a decision is taken for entering a specific country, CH follows an expansion pattern known as ‘oil stain’, a strategy defined by Castellano (2002) as opening the first store in a strategic area for the company, for the clear purpose of obtaining information related to this market and gaining experience (Blanco & Salgado, 2004). A similar example can be seen with Carolina Herrera, which began its North American experience in Miami and spent one year learning about customers, their needs and preferences, even making small product adaptations, such as garment size for this market, incorporating size XXL. A year later, it continued its expansion in New York City, gradually and slowly expanding throughout the entire territory.

3. BENCHMARKING AND COMPETITION ANALYSIS

3.1. Carolina Herrera’s rivals on a worldwide scale: Loewe and Louis Vuitton

In this section we will analyse Carolina Herrera’s rivals in the worldwide luxury accessories markets. Company management believes that its main rivals are Loewe and

Louis Vuitton, so we will analyse their commercial and international expansion strategies.

3.1.1. Loewe: history, commercial and internationalization strategy

Loewe, the most emblematic firm in Spanish luxury industry, has belonged to the Möet Hennessy Louis Vuitton Group since February 1996, known by its acronym LVMH. The French group, which pools together different luxury firms, took overall control of the Spanish company, thus culminating a relationship that began in 1900, when the French group became a major shareholder. The French group was trying to strengthen the Loewe foreign implementation process; because important synergies were obtained with its own international brands network (Barwise & Robertson, 1992).

In this new stage, Loewe began an image modernization process and renewed its product line. The goal set by the company was to provide the historic firm with a more trendy and dynamic image, getting closer to younger customers, yet protecting the classic Loewe identity and its quality, design and handmade craftsmanship (Table 2). With this objective, it launched a more aggressive communication campaign and started up a new architectural design in the firm's eighty stores.

The company's goal was to exceed a turnover of 600 million dollars in 2000 and to achieve this objective it carried out an optimum resource plan. First it reduced the number of handbag models, to launch a far more uniform range and to cut expenses, down from 230 ladies' handbags in 1996 to around a hundred. Leather goods and accessories dropped from more than a hundred to little more than sixty and those models less in demand were removed. In 2010, handbags represented almost half the company's sales. In 2010 it launched a collection called 'Leather Icons': updated leather articles that are unaffected by seasonal trends and a collection that continually remains available as part of the Loewe product offer.

The company's new strategy makes consumer contact more sophisticated. The company has revived private fashion shows, like the great couturiers did long ago, to commercialize its catwalk collection. After huge success in Asia, Loewe launched the 'Made to Order' sales formula in the Spanish market in 2008, an annual leather and furriery collection that is sold at private event presentations at the beginning of the season.

Regarding its financial results, Loewe failed to make profits in 2008, as a consequence of reserving funds for the firm's reorganization plan, recording a total loss of 10.53 million euros, in spite of the fact that sales figures rose 7.5%, thanks to the international expansion plan. Nowadays, the company has a total of 125 own stores and also sells at a hundred of multi-brand point of sales. We should emphasize that 51.4% of its turnover comes from outside Spain. This is a remarkable difference with STL, which under no circumstance sells its products in multi-brand stores, believing that this distribution format loses customer contact and product control.

Table 2: Loewe historical evolution summary

YEAR	SIGNIFICANT MATTERS
1892	King Alfonso XIII grants family the family company the title of Supplier to the Royal Household and it begins to be perceived as a luxury Spanish firm and leather specialist.
1934	Enrique Loewe Knappe, 3rd generation, takes over the company. During the Spanish Civil War, it almost disappears because it is forced to manufacture straps for Spanish Army.
1939	Great modernization phase. Opens store in Madrid's Gran Vía, with new shop window display concept, becoming a complete showpiece.
1943	Opens store in Barcelona's Paseo de Gracia, with a new and attractive image. Fashion designers like Balenciaga, Chanel and Vionnet are associated with the company.
1982	Enrique Loewe Lynch runs the company. Stores are given a new elegant and Spanish-inspired image. It opens first men's collection store.
1984	A shareholders group takes over company control. Meanwhile the Loewe family retains a specific stake.
1990	Louis Vuitton turns into one of main company shareholders. Collaboration with Loewe collaboration is sought for foreign expansion of the brand.

Source: Own elaboration

3.1.2. Loewe Brand Internationalization process

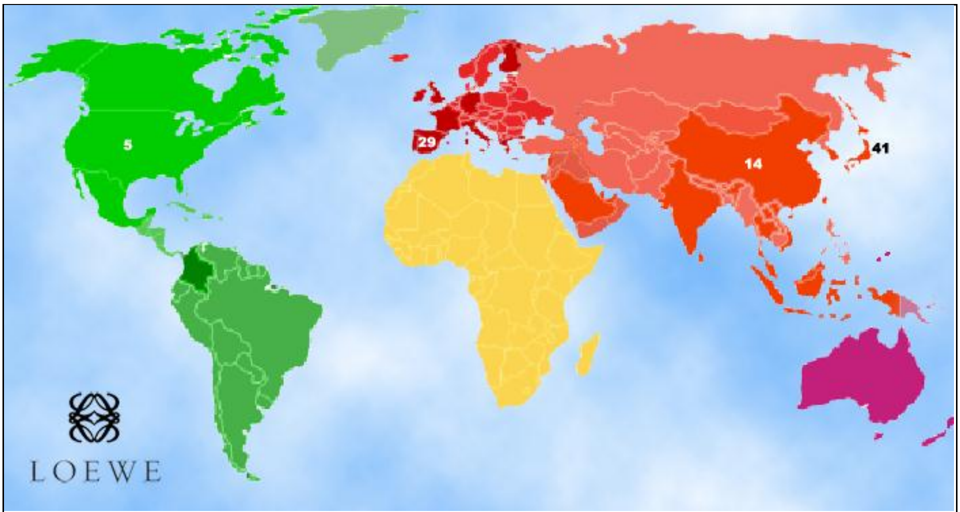
The new commercial strategy of the company aspires to turn Loewe in a worldwide benchmark luxury brand for leather articles. The company wants to develop the Loewe brand as a global brand and empower its internationalization based on its strong point, which is leather craftsmanship.

The company's future plan consists of three different operating guidelines.The first one, a new product policy, reducing the number of models and developing the men's prêt-à-porter collection. Furthermore, the company wants to boost fashion apparel collections in order to endow the company's prêt-à-porter with prestige and strengthen it. Another of the company's lines is the perfumes, where there are ambitious projects in place, due to their obvious synergies with the LVMH group. When analysing the company's product portfolio, we see that in 2009 handbags accounted for 40% of company sales, followed by accessories and leather articles that represented 18%. Taking into consideration the company's turnover, perfumes are third, totalling 16% this year. Finally, women's collection accounts for 12% of turnover and scarves and ties for 9%. Men's collection only represents 5%.

The company's second line of action is the ambitious internationalization plan that involves new store openings in Europe, especially in Germany and France. In addition, the company plans to approach the North American market, and for that reason fashion designer Narciso Rodríguez was commissioned in 2007 with a distribution agreement with the Bergdorf Goodman department store in New York. Finally, the company expects to approach the South American market in 10 years' time. Japan is one of the company's bulwarks, where the brand has been present for 45 years, and is its biggest foreign market, with a higher trade volume than the Spanish one. Asia is the main market for Loewe, with 48 stores, excluding Japan-based stores.

The outline followed by the company in selecting foreign markets for internationalization is of particular interest. The first country was Japan in 1965, a country with outstanding cultural differences with Spain and geographically quite far-off. The selection of Germany as the second destination market might be explained by the German origins of the company's founder and therefore it could be considered an emotional expansion reason, because Germany is also a market that is culturally different from Spain (Treadgold, 1990). It would make more sense to continue international expansion in South America instead of the United States of America, due to its higher cultural proximity. Data from 2009 are quite significant, because they reveal that the European market accounts for up to the 45% of total sales of the company (including the Spanish market), meanwhile the Pacific region represents 34% of total sales and Japan the remaining 21%.

Table 3: Markets where brand Loewe is set up (year 2009)

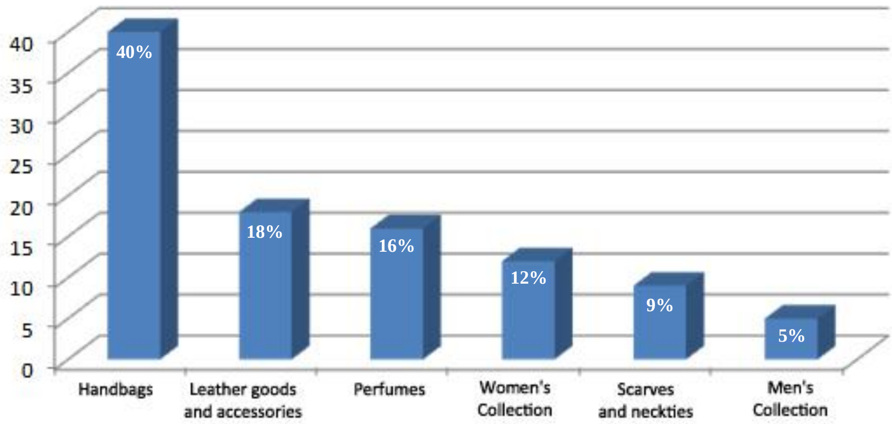


EUROPE:	Finland, France, Germany, Greece, Italy, Portugal, Spain (29), United Kingdom.
AMERICA:	Canada, Colombia, Mexico, United States of America (5).
ASIA:	China (14), Hong Kong, India, Indonesia, Japan (41), Korea, Macao, Malaysia, Singapore, Thailand, Taiwan, Vietnam.
MIDDLE EAST:	Lebanon, Qatar, Saudi Arab, United Arab Emirates (U.A.E.).
OCEANIA:	Australia, Guam, New Zealand, Saipan.

Source: own (number of most remarkable countries point of sales).

Finally in third place, an innovation plan, because the LVMH group wishes to study in depth several aspects like quality, image and store design. The extremely high quality level of its products has led the company to manufacture products for other luxury brands such as Cartier, Escada Piel and Dunhill, due to the fact that the company's production capacity is higher than the amount of products sold. This fact should be highlighted in comparison with STL, which has never manufactured for other brands, keeping a full control over its designs and products. Furthermore, the product development strategy, clearly identifying the luxury leather handbag segment, with excellent quality and a classic design, has been imitated by CH as well as by PG, which recognize Loewe's success and awareness as a good example to follow.

Figure 1: % of sales for the Loewe product lines (2009)



3.1.3. Louis Vuitton: history, commercial strategy and internationalization strategy.

This company was launched in 1854 as a specialised travel articles brand. Nowadays, the suitcases, trunks and handbags have become key products of the company, but the Louis Vuitton brand ranges from garments to accessories. A decisive step in the company's expansion process was its introduction into the North American market, because great Hollywood film stars were loyal brand customers.

In general, we can state that Louis Vuitton is the very first luxury brand in the world. The brand is also owned by the French group Möet Hennessy Louis Vuitton (LVMH), an empire that has more than fifty luxury brands. The Louis Vuitton firm links fashion with tradition, two poles apart that provide an identity to an innovative brand. This company neither sells at discounts nor offers sales promotions. For the company managers the main competitor is Hermés, another French brand synonymous with luxury.

This is a company especially sensitive to forgery, putting a 'zero' tolerance policy in place, with constant monitoring in the fight against forgeries, closing down an average of two 'fake-producing' factories a month. It is the leading brand in luxury products, and therefore the most forged.

Handbags are the company's most important product, along with leather accessories, as these are the most popular items sold. In spite of new trends, classic icon handbags, like the ‘Speedy’, continue to head the sales figures. In 2009, up to 37% of company’s turnover came from leather accessories and fashion collections.

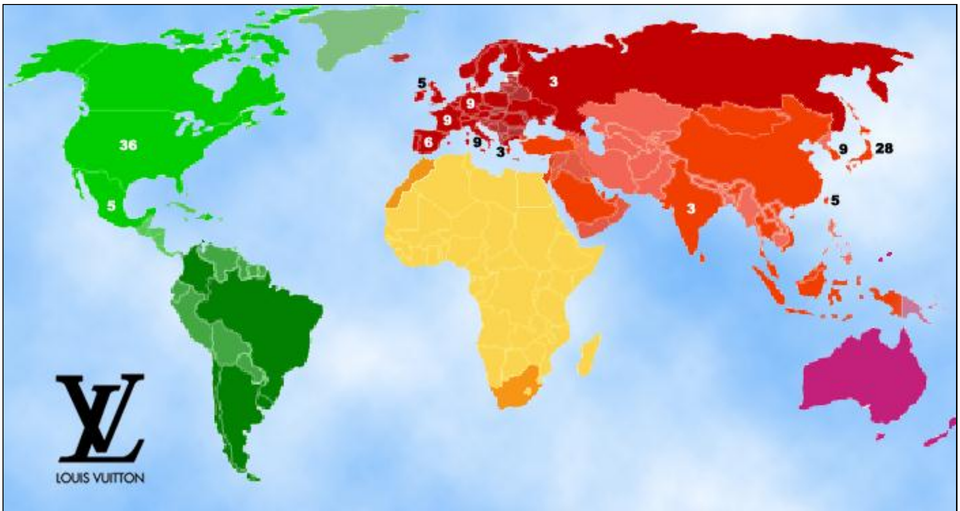
The company that brought luxury to handbags and suitcases 150 years ago has a vertical organizational structure: the retail chain controls product distribution and it defines itself as a ‘retailer’, because it completely controls the distribution channel. The sale of its products is exclusively through its own point of sales, thus controlling the customer’s purchasing experience and in fact maintaining brand control. It does not sell through commercial licences or franchises in any country. The firm follows the strategy of not making Louis Vuitton a brand, but rather a ‘life style’ and having an ethical and quality contract with its customers.

At this point, we find great differences in comparison with STL, especially in making use of franchise as a way of entering international markets and particularly in those markets that are distant from the Spanish one. This way, a faster expansion is achieved by the company; however, the company loses control over the point of sale and customer contact. On the other hand, STL, as occurred with Vuitton, has strengthened, as pointed out before, in the luxury handbag segment by imitating the strategy followed by its competitors.

It is important to remark that Vuitton is conscious about the fact that the luxury market is becoming democratic and that luxury and glamour are not only reserved for a few privileged persons. This situation does not concern the company, which recognizes that luxury is global and plural nowadays and underlines the brand emerging markets like China or Brazil (Table 4).

Besides searching for new markets, the company explores new consumer niches. If traditionally it aimed at women, it is currently beginning to aim at men, bringing out a special men’s product collection in 2008. Since 2010 the company has been immersed in online store development, where the masculine world will be a key factor. This business development strategy has also been imitated by STL, maybe encouraged by the success acquired by this purchasing channel at the Spanish company Inditex, with its Zara brand, because the company is already involved in projects to open online stores in 2011 for CH as well as for PG.

Table 4: Markets with Louis Vuitton brand presence (year 2009)



EUROPE:	Austria, Belgium, Czech Republic, Cyprus, Denmark, Finland, France (9), Germany (9), Greece (3), Hungary, Ireland, Italy (9), Luxemburg, Monaco, Netherlands, Norway, Portugal, Romania, Russia (3), Spain (6), Switzerland, Sweden, Ukraine, United Kingdom (5).
AMERICA:	Argentina, Aruba, Bermuda, Brazil, Canada, Chile, Colombia, Dominican Republic, Mexico (5), Panama, United States of America (36), Uruguay.
AFRICA:	Morocco, South Africa.
ASIA:	China, Hong Kong, India (3), Indonesia, Japan (28), Korea (9), Macao, Malaysia, Mongolia, Singapore, Thailand, Taiwan (5), Vietnam.
MIDDLE EAST:	Saudi Arabia, Bahrain, Israel, Kuwait, Lebanon, Qatar, Turkey, United Arab Emirates (U.A.E.).
OCEANIA:	Australia, Guam, New Zealand.

Source: own (number of most remarkable countries point of sales).

3.1.4. Benchmarking analyse managerial implications.

From this ‘Benchmarking’ analysis we can conclude three important questions. First of all, as the company Louis Vuitton had already perceived, the luxury market is going through a democratization process, which fully explains the intense internationalization and deep expansion processes carried out by the three companies analysed (Carolina Herrera, Loewe and Louis Vuitton).

In second place, we can comment on the real find of a global market niche, with huge growth potential, like the luxury handbags segment, which now represents the highest sales percentage to these companies, moving ahead of fashion collections.

In third and final place, another issue that merits attention is the brand extension strategies followed by the companies analysed to other products or items that complement the fashion collections and handbags, such as perfumes, leather articles, and other accessories like scarves, ties and other designer articles. In that respect, we find that there are great growth opportunities as yet unexploited. In Carolina Herrera’s particular case, last year's brand extension focused on children's garment collection, baby articles and jewelry, for the clear purpose of continuing brand extension to home clothing.

4. SEGMENTATION AND POSITIONING

At an international level, the textile sector is also suffering sweeping changes and transformations Cerviño (1998) and over the last two decades it is appropriate to highlight three phenomena of huge relevance in the fashion markets. Firstly, we can mention the 'democratisation' phenomenon of the fashion sector (Mazaira, González, & Avendaño, 2003). Thus, huge textile distributors like Zara or H&M have greatly contributed to this change, offering the latest designs at affordable prices. However, STL considers itself to be a company that designs, produces and sells *'stylish' products,* viz., garments that are not subject to the vagaries of fashion, which could be the case with Zara, and which require great care in the quality and details. Secondly, there is an ever greater number of consumers that want to purchase clothes that lend them a different and original style, but at reasonable prices. Lastly, there is a trend towards globalisation of markets, something which is growing more and more in the fashion sector. Levitt (1983) describes the appearance of globalised markets and the opportunity to identify global segments. These new consumers have been referred to as 'global consumers' and possess similarities with people from other countries in terms of lifestyle and consumption patterns (Hassan, Craft, & Kortam, 2003). Based on this idea, (Parrish, Cassill, & Oxenham, 2006), pointed to the importance of appropriately defining and identifying the segment or strategic niche where companies from the fashion sector should position themselves. In this way, a market niche would be defined with very specific qualities, features or characteristics. Using these premises, we will define the appropriate segmentation and positioning strategy that the company CH should implement. We will explain and define that segment and the position to be achieved, basing ourselves both on the information we have obtained by examining the benchmark companies worldwide, as well as in-house data that we have obtained.

4.1. Definition of the segment at which the company should target itself

As specified in the previous section, a new group of consumers has arisen in recent years, with similar preferences, who purchase similar brands and who communicate globally (Levitt, 1983). These new consumers have been referred to as global consumers, and possess similarities with people from other countries in terms of lifestyle and consumption patterns (Hassan, Craft, & Kortam, 2003). The lifestyle related to fashion is defined as the attitudes, values and interest of consumers with regard to purchasing fashion products (Gutman & Mills, 1982; Ko, Kim, & Kwon, 2006). This variable is deemed very important in predicting consumers' behaviour in purchasing products and brands. Using this idea, and bearing in mind the global niche or segment concept, we can define that the segment the CH brand should target is characterised by the style and exclusive nature of Carolina Herrera New York. In fact, the Carolina Herrera CH brand creates a lifestyle and concept characterised by a modern image based on values such as elegance, good taste, femininity, taste for detail, cosmopolitanism and design, which inspire not only her collections but also the design of the stores. Having defined the segment, we will now define the firm's positioning. To do this, we will look at consumers' perceptions with regard to competition and/or the benchmark companies we mentioned in the previous section.

What CH is attempting to foster, and somehow use as a factor to distinguish the firm from its rivals, is its unique style that includes design and quality.

4.2. Positioning

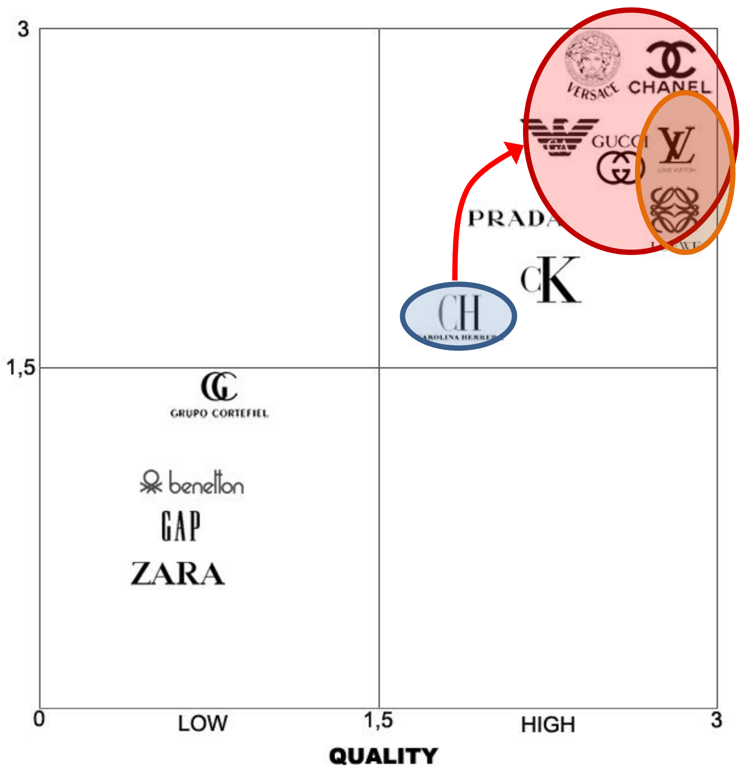
Carolina Herrera offers a luxury prêt-à-porter collection, with a unique style. The sales price of its products is three or four times higher than in the medium segment of the market, and is a further positioning tool of the brand in the market. Prices abroad are even higher than in the domestic market. To set a sales prices abroad, the company carries out a comparative analysis of its rivals Vuitton and Loewe, yet always remembering that it is selling a luxury brand not only targeted at a few, but to a global segment of the market, and therefore can be considered as a sales price that is accessible for this segment.

This positioning map of the Carolina Herrera brand and other brands uses the price and quality attributes. These two attributes are commonly accepted as the most important ones for this kind of fashion product (Brown & Rice, 1998). While the price is an objective attribute, quality depends on the subjective perception of the consumer and is extremely difficult to define (Roger & Lutz, 1990). Consumers' perception of product quality is affected by the name of the associated brand (Forsythe, 1991; Mazursky & Jacoby, 1986; Nevid, 1981; Wheatley & Chiu, 1977).

This market can be divided into three segments: high, medium and low In the highest segment of the market, consumers are less price sensitive. Based on studies conducted by the company, purchasers of CH place specific emphasis on these attributes (on a scale of 1 being the lowest score, to 10, the highest score). Price: 6, design: 9, the quality of fabrics: 9. the quality of tailoring: 9, design of the stores: 8; personnel: 8; brand image: 9.

Furthermore, these studies reveal the characteristics of a purchaser of the CH brand. 73% are women and the remaining 27% are men. 46% have a high level of income (with high considered as income of €60,000/year, while 52% have average income. 89% live in urban areas with more than 100,000 inhabitants and 68% have a high or medium cultural level.

Figure 2: Positioning matrix of fashion brands (attributes considered: Price and quality).



Source: Sociedad Texil Lonia (figures from 2009). **Democratic Luxury Brands vs. Luxury Brands**
Fashion accessories

The product and business lines targeted at the higher segment and the prestige of the CH brand have allowed the brand to see a broader horizon, such as the launch of a line of luxury accessories, which includes handbags, leather goods, footwear, scarves, ties and costume jewellery. The company has also launched a line of perfumes and related products and is extending the line of products with the Carolina Herrera accessories brand, always targeted at the market segment that demands quality brand products.

5. BRAND EQUITY STRATEGY AND MARKETING-MIX VARIABLES IN THE FASHION PRODUCTS OF THE LUXURY SEGMENT

Having analysed the main rivals and worldwide references in the global fashion market, and having explained the segmentation and positioning process, we will analyse the role of the brand and the key marketing variables. So, although it is important to position the brand properly and focus it towards a specific niche or segment in the global market –in our case it would be the luxury and highly exclusive accessories niche-, management of this will also be important.

Moreover, in the current globalisation process the brand is seen as a strategic variable of growing importance for internationalisation strategies and decisions (Kelz & Block, 1993; Cerviño, 2002; Luostarinen & Gabrielsson, 2004) as well as for the creation of greater brand capital. For this brand capital to acquire the highest value possible for the client, it is essential to have appropriate management of marketing variables (Holehonnur, Raymond, Hopkins, & Fine, 2009; Raggio & Leone, 2009). This means that, in addition to properly defining the positioning, we must also show consumers how to use these luxury accessories and complements. In this regard, the costs in communication, sales network, PR, symbols, packaging and marketing events are factors that contribute to brand equity (Simon & Sullivan, 1993). Below, we will identify some of the more relevant marketing-mix variables that can help create higher brand equity for CH.

5.1. The product: Standardisation versus Adaptation and unique design

An examination of the benchmarking carried out shows that achieving a unique design is associated to high exclusivity. This aspect becomes even more relevant in the case of fashion products and has been highlighted by Moore, Fernie, & Burt, (2000) and

Zaichkowsky (2010), whereby personalisation also plays a determining role. Here, we can state that CH sells a product that to a large extent is uniform for a global market. However, there are some adaptations to its product offer, because of the differences in local markets. The clothing sizes of collections for markets like the United States or Argentina have been adapted. The colouring of the collection has also been adapted for the Mexican market, and the cultural differences in Arab countries have been taken into account to ensure the appropriate garments are shipped. However, we can state that the company does not anticipate the particularities of each market, but rather has a reactive attitude, modifying the features of products as an afterthought, when it verifies that the local market requires these changes.

Of note is the fact that the company refuses to use any kind of identification or association with its Galician or even Spanish heritage (Ghemawat & Nueno, 2003), meaning that the country of origin removes importance from the expression of the global image.

5.2. Distribution: strategic, selective location, and utmost service

The distribution channel can directly affect brand equity through actions of support promotion and, indirectly, in the nature of product associations. Moreover, as we pointed out in the previous section, the distribution channel plays a determining role in achieving an exclusivity image. For these two reasons, we should analyse this variable.

5.2.1. Setting and location of the store

The image of the point of sale has been considered as one of the most important determining factors in the distributor's success (Amirani & Gates, 1993). Consumers' perceptions about retail stores are formed quickly and unthinkingly (Sewell, 1974; Oxenfeld, 1974) and this is why the atmosphere inside a point of sale is a key factor when it comes to influencing the decision-taking process Greenberg, Sherman and Schiffman (1983) and Birtwistle and Shearer (2001). In addition, studies suggest that consumers tend to mentally abstract the information on image attributes such as style, trends, range of products and reputation or notoriety of the distributor (Boulding, 1956; Newman, 2003).

So, certain luxury brands have generated a distinct brand which may also be experienced by clients. Our benchmarking analysis highlights the discreet setting of Armani or the elegance of Gucci. Here, we can state that CH has great potential as it focuses very carefully on its points of sales, carefully checking every detail of the décor and furniture of the stores, which are renewed every so often to bring them up to date. The interior of the stores is designed to create a timeless, classical and elegant image, creating a warm, beautiful and cosy area, which is consistent with the classic and timeless image of the product it wants to offer.

Another of the key elements of the point of sale is the location. The top designers from France, Italy, and UK and, to a lesser extent, the USA, which head the list of luxury brands, have chosen London as the first worldwide reference centre to launch their luxury brands onto the international stage. Furthermore, French and Italian brands, unlike British ones, have occupied very exclusive sites. Specifically, the main luxury brands are concentrated in just two streets, Bond Street and Sloane Street. This data strengthens the theory of the importance of the utmost exclusivity in positioning a luxury fashion brand.

5.2.2. Customer service

Service, which includes relations with sales staff, is an essential part of the distributor's image, and promotes favourable emotions and feelings in consumers (Bitner, 1992; Mattila & Wirtz, 2001). As highlighted previously, personal treatment enables value to be added to the end product (Berman & Evans, 1992), which confirms the importance of the store’s service - refunds for goods, courtesy, information and assistance provided by sales staff - as a hugely important factor in supplying greater value-added. CH pays special attention to providing the customer with a distinguished service, which we see as another favourable indicator in being able to reach the luxury segment.

5.3. The price

The prices of CH garments vary from country to country, and it is the Spanish and Portuguese markets where the lowest prices can be found, while prices in international markets are generally higher due to the transportation and logistics expenses. Prices are set in accordance with a market focus strategy and bearing in mind the position chosen by the brand. This means that certain articles such as handbags and accessories are never put in the sales. As has already been demonstrated in literature and demonstrated in the case of fashion, price promotions are an effective marketing tool for sales but have a negative influence on perceptions of quality (Tong & Hawley, 2009), and they communicate negative product association (Blattberg & Neslin, 1990).

5.4. Communication

Communication plays a vital role in the creation of brand equity (Biel, 1993).

In accordance with the benchmarking analysis, we can state that companies like Vuitton or Loewe have followed the brand alliance strategy with designers and celebrities. However, there are notable differences between them, because while Loewe pursues a brand alliance with a renowned designer like Narciso Rodríguez to strengthen its brand, for its latest advertising campaigns Vuitton has opted to recruit global celebrities with a high worldwide impact, yet not directly related to the world of fashion, such as Mijail Gorvachev, Francis Ford Coppola and his daughter Sofía Coppola, the singer Bono or Sean Connery. Studies reveal that the support from celebrities, used properly, plays a very valuable role in development of brand equity and in increasing its competitive position in the market (Till & Shimp, 1998). Popular fashion brands generally use social icons to create brand equity.

The different means of advertising reveal different effects and strengths in the creation of brand equity. While television as a communication media has penetrated most households and is the most popular communications media among consumers (Liu, 2002), printed advertising, especially in magazines, is an effective communication media for fashion brands and products. However, CH conducts very little advertising on TV and press and relies on the store, together with PR, as the core communication tool.

6. IMPLICATIONS AND CONCLUSIONS

Below we synthesise the main business implications and conclusions as a result of analysing this case. We have followed the logical order presented throughout the case.

6.1. Management Model

The business strategy pursued by STL lies in its unified, quasi-integrated and global business management model, which provides the company with great control over the process of production, distribution and marketing, as well as huge flexibility and agility to adapt production to market needs in a short period of time.

So, the company has a large degree of verticalisation, which enables it to integrate different stages of the value chain such as design, patterning, and delivery at points of sale, distribution and store management. Its flexible structure, as well as client focus and the use of advanced IT technologies, enable a rapid and flexible response to consumer demand and very good market orientation. Although we cannot say this is a just-in-time production system, it does fall within the quick response system, as it enables a quick response to changing demands of consumers and gives flexibility to the productive and marketing system.

6.2. Business implications of the benchmarking analysis

Four fundamental issues can be concluded from this benchmarking analysis. Firstly, luxury and glamour are not reserved for the elite or a few privileged persons, and they implicitly recognise, with their internationalisation plans, that nowadays luxury is globalised, understanding that there is a worldwide market niche that requires exclusive and high-quality products. In this regard we should point to the emergence of new markets for these brands such as China or Brazil, economies with high growth rates and which represent very important markets. However, it is appropriate to point out that luxury, understood as the utmost exclusivity, must not be confused with democratic luxury. Brands like Versace, Armani, Kenzo or Gucci are for the elite and not for the masses.

Secondly, we can highlight the discovery by the three companies analysed of a global market niche, with huge growth potential, such as luxury handbags, which now represent the highest percentage of sales for these companies, ahead of the fashion collections. There is logic to this fact, given that both Loewe and Vuitton started out by manufacturing articles of leather and luxury briefcases and handbags, before subsequently developing the collections.

Thirdly, another issue that merits attention is the strategy of brand extension pursued by the companies analyzed towards other products or goods that complement fashion collections and handbags, such as perfumes, leather goods, accessories such as handkerchiefs or ties and other designer products. Here, we understand that there are still growth opportunities that have not been exploited. Furthermore, we can state that companies like Vuitton or Loewe have followed the brand alliance strategy with designers and celebrities.

6.3. Segmentation and Positioning

Variables like exclusivity, design, service quality and location and format of the point of sale -as mentioned previously- are key factors in developing a luxury fashion brand. In addition to these variables, brand positioning is also extremely important. Recent research (Moore, Fernie, & Burt, 2000) has suggests that there are two fundamental aspects to creating a real luxury brand identity: i) its capacity to create a specific lifestyle; and ii) not everybody that aspires to a specific brand can afford it. This data strengthens the theory of the importance of the utmost exclusivity in positioning a luxury fashion brand.

A fundamental element in positioning of luxury brands is the store location and setting. Thus, through merchandising and an innovative design, certain flagships (the discreet setting of an Armani store or the elegance of Gucci) have created a distinct brand. Analogously, the location must respect the criteria of utmost exclusivity. Most luxury brands in London are in two streets, Sloane Street and Bond Street.

6.4. Brand strategy and comprehensive management of marketing-mix variables

6.4.1. Diversification of the brand portfolio, range extension, and global niches

To deal with the spread of demand and a greater increase in demand for designer brands by less wealthy customers, we propose the formula of diversification and definition of segments or global market niches. With regard to the former, we propose creating new brands with products that are less expensive than the main brand or line (e.g. Giorgio Armani) as well as extending the brand towards new product categories (accessories, personal complements, etc.). The new brand would need greater advertising and promotional support and must be targeted at a different segment (e.g. Emporio Armani)

6.4.2. Comprehensive management of the marketing-mix variables

Lastly, the brand requires comprehensive management of the marketing-mix variables. Thus, the product or collection, packaging, promotion of activities and even fashion shows and catalogue must be based on the fundamental values on which the brand is supported.

Given all these criteria and implications, we can conclude that after this rigorous benchmarking analysis, the position put forward by the company in order to compete directly with brands like Prada, Armani or Gucci is desirable in the long-term but would lack sense as things stand today, due to the absence of any highly exclusive brand image, definition of a specific lifestyle and the need to foster the distribution strategy by creating exclusive places and settings that are far more innovative. Elsewhere, among the favourable aspects is the discovery of a market niche worldwide such as the luxury complements (handbags, purses, etc.) with a timeless, classic, and almost elitist style and a quasi-integrated business management model that is able to provide a quick response to a global market. Therefore, the strategy to strengthen the company's position in international markets and position in the democratic luxury market is more consistent at the current time.

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