Internationalisation of Swedish Fashion

A study of Small Sized Fashion Design Companies

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Abstract

Swedish fashion export has increased by eight percent during the year 2005 and the industry turnover of 7.8 billion SEK is higher than ever. Swedish design is thereby securing its position as a future upholder of Swedish economy. During the last two years a number of new fashion design companies have entered the market, however only a few of them are so far earning profits from their creations. The purpose of entering the international market is not only to improve the image of young designer brands, it is in many cases the only, vital opportunity for these companies to increase volumes and profitability. The purpose of the thesis is to define important elements in the internationalisation process of small fashion design companies within the fashion retail industry and based on that conclusion construct an internationalisation model, to be used when planning the companies’ internationalisation process.

The authors have performed an empirical study of five of the seven fashion designers that participated in the Dutch fashion fair: Modefabriek, in Amsterdam in January 2006. The reason for this choice is that participation in fashion fairs have shown to be the first step towards international expansion for a small fashion design company. A selection of theories concerning characteristics of small sized companies and internationalisation has also been used since they are applicable on the selected companies in the empirical study.

The general conclusion of the study is that a limited domestic market is the main reason for expanding abroad. The authors would like to emphasise that a wish to expand should not have to include a change in the company image. The authors perceive direct export as the preferred entry mode for small sized companies in the fashion industry due to that this entry mode does not require any substantial commitment of financial resources, which implies low risk. The biggest risk and the most important element in the internationalisation process is the need for business and entrepreneurial knowledge. The authors would like to highlight the companies’ need for improvement in both the planning and implementation process.

Keywords: Internationalisation, Entrepreneurship, Export, Fashion, Design
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1 Introduction

This chapter will give the reader an introduction to the subject of the thesis including an overview of the Swedish fashion retail industry, which will underlie the problem discussion and research question. The aim for this chapter is to create an interest and understanding for the subject at issue.

1.1 Introduction to Fashion

Swedish fashion export has increased by eight percent during the year 2005 according to figures from the Swedish Fashion Council (Mellström 2006). A press release from Swedish Textile and Clothing Industries Association in March 2006 also reveals that the industry turnover of 7.8 billion SEK is higher than ever (Dagens Industri 2006). According to the Swedish Trade Council (interview) the growth of the Swedish fashion market is to some extent due to the increasing number of small fashion companies that are entering the market. Swedish design is thereby securing its position as a future upholder of Swedish economy (Ibid). The majority of the export consists of clothes designed in Sweden but however produced abroad. Well known Swedish retail fashion shops are opening up all over the world, such as H&M, amongst others, but not only well known brands are expanding, even smaller and more unknown designer brands are now getting established abroad.

“It is interesting that during the last years many new companies have emerged: fashion designers, this is a relatively new phenomenon”

(Interview, Swedish Trade Council, the authors’ own translation).

During the last two years a number of new fashion brands have entered the market, however only a few of them are so far earning profits from their creations. Nevertheless there is a desire to satisfy the increasing demand for Swedish design that differs from the high street fashion. The purpose of entering the international market is not only to improve the image of young designer brands, it is in many cases the only, vital opportunity for these companies to increase volumes and profitability (Dagens Industri 2006).
“To expand abroad has been our strategy from the start.”

(Interview House of Dagmar, the authors own translation).

The growth of Swedish fashion export is gaining substantial interest in the business world and in the media, the Swedish Trade Council has for example performed a venture involving Swedish fashion companies during the spring 2006 (Dagens Nyheter 2006-02-13). This project is focused on smaller designer brands and the current markets which are being studied due to their cultural nearness, are the Netherlands, Belgium, Germany and the Scandinavian countries (Interview Swedish Trade Council). Another country of interest is Japan, which is a growing market according to the Swedish Trade Council (Interview) due to their considerable interest in Swedish lifestyle. Until recently fashion have not been considered as neither culture nor a part of the business world, however this is changing (Dagens Nyheter 2006-02-13). Another sign of the growth of the market is the comeback of the big fashion fair in Stockholm, Style At Stockholm which is due to the increasing demand for a common meeting place, which can strengthen the evolving fashion market in Stockholm and Sweden (Style at Stockholm 2006).

1.2 Fashion Industry Study

1.2.1 Characteristics

Fashion is a perishable good, which signifies a product with a short life cycle (Interview Habit). Firms that are based on artistic-creative ability, such as fashion companies, are different from other firms because they produce and sell a creative product and every product is to some extent original and different from the previous one (Saviolo and Testa 2002, p. 31-32)

“Change is the essence of these firms, as they serve needs that are constantly changing”

(Ibid p. 31)

The market is only willing to purchase if the creativity meets its desired tastes, therefore change has to be in harmony of customers and the market in general. One of the basic rules of the industry is that it is not enough in fashion to offer the market what it wants today, instead it is necessary to understand what will happen in the near future (Ibid, p. 31-32). Since the
fashion product changes about every six months a company has to establish a brand image in order to be able to communicate the company’s image in the long run (Ibid, p 224). The set of believes about a certain brand is known as brand image (Kotler 1984, p 127). The consumer believes may vary from the true attributes due to his or her particular experience and the effect of selective perception (Ibid, p 127).

The fashion fair is a characteristic feature of the industry, there are two types of fashion fairs: image fashion shows, something that often is used as an inspiration source to spot upcoming trends and retail shows that have the objective to establish contacts between the designers and distributors (Saviolo and Testa 2002, p. 208). When referring to fashion fairs in the future the authors aim for retail fashion shows.

Small fashion companies differs from bigger fashion companies in the sense that bigger companies often have substantial resources such as a network of contacts, practice within logistics and more experience on how to run a company (Interview Habit). However the advantage of being a small company is that there is no need to compromise the design, the company can have a limited profile and benefit from having a narrow target group (Ibid).

1.2.2 The Swedish Market

According to a sales manager at Habit, the biggest fashion industry magazine in Scandinavia, the Swedish fashion retail market differs from the rest of the European market in the context that the big retail chains dominate the market at the expense of smaller retailers. The diversity in the market is still more wide spread in Europe than it is in Sweden, however the trend tends to proceed towards the Swedish situation (Interview Habit). One reason for this trend is the continuous demand for low price fashion (Ibid). The big retail chains such as H&M, Zara, and Kapp Ahl amongst others are more focused on price and mainstream fashion and are therefore a threat against diversity in the fashion industry:

“It simply is “Mc Fashion””
(Interview Habit, the authors own translation)

The market share of big retail chains have increased within the last 15 years from 45% to 60%. Smaller retailers such as small fashion design companies represent 35% of the market
and the remaining 5% consist of mail order and Internet shopping (Interview Habit). When referring to the fashion market in the future, the authors aim for the fashion retail market, since there is no traditional fashion production left in Sweden and when a company expands the production has to be located abroad (Interview Swedish Trade Council).

“Sweden is a small country and the fashion companies can’t grow without export”

This statement was made by the CEO (the authors own translation), at the Swedish Fashion Council (Svenska Dagbladet) and the statement indicates that export is a vital activity for most small fashion design companies. During the last years the net development of the Swedish fashion industry have been positive with an increase of export and a decrease of import during 2004. However the fashion trade balance is still negative meaning that the sum of imports is significantly higher that the sum of export, according to the Swedish fashion industry magazine Habit (2005). Above all the exports to neighbouring countries have increased while the exports to distant countries have decreased with an exception for Japan and Australia. Sweden has significantly increased its export to Great Britain, Estonia, Italy, Spain and Poland as well as increasing its export to the neighbouring countries Denmark and Finland (Habit 2005).

![Swedish Fashion Export 1977-2005](image)

Figure 1.1 Swedish Fashion Export 1977-2005 (Swedish Fashion Council)
1.3 Problem Discussion

According to the Swedish Trade Council (Interview) a company needs to fulfil certain prerequisites in order to be able to perform a successful internationalisation process. This includes a good product and relevant recourses such as personnel and financial assets. Scanning a potential market is a costly procedure since it is required of the company to study the new market by participating in fashion fairs, scan the market for potential competitors and investigate possible distribution channels such as agents and trading companies. Return on investments are initially slow, since international establishment is a time consuming process and therefore the company is in need of financial resources to be able to perform the operation successfully (Interview Swedish Trade Council). It is also important to have substantial assets to be able to handle potential orders (Ibid).

“If you receive an order, you have to be able to deliver the right quantity on time as well as products of good quality. Normally you only get one chance, so it is important that you do your homework on familiar grounds. In Sweden you get two chances, but abroad where the competition is fiercer, you only get one chance so you have to live up to the expectations.” (Interview Swedish Trade Council, the authors own translation).

The authors have chosen to perform an empirical study of five of the following seven fashion design companies that participated in the Dutch fashion fair: Modefabriek, in January 2006,
Ylva, SPEND by Atte Gemzell, House of Dagmar, Les Couleurs Nationales, Pernilla Svenre, Linda Carlén and Wallmander. The reason for this choice is that a recent study from the Swedish Trade Council has shown that participation in fashion fairs such as Modefabriek is the first step towards international expansion (Swedish Trade Council 2005). Fashion fairs are important as a meeting point for designers and buyers as well as an opportunity to introduce new brands. Modefabriek is one of the biggest fashion fairs in the Netherlands and have become increasingly important and well established throughout the last years (Ibid). Furthermore young fashion in the Netherlands is a dynamic and growing market that is expected to continue to expand and the demand for Scandinavian brands is high, the reason for this popularity and demand is that size and taste are similar between the two countries (Ibid). It is due to this fact that the above mentioned fashion designer companies have been chosen besides a recommendation from the Project Leader of the ongoing “Upplevelseindustrin” at the Swedish Trade Council. It involves a study of 13 different areas within the project and the focus is mainly on Swedish design, music and fashion. The aim of the project is to strengthen the industries internationally by providing companies that are trying to get established abroad with information and assistance. It is mainly smaller companies that are in need of this kind of service since bigger companies often handle the internationalisation process within the company. The reason for this is that bigger companies normally have the resources to perform necessary research vital for the internationalisation process internally. An important aspect to consider for a small fashion design companies is the fact that even though they have knowledge about how to design their products there is a need for knowledge about how to sell them as well (Dagens Nyheter 2006-04-30). There is a lack of business thinking in the fashion designer industry according to an article in Göteborgs Posten (2006-03-26), which makes it harder for the companies to expand.

1.3.1 Research Question

What elements are of importance in order to perform a successful internationalisation process for small fashion design companies within the international fashion retail industry?
1.3.2 Purpose
The purpose of the thesis is to define important elements in the internationalisation process of small fashion design companies within the fashion retail industry and based on that conclusion construct an internationalisation model, to be used when planning the internationalisation process.

1.3.3 Delimitations
The research is limited to small Swedish fashion design companies that are already established abroad or who are in the process of doing so. When referring to small fashion companies in the future the definition is as follows: fashion design companies with an annual turnover of a maximum of five million SEK and with less than five employees. The empirical study is based on five of the seven Swedish fashion design companies that participated in the Dutch fashion fair: Modefabriek, in January 2006.

1.4 Further Disposition of the Thesis
Chapter two presents the methodological framework of the thesis. It consists of four parts. The first three parts deals with the scientific approaches and methods of the thesis and the last part explains the procedure of the study. Chapter three consists of the theoretical framework, which provides a base for the empirical study and the analysis. The theoretical framework is focused on internationalisation theories suitable for small companies. Chapter four reveals the empirical study, containing a summary of the interviews of which have been divided into six subcategories connecting to the theories in chapter three. Chapter five is the analysis part of the thesis, consisting of a discussion where the empirical findings are linked to the theories. Chapter six summarizes the conclusions from the analysis and also includes the authors’ own recommendations in shape of a four-fielder. Chapter seven is a critical evaluation of the study, which also includes suggestions for future research.
2 Methodological Framework

This chapter will clarify the scientific approaches and research methods used in the thesis. Beginning with an introduction to the different research methods possible. Thereafter the authors will present the selected methods of the thesis. This will be followed by a presentation of the procedure of the research.

2.1 Positivistic / Hermeneutic Approach

Positivism is based on logical thinking and empirical data and it has its origin in natural science. The aim is to create positive, accordingly certain knowledge, the positivistic approach to knowledge is done briefly by “taking away all that you thought you knew but did not really know, then you get a grain of truth” therefore gaining certain knowledge. There are only two sources of knowledge according to positivism, what we can observe with our senses and what we can conclude with our logic. (Thurén 1991, p 15). Positivism cannot rely on traditions, authorities and strictly distinguish facts and values, sense and reason and will therefore only rely on solid facts (Andersson 1979, p 104). Of importance to the positivistics’ is the verification principle i.e. on the basis of observations being able to verify whether a hypothesis is true or not (Thurén 1991, p 27-28). Hermeneutic has its origin in social science and means “interpret”. While the positivist distinguish facts and values, sense and reason, the hermeneutics unites the two concepts. The process of gaining knowledge is based on understanding and interpreting and by continuously criticise, question and develop an even deeper understanding of the object of study (Ibid, p 45-48).

2.1.1 The Approach of the Thesis – Hermeneutic Approach

The authors have chosen a hermeneutic approach since the aim of the research is to define important elements in the internationalisation process by interviewing a number of fashion design companies that are in different stages of the internationalisation process. This is a partly subjective and interpreting research method and is therefore viewed as a hermeneutic approach.
2.2 Inductive / Deductive Research Approach

When choosing a research approach, one can either select a deductive approach or an inductive approach. The deductive approach means that the author develops a theory and hypothesis and designs a research strategy to test that hypothesis. If the topic of research has previously generated a lot of literature from which one can define a theoretical framework, the deductive approach would be a natural choice (Saunders et al 2000, p.91). Deduction is often connected to a traditionally scientific research since it involves the development of a theory that is subjected to testing while the inductive approach signifies collecting data and developing a theory as a result of the data analysis (Ibid p.87). An inductive approach would be more suitable if one wants to understand why something is happening rather than describing what is happening, thus letting the theory follow the data (Ibid, p.89). If the topic of the research is new and there is little existing literature, it may be more suitable to use an inductive approach (Ibid, p.91). Traditionally the deductive approach is connected with positivism and inductive approach is connected to hermeneutics, however one should be careful to use such labelling when it comes to this kind of research where different approaches and methods may be mixed (Ibid, p.87). It is possible to combine the two different approaches to research, and it can often be advantageous to do so depending on where the research emphasis lays (Ibid, p.90).

2.2.1 The Approach of the Thesis – Inductive Approach

Traditionally the inductive approach is connected to hermeneutics. Since the objective of the study is to create an understanding for the important factors in the internationalisation process and develop a theory based on this, an inductive approach is the obvious choice. Moreover the authors have found that there is not enough substantial literature available, suitable for the study on the following topic: internationalisation of small fashion companies. This makes the inductive approach suitable for this thesis.

2.3 Qualitative / Quantitative Method

There are two methods of research when performing a study, qualitative or quantitative (Bryman 2002, p. 33). A quantitative research is based on a quantifying approach to the
collection and analysis of data. The emphasis is on the testing of theories. When performing a quantitative study it is important that the research has a high level of reliability and validity (Ibid, p.86). This signifies that the research and its results should be able to replicate and the conclusions should have a general value. Typical quantitative research methods are questionnaires and structured interviews. The quantitative method is connected with a positivistic approach.

A qualitative research is based on an interpreting approach to the collection and analysis of data, therefore it is closely linked to the hermeneutic approach. The emphasis is on generating new theories and creating understanding (Ibid, p 34). Typical qualitative research methods are field studies and qualitative interviews. Focus is on analysis of data based on the context in which it was collected, therefore the qualitative research method has been criticized for not being objective enough (Ibid, p 269).

2.3.1 The Approach of the Thesis – Qualitative Method

Traditionally a hermeneutic approach is associated with a qualitative method, and for this thesis the choice feels natural. The authors believe that the best way to research and identify the important elements in the internationalisation process is by doing an interpretable study of the selected fashion design companies. Another possibility could however be a quantitative study with questionnaires to many companies. The reason why the authors have chosen the qualitative approach is due to the fact that these important elements may not be of a quantitative nature since the emphasis of the thesis is on generating new theories.
2.4 Procedure

The research has been performed in the following six steps.

2.4.1 Pre-Study

In the pre-study the authors have used both primary and secondary sources. The primary sources have been interviews with the Swedish Trade Council and Habit, the Swedish Fashion Industry Magazine. Moreover questions have been answered via email by The Swedish Fashion Council. As secondary sources the authors have used magazine articles, web sites on the Internet and relevant literature. This was done in order to get an overview of the fashion market and to come to a decision about the research question and the delimitations of the thesis.

2.4.2 Fashion Industry Study and Internationalisation Theories

In these steps the authors have selected relevant theories concerning internationalisation. However because of difficulties in finding significant theories concerning fashion, the authors have chosen to study the fashion industry from a Swedish perspective, using both empirical studies and current articles regarding the subject as well as statistics.

2.4.3 Empirical Study

The authors have performed an empirical study of five of the seven fashion designers that participated in the Dutch fashion fair: Modefabriek, in Amsterdam in January 2006. The reason for the falling off was that one of the missing fashion design companies did not have the time and resources to participate and another one did not wish to reveal any information at all. The empirical study was entirely based on interviews performed both in person and by phone. However questions have been answered via email by Showroom Stockholm, a non
profit network of fashion designers, a network in which all of the fashion design companies selected for this research are a part of (Showroom Stockholm 2006).

### 2.4.4 Analysis, Conclusions and Recommendations

In the analysis the results from the empirical study have been analysed and linked to the internationalisation theories and to the fashion industry study. Thereafter a conclusion has been reached and recommendations made based on the previous theories and studies.

### 2.4.5 Interview Technique

The authors have chosen to use a semi structured interview technique where an interview guide has been designed consisting of a list of some specific areas of interest that are being investigated (Bryman 2004 p.301). The interview guide of this thesis is enclosed in an appendix. There is no need for the questions in the interview guide to be asked in a specific order, neither is there a rule saying that questions outside the interview guide cannot be asked (Ibid p 301). This is a flexible way of performing interviews which the authors have found suits the hermeneutic research approach of the thesis. However this is also due to the respondent’s ability to talk freely and the interviewer’s possibility to ask additional questions. A structured interview may not give a comparable and fair outcome when the interviews have not been performed in the same manner, therefore a semi structured interview technique is the most suitable method. All interviews have been recorded and the interviews preformed in various places like cafés and offices or over the phone.
3 Theoretical Framework

This chapter will present the theoretical framework, which the study is based on. A selection of theories concerning characteristics of small sized companies and internationalisation has been chosen since they are applicable on the selected companies in the empirical study. This implies limitations since internationalisation theories relating to bigger companies have been disregarded. Another reason for this selection of theories is due to that the authors regard them as relevant for the study. An overview of the theories and their interaction can be found in the figure below. Since the theories are connected some similarities in the text will occur throughout the chapter.

![Diagram of Theoretical Framework]

Figure 3 The Theoretical Framework of the Thesis (the authors’ own construction)

3.1 Characteristics of Small Sized Companies

Micro-enterprises are defined as companies with 0-9 employees by the European Commission (Storey 1997, p 13). The authors have chosen to use the same definition when referring to small sized companies. Other than size there are several characteristics that distinguish a small firm from a large enterprise namely, uncertainty, innovation and evolution (Ibid, p 10). One source of uncertainty is the small firm’s limited customer and product base. Another one being the greater diversity of objectives of the owners of small firms compared to large firms (Ibid, p 11). Rather than maximising sales and profits many owners of small companies often
wish to obtain a minimum level of income in order to continue its business (Ibid, p 11). The relationship between the business and its owner is often very close in a small sized company, therefore the motivation of the owner of the company is a key influence upon the business performance (Ibid, p 11). Small sized companies have the ability to produce something marginally different in terms of product and service, something that separates a small company’s products and services from the often more standardised ones in a larger company (Ibid, p 12). There is a greater probability of evolution and change in a small sized company than in a large company, this is due to the fact that small companies often are in a state of change as they move from one stage to another (Ibid, p 12). Generally small companies do not have the resources to purchase external advice and support regarding the planning of the strategy (Carter and Jones-Evans 2000, p 291) Also the owners/managers of the company often do not find any advantage in formally planning the strategy, therefore the strategy is regarded as more opportunistic than formal (Ibid, p 292).

3.2 Motives for Internationalisation

3.2.1 Internationalisation Theories of Small Sized Enterprises

Many small sized companies try to expand their business into foreign markets since international expansion may provide new and potentially more profitable markets and help to increase the firms’ competitiveness (Hollensen p 64). The challenge faced by many small sized firms is to establish a competitive and sustainable business, usually with limited resources and often by adopting flexible and innovative business practices. International business for many firms may be an integral part of this process (Ibid, p 65). The assumption made by Hollensen (2004) is that internationalisation, for entrepreneurial firms, is a growth and development process. For very small firms internationalisation is likely to occur through links and transactions with organizations and individuals in the external environment. These may include outsourced production and exporting through foreign-based agents/distributors (Ibid, p 65).

Internationalisation may be a function of perceptions, meaning that if the owner perceives that there is a lower level of environmental uncertainty in a particular international market, then there is a high possibility that a small firm will be pursuing a strategy of internationalisation in that market. Moreover companies that respond to the forces of globalization by adapting
their marketing are more likely to succeed in the internationalisation process than firms which do not. Nature and pace of internationalisation depends on product, industry and other external factors as well as firm-specific factors. The firm also has to evaluate whether or not it has potential for internationalisation. These can be evaluated according to criteria such as the firm’s size and amount of resources, previous overseas experience, type of industry, internationalisation goals and existing network of relationships (Ibid, p.220). Internationalisation preparation is described as the firm’s preparation before expanding into a foreign market and includes activities such as: market research and adapting products to suit the needs of the targeted markets (Ibid, p.67).

### 3.2.2 Triggers of Internationalisation

The primary motive for internationalisation is normally to increase profits, but there are other factors that promote export. The motives to internationalisation can be divided into proactive and reactive modes. Proactive motives stand for incentives to change the strategy of the firm i.e. to exploit market possibilities. Reactive motives are factors that indicate that the firm reacts to changes in its home environment (Hollensen 2004, p.31-32). According to Hollensen (2004) the internationalisation process has a more reactive nature when it comes to small and medium sized companies, compared to large companies since large companies often have more resources to properly investigate a new market before entering it.

Examples of proactive motives are naturally profit and growth goals, especially for small companies the ambition is to grow and in addition to earn further profits. However one should bear in mind that initial profitability normally is low. Managerial urge can also trigger export since it is the motivation of the management that drives the desire to expand internationally. If a company produces a unique product that is not available elsewhere it can provide the company with a competitive edge that might be suitable for internationalisation. Occasionally overseas markets grow and provide prospects for export, which creates foreign market opportunities for the company (Ibid, p32-34).

Examples of reactive motives are competitive pressures since a firm may be influenced by their competitors to expand overseas. Furthermore if the home markets potential is small, a firm may include export markets as part of their market entry strategy (Ibid, p 35). Moreover if the product generates interest abroad, a small firm might become aware of export
opportunities by receiving unsolicited orders. Physical and psychological closeness to the international market may trigger export. When a foreign market is geographically close to the home market the company might perceive a potential export as an extension of the home market. However a geographically close market need not be near in a psychological matter (Ibid, p 36). Examples of psychological factors are values and attitudes, language and sense of aesthetics (Ibid, p 198-203).

3.3 Selection of Markets

The international market selection process is important for several reasons, the most significant one being that it can be a determinant of success or failure especially in the early stages of internationalisation (Hollensen 2004, p.218). Errors in the international market can be more costly both in monetary and psychological terms than in the home market, one type of cost is the cost of unsuccessfully trying to enter the wrong market, another one could be the opportunity loss by not entering a market where the product might have been successful (Bradley 1991, p 259-260). For small and medium sized companies the international market selection is based on certain factors such as low physical distance, meaning that there should be low uncertainty about the foreign market in the possibilities of acquiring information about them, concerning aspects such as language, aesthetics and culture. Low cultural distances as well as low geographical distance are also important aspects to consider when choosing a new market. To use these criteria when selecting a market to enter often results in firms entering new markets with successively bigger geographical distance. Small sized companies often limit their choices to the neighboring countries since geographical proximity often reflect cultural similarity and more knowledge about the market. Because of this small sized companies often narrow down the international market selection into one decision: to go or not to go to a nearby country (Hollensen 2004, p.219).

Hollensen describes general and specific criteria that can be used as a basis for international market segmentation. This includes general characteristics such as previously mentioned geographic location and also language, political factors, demography, economy, industrial structure and social organization. Specific characteristics such as culture, lifestyles, personality, attitudes and tastes are also factors to consider when segmenting the international market (Ibid, p.225).
3.4 The Choice of Entry Mode

An entry mode for a company is a particular way of entering foreign markets (Molnár and Nilsson Molnár 1999, p 99). Each market might require different entry modes and each mode entails a different combination of risk taking and rewards for the company (Ibid, p 99). According to Albaum et al. (1998) there are two main approaches when it comes to entering a foreign market, either through experience or through analysis. Meaning that if a company choose to enter a foreign market, with a certain entry mode, based on an experience approach they are doing so through its own experience or through the experience of a competitive firm and that is how the company select the type of entry mode that is desirable for its products. The analysis approach involves research and analysis of the marketing needs, potential customer behaviour etc (Albaum et al 1998, p 196-197). In both approaches the focus of the result is based primary on needs and capabilities and accordingly both internal and external factors are considered. (Ibid, p 197). However Albaum et al (1998) states that regardless of what approach a company desires in the entry mode selection it should always choose the most cost efficient option, noted that this might not always be possible to achieve. The fact that the choice of entry mode should first and foremost be based on the expected contribution to profit is supported by Hollensen (2004) however he also believes that there are several other factors that influence the entry mode decision namely the following, internal factors, external factors, desired mode characteristics, and transaction specific behaviour.

When referring to internal factors one intended factor is the size of the firm which indicates the firms’ resource capacity. Meaning that even if a smaller company wishes to have a high degree of control when entering a foreign market it might not be possible due to lack of resources and the company would therefore have to consider starting by using an export mode (Hollensen 2004, p 280). Another internal factor is the firm’s international experience, this factor is important due to that the experience, if possessed by the company, will reduce the cost an uncertainty of serving a market and it will also increase the likelihood of committing extra resources to foreign markets (Ibid, p 280-281). The characteristics of the product is also influencing the choice of entry mode, the value, weight, technical nature and the composition of the product are of importance when deciding where to establish the production (Ibid, p 281). For example if the product is expensive or small the company might want to control the production and therefore keep it in the country, although if the production is of a large scale the company might consider a licensing agreement to save the shipping costs. Another reason
why the characteristics of the product is of importance is because of the fact that the selling job may vary, if there is a before and after sale some foreign markets intermediaries might not be able to handle it and therefore a hierarchical mode is desired (Ibid, p 281).

The external factors are several, socio-cultural distance between home country and host country being one, which can create internal uncertainty for the company, which in turn influences the choice of entry mode (Ibid, p 281). The bigger the perceived distance between the home country and the host country, the more likely it is that the company will choose an entry mode that will involve relatively low resource commitment and high flexibility (Ibid, p 281-282). Market size and growth are also of importance, companies tend to invest more in bigger and growing markets and therefore an export mode is often chosen for smaller markets as goes for markets where the intensity of competition is high also due to the fact that these markets are less profitable (Ibid, p 282). Another external factor is the country risk and demand uncertainty which will affect what entry mode the company will choose. If there is unpredictability in the economic and political environment of the host country market it will increase the perceived risk and demand uncertainty experienced by the company which will suggest an entry mode that do not require large investments but gives high flexibility (Ibid, p 282). Direct and indirect trade barriers such as tariffs and quotas on imported goods and other legislations and regulations that are in favour of local production, is also a factor that influences the choice of entry mode. If there is a preference in the market for national products a joint venture or other contractual agreements might be the best entry mode, the local partner helps in developing local contacts, establishing distribution channels, but also helps diminish the foreign image (Ibid, p 282).

Desired mode characteristics for the company are naturally influencing the company’s choice of entry mode. If the company is risk averse they might consider export modes or licensing since they involve low levels of financial and management resource commitment, however these entry modes, while being low in risk might on the other hand lead to a significant loss of opportunity (Ibid, p 283). Another factor of importance is the degree of control that the management requires, since this is linked to the level of resource commitment, an export mode, which do not require a lot of resources will in turn not be able to gain the management a high control level, on the contrary wholly owned subsidiaries provide the most control but entail considerable resources (Ibid, p 283). The flexibility of the entry mode is also to be taken under consideration, this is something that also is linked to the level of resource
commitment. The entry modes that require a substantial investment is often the one that is hard to change in the short run, which in turn limits the company’s ability to adapt or change their strategy when the market conditions are changing (Ibid, p 283).

According to Root (1994) there is another important factor influencing the choice of entry mode namely market and environmental factors in the home country. For example a big domestic market allows the company to grow and become big before entering foreign markets and companies in a small domestic market are inclined to export their products in order to reach optimum size with economies of scale (Root 1994, p 12-13). The home government also has an effect on the choice of entry mode through the level of taxes on exporting, it might work as an incentive for companies to export instead of engaging in foreign direct investment if the taxes are low on export and the policy on foreign direct investment are restrictive (Ibid, p 13).

### 3.4.1 Export Modes

To enter a market through an export mode means that a company’s products are manufactured in the home country or in a third country and then transported, directly or indirectly, to the host country (Hollensen 2004, p 291). This is the most common way of entering a foreign market and is often considered as a first step towards internationalisation (Ibid, p291-293). Export of a product can be organised in different ways, depending on the number and type of intermediaries used, the company has to decide which functions will be handled by the company itself and which ones will be handled by an external agent (Ibid, p 293).

There are two main types of export, indirect and direct export. Indirect export is when the exporting activities are handled by another domestic company, often without the manufacturing company’s involvement in the foreign sale (Ibid, p 293). This method is appropriate for companies with limited international expansion objectives, where international sales are regarded as a way of disposing surplus production or if the company has limited resources to invest in international expansion (Ibid, p 293). There are risks connected with this way of exporting, one of the risks being that the company has little or no control over the way its products are marketed and distributed abroad which can damage the image and reputation of the products (Ibid, p 293). Another negative effect for companies who wishes to
gradually expand abroad is that the possibilities of establishing contacts and information about the market are limited (Ibid, p 294).

Direct export usually occurs when the manufacturing company handle the exporting activities and is involved in handling documentation, delivery and pricing policies with the product being sold through foreign based independent intermediaries such as agents and distributors (Ibid, p 293-298). There are two main types of intermediaries to go through, namely, distributors and agents. Advantages with this type of export is that the company get access to local market experience and contacts with potential customers and also attain more control over the marketing mix (Ibid, p 303). Yet another advantage might be that the distributors and agents are often willing to devote a lot of time and effort towards developing a new market for a product due to the fact that their remuneration is tied to sales (Ibid, p 299). However there are some disadvantages as well, one of them being that the company have little control over the market price due to tariffs and lack of distribution control, another one being the cultural differences which might lead to communication problems (Ibid, p 303).

Distributors are often exclusive representatives of the company and are often the only importer of a company’s products in one specific market (Ibid, p 298). The distributor is an independent merchant who has considerable freedom to choose their own customers as well as set the conditions of the sale (Ibid, p 298). Usually distributors exclusively represent the manufacturer in all aspects of sales and services in a specific market area, this is justified by the extensive capital investment that may be required of the distributor in handling and selling the company’s products (Ibid, p 298).

An agent represents an exporting company and sells to wholesalers and retailers in the importing country (Ibid, p 298). It is the exporting company who ships the merchandise directly to the buying companies and all financial arrangements are made between the exporting company and the buyers, so the agents is paid commission by the exporting company on a pre arranged basis (Ibid, p 298). The commission paid can vary depending on services performed, market size and also depending on the rivalry amongst exporters and agents (Ibid, p 298).
3.5 Obstacles and Risks in the Internationalisation Process

There are many barriers of internalization that can be identified; some affect the process of export initiation and others are encountered during the internationalisation process. According to Porter (1983) there are several establishing obstacles. One factor that might prevent a company from trying to get established in a certain market is economies of scale. Economies of scale forces the establisher to either start up on a large scale and thereby run the risk of powerful resistance from already existing companies or not to do so and on that occasion suffer from cost disadvantages (Porter 1983, p 29). Economies of scale are not only valid in production but also in purchasing, research and development, marketing, service et cetera (Ibid, p 29) so would therefore be considered relevant and applicable on the fashion retail industry. Another type of establishing obstacle that is created by economies of scale can occur when a company has financial advantages concerning so-called vertical integration i.e. activity in several gradual stages of production and distribution (Ibid, p 30).

Product diversification is another obstacle, which often refers to the fact that already established companies obtain customer loyalty by having well known products or trademarks. The main obstacle for a company trying to get established abroad is that already existing companies probably already benefit from customer loyalty and that this might be difficult to compete with (Ibid, p 30-31). This, according to Porter (1983) often creates initial losses and demands a lot of time to be performed successfully and often these investments are regarded as risky since they will not create any rest value for the company if they are proven not to be successful.

There is often a need to invest a large amount of capital to be able to compete in a new market when establishing a company and this often creates obstacles, especially if the investment is required for an isolated outlay such as research and development or marketing research costs (Ibid, p 31). Other commercial risks include aspects such as difficulties in obtaining export financing and failure of export customer to pay due to contract dispute, refusal to accept the product or fraud. Risk management strategies recommend avoiding exporting to high-risk markets and try to structure export business so that the buyer bears most of the risks by demanding cash in advance (Hollensen 2004, p 43).
There is also a need to assure the availability of distribution channels for the company’s products, which is something that can lead to some difficulty. If there is a wish to use the same distribution channels as a company’s competitors there is often a need to convince the desired distribution channel to accept the company’s products and this can be done for example by price offers or by joint advertising (Porter 1983, p 32). Occasionally this type of establishing obstacle can be so extensive that the new company have to create an entire new distribution channel (Ibid p 32).

In some markets there might be a need to apply for various types of permission from the government. Regulations regarding certain areas such as the environment, restricted rights to raw material etc can be a major obstruction for establishment when it occurs (Ibid, p 34). The political risks of internationalisation are many, for example: lack of tax incentives for companies that export, high foreign tariffs on imported products and lack of governmental assistance in overcoming export barriers (Hollensen 2004, p 43). Other barriers might be insufficient knowledge on potential foreign customers, competition and foreign business practices as well as lack of foreign market connections (Ibid, p 42). Lack of personnel with requisite information and knowledge about export marketing as well as limited marketing ability are internationalisation barriers typical for small companies (Carter and Jones-Evans 2000, p 447).
4 Empirical Framework

This chapter will present the empirical findings from the interviews performed with the selected fashion companies as well as the Swedish Trade Council and the industry magazine Habit. The chapter follows the same structure as the theoretical framework and it is also linked to the interview guide which can be found in the appendix. A table summarizing the empirical findings can be found in the end of this chapter.

4.1 Presentation of the Selected Fashion Companies

The chosen fashion design companies are all relatively small companies founded by the designers themselves and their main business is to design and sell clothes and accessories. The authors’ impression is that these businesses are characterised by creativity rather than profit maximization. Many of the designers have a background within fashion both in education and experience and it is clear that they are driven by their commitment to design and fashion. Most of the production is located abroad in various countries, however the most common country to produce in is Estonia. The main reason for the outsourcing is the cost advantages compared to having the production located in Sweden.

House of Dagmar was established in 2004 by three sisters Karin Söderlind, Kristina Tjäder and Sofia Malm. The annual turnover for 2005 was five million SEK (Göteborgs-Posten 2006) the number of employees is four, including the owners (interview House of Dagmar). Their collection can be found in 25 stores in Sweden as well as in Denmark, Greece, the UK and Spain (Ibid).

The company Wallmander started in spring 2003 by designer and milliner Karin Wallmander (Wallmander 2006), who is the only employee (interview Wallmander). Wallmander’s products are being sold in Sweden, however, Karin Wallmander is investigating the possibilities of getting established in Norway and the Netherlands (Ibid)

The idea of Les Couleurs Nationales started to take shape in 2004 by designer Maxjenny Forslund (Interview Les Couleurs Nationales). The company has just opened up its own shop in Stockholm but can also be found in Denmark, Finland, Ireland, Germany, Italy and Japan (Ibid).
SPEND by Atte Gemzell was launched in January 2001 (Showroom Stockholm 2006). The company is not active in Sweden at the moment, however it is established in Japan (Interview SPEND by Atte Gemzell) Atte Gemzell is the only employee (Interview SPEND by Atte Gemzell).

Ylva Liljefors founded her business Ylva in 1991, however it has been under progress and been altered through the years. (Interview Ylva). The business is focused on Sweden and Poland for the time being, however the company has connections in other countries because of previous engagements which she might make use of (Ibid).

4.2 Motives for Internationalisation

All respondents stated that the reason for why they wished to expand abroad was mainly due to that they were required to increase sales volumes. Since design products tend to be a bit expensive the market in Sweden is inadequate.

“The clothes are a bit more expensive...therefore Sweden is a limited market”

(Interview House of Dagmar, the authors own translation).

Another important motive for internationalisation is that the fashion design companies want to increase the overturn as well as to grow and expand as a company. According House of Dagmar (Interview) the domestic market is of importance, however it is not the most important one in the long run. Habit (Interview) empathises that it is of importance not to limit the target group in the home market since this also puts boundaries on the sales volume. The company should have a substantial clientele in the domestic market which will provide a solid ground for foreign expansion (Interview Habit). Expectations of creating a stronger brand are also an alternative reason for expanding abroad (Interview Les Couleurs Nationales).

4.3 Selection of Markets

When deciding what international markets a company should first expand in, following factors are taken under consideration, namely: same sense of aesthetics, same sizes, same
seasons and physical nearness of the country, for example, many Swedish companies start their expansion in Scandinavia or northern Europe (Interview Swedish Trade Council). The largest markets for export are Scandinavia, Germany, the Netherlands and Belgium (Ibid). These are also the choices our selected designers have made, as well as Japan and the US. Japan can be perceived as both a market of interest which is easy to trade with as well as a difficult and demanding market. Nevertheless the interest for Swedish design is big in Japan (Ibid) something that many of the chosen designers have experienced. Demography and purchasing power are also of importance when it comes to selecting a new market (Interview Ylva). The respondent also reveals that personal contacts often have effected their selection of foreign markets, therefore in many cases the choice have not been based on any market research.

The selection of markets is often based on whether there is a demand for the specific style of the brand.

“If it (the product) does not suit a specific market it may not be a market for us”

(Interview House of Dagmar, the authors own translation).

This indicates the importance of the need for the same sense of aesthetic between countries when selecting which market to enter. According to the respondents fashion fairs are the most efficient way to communicate with buyers from potential markets. Buyers from all over the world often attend to the big fashion fairs and therefore the fashion fairs provide opportunities to establish contacts in different markets and not only within the hosting country. It is an efficient way to meet both agents and distributors. Even though fairs are the optimal way of obtain contacts there is a need for continuous participation from the fashion designer to get acknowledged (Interview Ylva ). According to SPEND by Atte Gemzell (Interview) one can tell if the brand gets attention from the right purchasers even if a sale is not happening at that specific fair. It is also of importance to be seen at the right fairs, meaning a fair with a suitable image that connects with the brand.

“If you want to invest you have to invest big, you have to go to Paris, London or Berlin since that is where the big international meeting places are”

(Interview House of Dagmar, the authors own translation).
4.4 The Choice of Entry Mode

The choice of entry mode depends on the country and the size of the company, in some countries the stores prefer to work with agents and in some countries they prefer to place their orders directly with distributors. However, if the establishment is successful and the company have enough experience and clientele they might be able to open up sales offices (Interview Swedish Trade Council). According to the respondents the most common way to reach foreign markets is to do so by engaging in direct export through either agents or distributors, as well as selling directly to selected retailers. Indirect export, by selling through a domestic representative in the home country is also an option for the design fashion companies, however it is not as widespread amongst the respondents as direct export.

“Agents are the most invisible people there are, no one knows where they are, they are very wanted and difficult to get hold of, you have to be persistent by being at seen at fairs with ears as big as pots”

(Interview Les Couleurs Nationales, the authors own translation)

To have an agent is an option that is desired by many fashion design companies (Interview Les Couleurs Nationales). It is important to select the right agent so that the agent has the right image for the specific brand and is not selling too many other brands, for example bigger or better-known ones. According to SPEND by Atte Gemzell (Interview) it is all about unwritten rules, the fashion design company has to be represented by the right salesman with the right attitude, this is of importance especially when dealing in Europe.

“To contact a certain store cannot be done by any person and has to be done in a specific way, it has to be done by someone with knowledge and contacts in the industry”

(Interview Ylva , the authors own translation)

4.5 Obstacles and Risks in the Internationalisation Process

“When you have a company like this you have to love what you are doing, I am not doing this for commercial reasons, unfortunately it is because I love what I am doing, if not it (the company) would have grown more”

(Interview SPEND by Atte Gemzell, the authors own translation)
“Everyone can produce nice things, it’s peanuts, but to sell my dear that’s the secret, not everyone has the skill”

(Interview Les Couleurs Nationales, the authors own translation)

The biggest obstacle for the fashion design companies in the internationalisation process is often the lack of experience and knowledge on how to sell their products. Most of the respondents claim that their businesses are more of a creative nature than of a commercial nature and that the focus is more on design than on entrepreneurship. This is recognised by the Swedish Trade Council as a difficulty.

“It is important to be aware of the fact that you are running a business, it is not enough with a good design”

(Interview Swedish Trade Council, the authors own translation)

“More designers have to understand that it is not enough to be creative, you also have to be an entrepreneur and have an understanding for what it’s like to run a business”

(Interview Habit, the authors own translation)

According to Habit (Interview) small fashion design companies gets too much attention in the media which gives an inaccurate picture of the industry and the prerequisites to succeed, this highlights the importance of entrepreneurship and knowledge about how to run a business and how that can be underestimated.

“You might destroy the embryo of presumably successful businesses in an early stage, it may never develop in to a strong business because they will run into difficulties”

(Interview Habit, the authors own translation)

Habit (Interview) also believes that it is important for the companies to get established in the domestic market in order to gain enough experience and necessary assets before expanding abroad.

“You have to ask yourself: am I unique enough to expand beyond the Swedish border?”

(Interview Habit, the authors own translation)
The biggest risk when expanding abroad is insufficient knowledge of the market and its players, it is important to know who you are dealing with and whether it is an appropriate contact with an accurate image (Interview Swedish Trade Council). The risk of not getting paid is naturally of great importance, however, this can be avoided by insisting on getting paid in advance, which is something that most of the respondents do. Another option of avoiding not getting paid is to work with agents and distributors that can bear a part of the financial risk. (Interview House of Dagmar). Before the company reaches substantial sales volume there is an initial cost. This is considered as a risk due to the need of capital and the fact that return on investment can be low initially. It is also of importance to have sufficient capital to cover the expenses for fashion fairs which are expensive, as well as being able to produce and deliver a potential order.

“It is expected that you deliver perfect clothes and that it will be done in perfect time, it cannot be delayed”

(Interview House of Dagmar, the authors own translation).

4.6 Desired External Assistance

“What they (small fashion design companies) can do is design. They often need assistance and support with everything else”

(Rossander 2006, the authors own translation)

Showroom Stockholm (Interview) suggests that small fashion companies need assistance and support in the following areas: preparations and planning such as market- and competitive analysis, knowledge of the business customs in the selected markets and also information about potential agents and distributors. Financial transactions and credit assessment is also an area in which Rossander suggests that the companies are in need of assistance and support in (Rossander 2006). According to Habit (Interview) there is not enough focus on business administration in today’s design education.

The selected fashion design companies are of a somewhat different opinion, the assistance and support that they suggest that they are in need of is first and foremost a sponsorship, the need for capital is vital regarding fashion fairs. However, some of the respondents suggested
that the Swedish Trade Council should sponsor agents who in turn have knowledge about how to sell the products, this was due to the fact that The Swedish Trade Council does not know enough about the specific area of the industry. The selected fashion companies also stated that they prefer to handle the contacts with potential agents and distributors by themselves.

### 4.7 Summary of the Empirical Findings

The findings of the empirical research have been summarized in the table below.

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Table 4.7.1 Summary of the Empirical Findings
5 Analysis

In this chapter the empirical findings will be analysed and linked to the selected theories. The presentation of the analysis will follow the same structure as the theoretical and empirical framework. Since the analysed areas are connected some similarities in the text will occur throughout the chapter.

5.1 Characteristics of Small Fashion Design Companies

Change and innovation is the essence of the fashion industry, however it is also something that characterizes small sized companies. Stating that being a small sized company need not be a disadvantage in the fashion industry since this type of company has an ability to adapt to the constantly changing environment. Moreover it is often easier for small companies to maintain a limited profile as well as a sustainable company brand since they have the ability to find a niche in the market by having a narrow collection.

Limited resources are a common phenomenon in a small fashion design company, this can also be related to that the primary objective of the business is not always profit maximizing. The company is often driven by the owners’ interest and commitment to what they are doing, which in this case is to design and create. This can be connected to the close relationship between the owner and his or her business, therefore the internationalisation process is depending on the motivation of the owner. The authors have found that there is often no formal strategy existing in the company concerning the internationalisation process. The approach method is often an opportunistic one, so when a prospect to expand in a foreign market is given the opportunity is taken.

5.2 Motives for Internationalisation

The internationalisation process for many small sized companies in the fashion retail industry involves both foreign-based production as well as sales on an international level. Production costs are lower abroad, foreign based production is therefore the most cost efficient option making the motive for this action financial. The wish to increase profits is an often returning
objective for companies in general, however in companies with a creative profile where there is a fundamental interest and devotion to the core activities of the business there are other objectives for internationalisation. Even though the objective might not be profit maximizing internationalisation is often a vital action to survive for small fashion design companies. Getting attention abroad is often a way of increasing the company’s competitiveness, this is something which the authors believe is particularly important in the fashion industry since fashion marketing is more about establishing a brand image rather than promoting a certain product. However the authors argue that product diversification is often legible regarding the fashion industry, due to that the company brands are of importance in this type of industry where it is all about producing unique products which represents the brand image. This may create a challenge when introducing an unknown company brand on a new market.

5.2.1 Triggers of Internationalisation
Proactive triggers for expanding abroad are many, for example internationalisation is often vital to increase sales volumes, something that is needed when the home market is limited, which is applicable on the Swedish fashion market for small design companies. This is linked to the fact that growth often is a motive for small companies to expand abroad. Reactive triggers of internationalisation are the most frequently occurring ones regarding small sized companies. Unsolicited orders seem to be the main reason for small fashion design companies to enter a foreign market, these connections between buyer and seller are often established at fashion fairs where the small fashion design companies simply react when approached by foreign buyers. The difference between small and big fashion retail companies is that bigger companies generally have resources to evaluate a potential market and therefore are able to make an active independent decision regarding the market selection. It might seem as if the small fashion designer companies are making a proactive choice when attending to fashion fairs in a specific country however, since fashion fairs are international meeting points the choice of fashion fair does not implicate that a specific country have been targeted.

5.3 Selection of Markets
The authors have found that although a market selection process does not occur very often amongst small fashion designer companies there are certain factors that influences the decision whether to enter a specific market or not. The same sense of aesthetics has shown to
be of special importance since the companies are acting in the fashion industry, where personal taste has impact on whether the product will sell or not. Purchasing power is also a significant factor due to the slightly higher prices of the companies’ products. For the Swedish fashion industry the primary countries for export activities are neighbouring countries, this is not only a characteristic for bigger fashion companies but also for small sized fashion companies. The authors believe that in this case the geographical proximity also implicate psychological nearness which facilitates sales. To export within the European Union means that export obstacles due to governmental policies are minimized compared to countries outside the free trade union.

5.4 Entry Modes

The most frequently occurring entry mode for small fashion design companies is to engage in export, the authors believe that this is partly due to the highly competitive nature of the fashion industry, making an export mode the least financial risky way of entering a foreign market. However since low risk is often linked to low control, an export mode will indicate a lower level of control regarding marketing, which might affect the company brand image in a negative way, something that the company itself will not be in command of. Direct export provides the company with a slightly higher level of control than indirect export does, since when engaging in direct export the company has more influence regarding the choice of contacts in each country, while when engaging in indirect export a domestic agent handles all international connections. The authors argue that a direct export mode is preferable when acting in an image sensitive industry such as the fashion retail industry. The importance of personal contacts when engaging in export is also something that the authors want to emphasize as well as the sellers ability to represent the company. It is important for small fashion companies to be represented by the right agent, since sales knowledge is a skill that often is missing in these types of companies and therefore there is a need for assistance regarding this matter. To enter a market through an analysis approach is not something that small fashion designer companies undertake. The experience approach is a more frequently used approach even if it is not a very common one.
5.5 Obstacles and Risks in the Internationalisation Process

There is a tendency to export early in the firm’s life cycle in order to increase sales volumes when the domestic market is limited. This approach is not approved by Habit (Interview), who states that it is of importance to have a solid domestic sales volume before expanding abroad since internationalisation implicates risk taking. The authors believe that if a company has a risk averse strategy and demands payment in advance, the risk taking associated with internationalisation is dominated by the financial advantages of increasing sales volumes. Furthermore, choosing export as an entry mode is highly recommendable when pursuing a risk averse strategy. One obstacle for small companies is the lack of capital which can lead to that the risk will be perceived as high when committing resources to internationalisation activities. However the authors recognize the biggest obstacle for small fashion design companies as the lack of knowledge and experience of the internationalisation process, this is something that might be facilitated by external support. Additional entrepreneurial knowledge is to be desired in these companies combined with a somewhat more rational way of acting.
6 Conclusions and Recommendations

In this chapter the results of the analysis will be presented, followed by the authors’ recommendations for small fashion design companies within the fashion retail industry on how to handle the important elements in the internationalisation process. These recommendations will be presented in a four fielder constructed by the authors.

6.1 Conclusions

One element of importance in the internationalisation process is the motive for internationalisation, which in most cases is a wish to increase profits and to expand as well as surviving as company. The authors would like to emphasise that a wish to expand should not have to include a change in the company image. A limited domestic market is the main reason for expanding abroad. Therefore the authors argue that it is better to expand abroad than to expand in the domestic market in order to prevent a change of the company image. To be able to keep a limited profile as well as a limited market it can be easier to remain a small sized company. The selection of markets is not often a well-planned process but is rather an opportunistic action and is therefore not considered as an important element in this context. The authors perceive direct export as the preferred entry mode for small sized companies in the fashion industry due to that this entry mode does not require any substantial commitment of financial resources, which implies low risk. However the biggest risk and the most important element in the internationalisation process is the need for business and entrepreneurial knowledge.

6.2 Recommendations

The authors would like to highlight the companies need for improvement in both the planning and implementation process covering areas such as market and competitive analysis, knowledge about the business customs and trade barriers in the selected countries, information about potential agents and distributors in targeted markets as well as in sales and business administration.
The following four fielder is based on factors that influence the internationalisation process originated both from within the company as well as from its external environment. These factors can be handled either by the company itself or by external organisations like the Swedish Trade Council, the Swedish Fashion Council, Showroom Stockholm or other organisations that have an interest in the development of Swedish fashion export.

The internal factors which the authors would recommend companies to handle internally are designing the collection and participating in fashion fairs. However the authors have found that in order to withhold a strong company brand it is also important for the company to create a market plan where the strategy and the business concept are defined. To obtain knowledge about how to handle the financial aspects of the business is also vital for the survival of the company. Sales knowledge is something that can be handled by the company it

Figure 6.1 (the authors own construction)
self or by an external organisation depending on the sales skills of the employees. Since the production is time consuming and the personnel resources are scarce in small fashion design companies it is recommended to outsource the production and due to cost efficiency this should be done abroad. Sponsorship, namely to contribute to the cost of fashion fairs is something that could be done by external organisations with an interest in the development of the industry. Another way for external organisations to sponsor these companies is to provide them with meeting points and opportunities to interact with other companies within the same industry as well as organising seminars on relevant issues. However the authors would like to empathise that in order to obtain sponsorship from external organisations there should be certain requirements for the companies to fulfil, such as presenting a thorough market plan containing a strategy, business concept et cetera.

The external factors that the authors would recommend companies to handle internally are the selection of suitable agents and distributors, with the right image for the particular brand. This is something that the companies have stated that they prefer to handle internally due to the influence the selected agent will have on the perceived image of the brand on a new market. Suitable market research for a new market includes information about: competition, purchasing power, demographics, trade barriers, business customs and the structure of the market. This kind of market research is a time consuming and costly procedure for a small sized company and it is also something that can be beneficial for several companies since the market research need not be designed for a specific brand, but being of a more general nature. Therefore this is a service that could be provided by an external organisation and used by more than one company.
7 Critical Evaluation of the Study

When evaluating a study one can use the variables reliability and validity. However, there are alternative measurements for evaluating a qualitative study, namely trustworthiness and authenticity. The above mentioned criteria will be presented in this chapter including a critical evaluation of the thesis. Finally suggestions for future research will be presented. The suggestions will be based on the limitations of the thesis and other areas of interest that have been discovered throughout the study.

The authors have chosen the methods that are believed to suit the research best, there are however certain decisions that can be criticized. Qualitative research is often criticised for being subjective and therefore characterized by the authors own believes and ideas (Bryman 2002, p 269). Subjective pre understanding will also affect understanding, interpretation and explanation while conducting the study. The authors regard their initial knowledge about the fashion industry to be inadequate, however since it is an industry which is often mentioned in the media a certain subjective pre understanding for the subject has to be taken in consideration and may have influenced the interpretation of the study.

7.1 Reliability / Validity

The reliability of a study can be measured by answering whether a similar observation will be made by different researchers and whether the same results will be reached on different occasions (Saunders et al 2000, p 100). Reliability can be divided into external reliability and internal reliability, where external reliability signifies to what extent a study can be replicated (Bryman 2002, p 257). This can be difficult when performing a qualitative study since it is impossible to preserve the context of a specific social environment (Bryman 2002, p 257). Internal reliability implicates that the researchers have to agree on how to interpret the results of the study, this observer bias can be seen as a threat to reliability. Another threat of reliability can be observer error, meaning that different answers can be elicited depending on the interviewers, this can be avoided by introducing a high degree of structure of the interview guide (Saunders et al 2000, p 101). Although the authors believe that the study of the thesis could be replicated, the specific semi structured interview technique that has been used may have affected the findings of the empirical study. If the interviews had been performed by other interviewers the respondents’ answers might have turned out differently.
Validity is concerned with whether the findings really are about what they appear to be about (Saunders et al 2000, p 101). Internal validity means that the researchers’ observations and the theoretical ideas developed have to correspond (Bryman 2002, p 257). External validity involves to what extent the result of the study can be generalised to other social contexts (Bryman 2002, p 257). Since the empirical study is based on a limited number of companies it can be questioned whether or not the findings of the study are applicable on all small fashion design companies in Sweden.

### 7.2 Trustworthiness / Authenticity

Trustworthiness consists of four parts: credibility, transferability, dependability and confirmability. The equivalent of internal validity in a qualitative study is credibility, meaning that the study must be performed according to the existing guidelines (Bryman 2002, p 258). The equivalent of external validity is transferability. Qualitative studies can often be criticized for not being able to replicate and therefore failing to give the study a generally applicable value. By providing the reader with a solid description of the contexts of the study, it gives the reader an opportunity to evaluate if the results of the study can be transferred into another context (Bryman 2002, p 260).

Dependability and confirmability are connected with validity. In order to guarantee the dependability of a study the authors should provide the readers with thorough and accurate information of how the study has been performed (Bryman 2002, p 261). Confirmability means that the researcher assumes that it is not possible to achieve complete objectivity of a social study but guarantees that the research has been performed in good faith. It shall be evident that the researcher has not been consciously influenced by personal values or by the theoretical approach of the study (Bryman 2002, p 261). By describing how the selected companies have been chosen and how the interviews have been performed, the authors aim to achieve dependability and confirmability.

The study should have a high level of authenticity, this can be measured according to several criteria, and the most important one in the study is giving a fair view, meaning that the research gives a fair picture of the reality described in the study (Bryman 2002, p 261).
providing the readers with a background of the Swedish fashion retail industry the authors aim to facilitate the understanding of the subject.

### 7.3 Suggestions for Future Research

Even though the study have been limited to small fashion design companies the authors would not like to suggest a study of medium sized to big fashion companies since there already are much research done on this topic, however the authors have found that there are unlimited areas of research regarding small fashion design companies.

During the empirical research the authors have found that different countries provide different opportunities for internationalisation. Areas that can be investigated on a country specific basis are different types of entry modes as well as a cultural perspective on business behaviour. Another interesting area that the authors initially wanted to investigate but had to discard due the limited extent of the study, is what significance the origin of a product has in a foreign market regarding branding. It would have been interesting to investigate how the fact that the companies are of Swedish origin would affect the perceived image of the company brand. How the adaptation of the marketing mix can be performed is also a subject suitable for investigation.
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Appendix A

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Other Comments on Facilitating the Export Process in General
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