



Marita Ramos Bonaldi **Implicações de fatores culturais na internacionalização de uma marca de luxo – O caso da *Ralph Lauren***

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Dissertação apresentada à Universidade de Aveiro para cumprimento dos requisitos necessários à obtenção do grau de Mestre em Línguas e Relações Empresariais, realizada sob a orientação científica da Professora Doutora Susan Jean Howcroft do Departamento de Línguas e Culturas da Universidade de Aveiro.

In Memoriam, Pedro Ramos (1946-2014)

o júri

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Dominum Deum tuum ex toto corde tuo et in tota anima tua et in tota mente tua hoc est maximum et primum mandatum. Amen.

palavras-chave

Marketing internacional, internacionalização, cultura, Corporação Ralph Lauren, mercados Europeus, marca global, retalho de moda, marca de luxo.

resumo

A estratégia de marketing internacional requer a observação de decisões tomadas por empresas em resposta ao crescimento das trocas comerciais, como consequência de uma maior disponibilização de novos produtos e serviços num determinado mercado. Por sua vez, a investigação de estratégias de internacionalização tornam-se possíveis simplesmente devido a um aumento de investimento direto no estrangeiro e da mobilidade das populações assim como da competição a nível internacional. As empresas são frequentemente motivadas à expansão internacional à medida que procuram superar a concorrência no mercado doméstico e explorar vantagens competitivas em mercados externos. Após três décadas de grande sucesso no seu mercado doméstico, nos EUA, a expansão da Corporação Ralph Lauren (RL) na Europa provou ser igualmente bem sucedida. Numa tentativa de definir uma imagem fiel do nascimento, desenvolvimento e estado atual da RL, as estratégias corporativas da empresa na Europa serão analisadas na perspetiva das repercussões culturais da expansão de uma marca Americana em mercados Europeus. Este trabalho procede a uma análise detalhada das estratégias de marketing internacional da Ralph Lauren na Europa, com base no modelo de processos de marketing internacional de Bradley (2005), juntamente com investigações mais recentes referentes a marketing internacional com um foco em luxo internacional.

keywords

International marketing, internationalization, culture, Ralph Lauren Corporation, European markets, global brand, fashion retail, luxury brand.

abstract

Investigating international marketing strategy involves looking at the decisions firms take in response to the growth in trade, together with and at the same time as having many new products and services available for a specific market. In turn, strategies towards internationalization are only possible because of an increase in foreign investment, the mobility of populations and competing at an international level. Companies are often motivated to expand internationally as they seek to overcome competition in the home market and exploit competitive advantages in foreign markets. Following three very successful decades in its domestic market, the USA, the expansion of the Ralph Lauren (RL) Corporation in Europe proved to be equally successful. In attempting to paint an accurate picture of the birth, development and current status of RL as a global brand, the firm's corporate strategies in Europe are examined in light of the cultural implications of expanding an American brand in European markets. This work makes a detailed analysis of Ralph Lauren's European international marketing strategies based on Bradley's (2005) process model of international marketing together with the most recent research in international marketing particularly with reference to international luxury.

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Chapter 1 Introduction

1.1 Motivation for the project

Many firms have attempted to expand into international markets; however, not all of these have been successful. Some of the most successful firms according to Moore, Fernie and Burt (2000: 923) and Maureen Whitehead (1994: 38-41) are food retailers who hold the highest positions for profitability. In the case of fashion retailers, there are many accounts of more or less successful expansions. In the case of the Ralph Lauren (RL) Corporation, the firm was extremely successful in its home market, the USA, having managed to expand into Europe equally successfully. This work will attempt to examine how the RL Corporation expanded into Europe and achieved its success.

1.2 The Ralph Lauren Corporation

Today, the RL brand is a lifestyle brand whose products and services promote a lifestyle of quality and luxury to consumers around the globe. What started as a small tie business in the USA in 1967 has become a global brand. On January 22nd 1993, Ralph Lauren sat for an interview with broadcast journalist, Charlie Rose (1993), in which he explained that his early vision for the business consisted of simply wanting to sell according to his personal taste which tended to reflect classic, timeless looks as he was heavily influenced by figures such as cowboys, his university professors and even iconic film actors. Ralph Lauren's ability to create classic pieces, which transcend time, has allowed the Ralph Lauren brand to endure through decades of ever changing trends in the USA. Although the RL brand is closely associated with the American aesthetic, Mr. Ralph Lauren has risen to fashion stardom around the globe due to his ability to transmit, through his designs, values which are universally understood: elegance, quality and comfort. In his own words, the fashion designer explains the philosophy of his brand: "We don't only sell clothes, we are selling a dream and a vision." (Craven 2011)

Central to the worldwide recognition of the RL Corporation is the brand's logo, which depicts a horseman playing polo. Polo is the game of princes in England and of the elite almost everywhere it is played around the world because of the cost of keeping polo ponies. This makes the logo represent a certain elite taste and quality. In Portugal, the word 'polo' is actually used to mean the kind of three button shirt used in the game of polo that is now used in several other sports due, in no small degree, to the branding of the Ralph Lauren Corporation.

Guy Trebay (2007) of the New York Times newspaper summarizes the incredible forty-year history of the designer and his high-end and world-renowned fashion house:

"It was Mr. Lauren, after all, who went from designing a simple four-inch necktie for Beau Brummel in the late 1960s to colonizing vast sartorial hunks of American high society and transforming the tweaked results into a multibillion-dollar publicly traded business whose logo, a jaunty equestrian with a cocked polo mallet, is almost as recognizable in certain places as the American flag. Much as Walt Disney did before him using another cluster of homegrown symbols, Mr. Lauren has expanded his retailing theme parks to include outposts across the globe; in the past several years alone, he has opened showy flagships in Milan, Tokyo and Moscow, all part of a campaign to expand and conquer, to turn Ralph Lauren America into Planet Ralph."

Besides Mr. Ralph Lauren's personal taste being essential to the success of this fashion house, the RL Corporation has invested in clever and knowledgeable marketing, merchandising and distribution strategies, which have been crucial to the brand's international appeal and success.

From its small beginning as a tie business to becoming a highly successful and profitable global brand, the Ralph Lauren Corporation provides a practical application of well-developed and flexible business strategies, which will be analyzed here. These strategies have allowed the brand to continue on a journey characterized by decades of growth and innovation, despite intense competition. The RL Corporation has thrived in a tremendously complex business environment by becoming a leader in innovative marketing turning it into a world-class example of a global brand.

1.3 Analytical Parameters for examining international marketing;

In attempting to paint an accurate picture of the birth, development and current status of RL as a global brand, the firm's corporate strategies must be examined. A detailed analysis of Ralph Lauren's European corporate strategies will be performed based on Bradley's (2005: 23) process model of international marketing together with the most recent research in the field of international marketing particularly with reference to international luxury.

1. International marketing in the global economy;
2. Product and brand strategies;
3. Market entry;
4. Operations and performance.

Additional publications, by authors such as Lancaster and Massingham (2011) and de Mooij (2011) together with articles from journals such as the Journal of Consumer Marketing and the Journal of Fashion Marketing and Management among many others will be utilized in order to provide a more up to date view of the international marketing environment, marketing across cultures, consumer behavior, as well as, issues dealing with strategic marketing management. Lastly, articles focusing on Europe will be utilized to provide a framework to analyze the expansion of the Ralph Lauren Corporation expansion in Europe.

Chapter 2 Theoretical Background and Methodological Approaches

2.1 Bradley's International Marketing Strategy

One of the fundamental works used to provide a framework for this case study is Frank Bradley's *International Marketing Strategy 5th Edition*. Bradley is a researcher at University College Dublin, who has held both academic and administrative positions, such as professor of marketing and lecturer in departments of business administration, as well as, dean of schools of business at the Faculty of Commerce and director of numerous international bachelor and master programs. (UCD Dublin Research 2014) He has published two books, including the revised work utilized in this case study and published several journals and is therefore an experienced and renowned researcher in international marketing strategies.

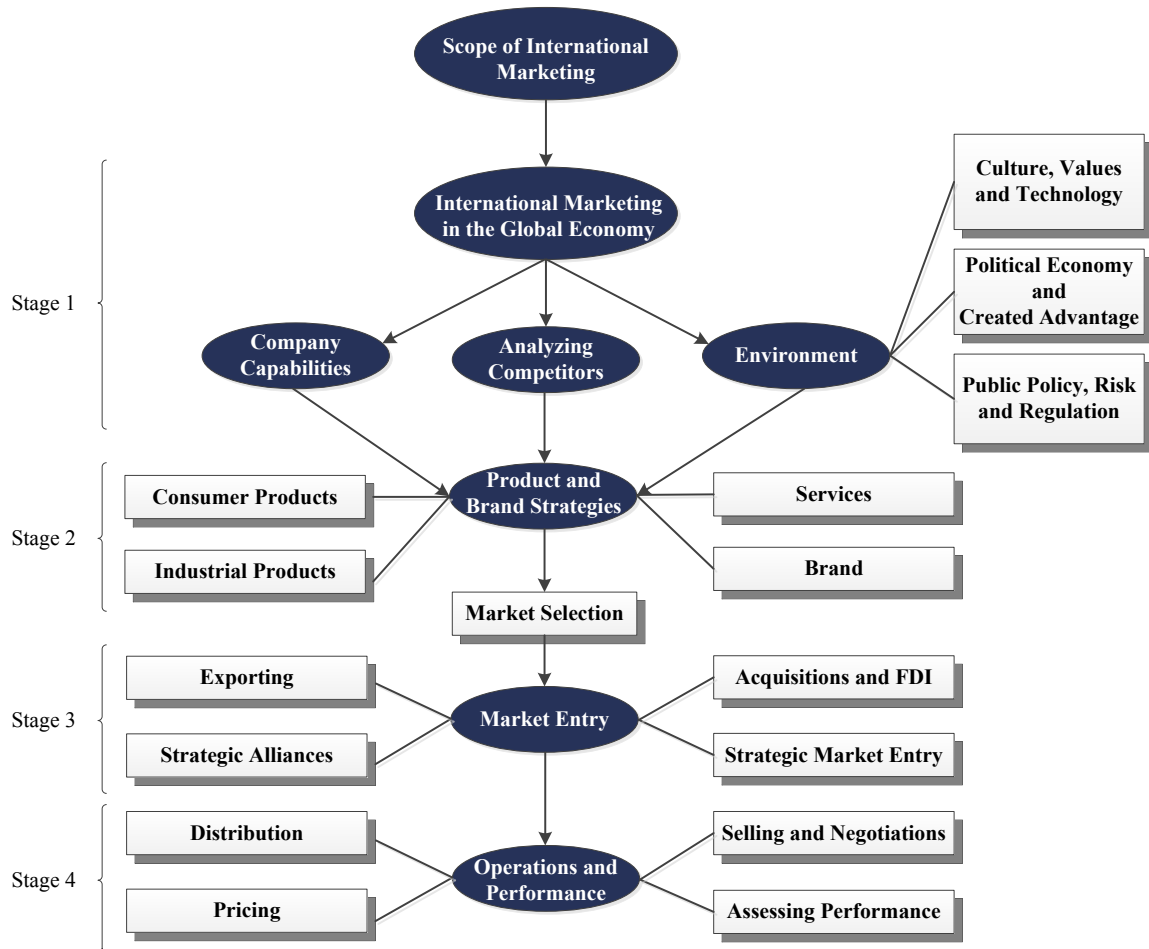
In *International Marketing Strategy 5th Edition*, Bradley (2005: xix) suggests that examining an international marketing strategy involves looking at the decisions the firm has taken in response to the growth in trade, together with and at the same time as having many new products and services available for that market. In turn, the strategies towards internationalization are only possible because of an increase in foreign investment, the mobility of populations and competing at an international level.

Bradley believes powerful branding is the optimal way to deal with this unstable and ever changing convergence of global economies and politics, as well as, market consolidation caused by technology and easily accessed information. By supplying consumers with constant information through corporate, product and service branding, the firm is able to track preferences and allocate cost-effective strategies as necessary. The firm must also maintain flexible marketing strategies while responding to both international and domestic customers' needs, which may differ due in part to specific cultural and social aspects. Managers must realize that a strategy, which works domestically, may not succeed internationally. Consequently, the path to internationalization is always a risky undertaking but risk can be managed by maintaining a degree of flexibility and dynamism, which often comes to life through optimal branding. (Bradley 2005: xix)

Bradley's process model of international marketing consists of examining four major aspects which are then subdivided into four stages examining each of these areas in more detail:

1. International marketing in the global economy;
2. Product and brand strategies;
3. Market entry;
4. Operations and performance.

Figure 1. Frank Bradley's *Process Model of International Marketing*: (2005: 23)



With reference to Fig. 1 above Bradley (2005: xix) defines the scope of international marketing by emphasizing the need to analyze companies for their performance and growth rate in international markets. Companies are often motivated to expand internationally as they seek to overcome competition in the home market and exploit competitive advantages in foreign markets. Performance and growth in international markets is directly related to the company's ability to adopt multidimensional strategies to cope with the complexities of the international marketing environment. Firms frequently initiate their journey in foreign markets by exporting but may then use foreign sales subsidiaries, joint ventures, or direct investments if successful. Increased profits

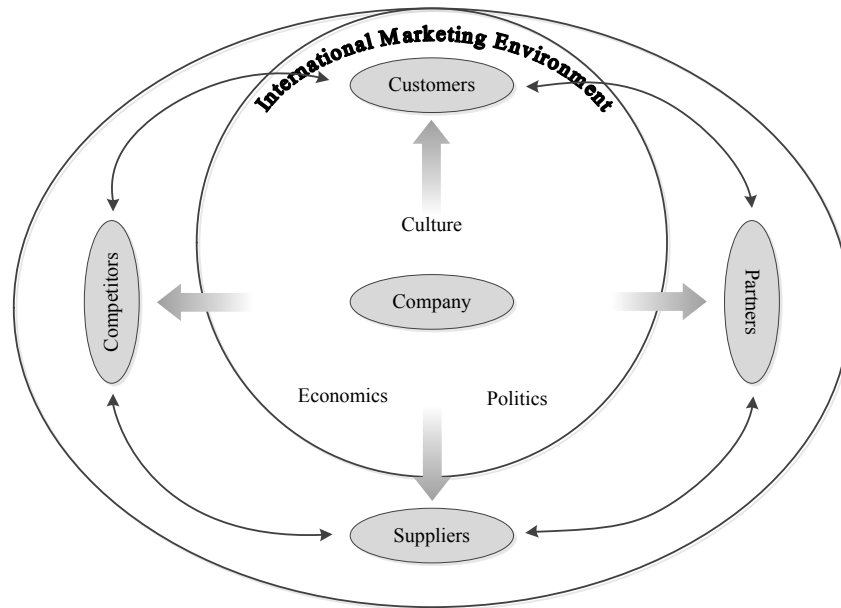
can be achieved either by increasing sales through product development, market penetration and integration or by reducing costs. Each firm adopts customized international marketing strategies with the common goal of obtaining and retaining competitive advantage in participating markets.

In “Essentials of Marketing Management” (2011), Lancaster and Massingham cover the fundamental, as well as, strategic elements of marketing by demonstrating that marketing has become more strategic in its nature due to faster paced environmental and technological change, as well as, greater consumer awareness and increased competition, among other considerations. (Lancaster and Massingham 2011: 34) The authors highlight that ‘effective marketing is the keystone of organizational success’ (Lancaster and Massingham 2011: 2), with global marketing perhaps proving to be the greatest challenge in maintaining organizational skills as ‘there are extra considerations caused by the complexity of marketing on an international or global scale’. (Lancaster and Massingham 2011: 31) Throughout their work, Lancaster and Massingham (2011) emphasize the strategic marketing planning viewpoint, as appraising the environment, as well as, evaluating and assessing resources are critical tools to be used in developing and implementing marketing strategies. In global marketing, strategic marketing planning translates into the level of involvement the firm has with a foreign market or markets, the cultural and social forces that shape and influence the business interaction, methods of market entry and the role of international marketing research in addition to information systems in supplying the firm with critical knowledge in reducing risk. (Lancaster and Massingham 2011: xxiv)

2.2 International Marketing in the Global Economy

According to Bradley (2005: 40), analytical frameworks for international marketing come from areas such as international trade, industrial organization and strategic marketing. The firm possesses an important dominant position in the international marketing system, as well as, the key role of value added and its provision within a business system, increasingly international in its activities and orientation. In considering the dominant position of the international firm, international trade theory can give valuable information about the exchange of assets (products and services) and marketing programs in the light of fluctuating exchange rates. Moreover, industrial organization theory shows the reasons for direct foreign investment and the role of the firm in the internationalization process. It is equally important to distinguish how foreign market entry is used to transfer assets abroad: managerial theory of international marketing characterized by manufacturing and marketing decisions is utilized in identifying and evaluating generic product-market and business system strategies for international marketing. Bradley (2005: 31) shows the international marketing system being influenced by culture, economics and politics as these in turn influence the company and associated customers, partners, suppliers and competitors.

Figure 2. Bradley's International Marketing System: (2005: 31)



Furthermore, Lancaster and Massingham (2011: 481) provide recent developments in analytical concepts and frameworks of international marketing regarding analyses and decision - making in contemporary marketing planning. The authors explore portfolio planning tools, ranging from the two-dimensional growth/share matrix to the multi-factor matrices, as well as, the emergence of empirically based comprehensive planning tools, utilized by strategic planners in delineating and selecting between alternative strategies, while seeking to obtain the highest return on investment.

2.3 Company Resources and Capabilities

Bradley (2005: 61) suggests that successful internationalization depends on the resources and managerial capacity of the firm. These two elements are not only connected to the aspirations of management, when pursuing internationalization, but also determine the extent of the firm's competitive advantage in foreign markets. The aspirations of the managers leading to the success of the firm are based on objectives, technology and innovation, as well as, product location and size. The author emphasizes the importance of having open-minded management when faced with specific challenges of internationalization therefore encouraging firms to strategically commit resources in order to achieve success. Resource commitment naturally changes as the firm seeks to

retain competitive advantages in foreign markets. Lancaster and Massingham (2011: 12-13) extend this view by demonstrating that critical management skills, such as analysis, planning, implementation and control, as well as, interpreting customers' needs, must be developed to ensure effective marketing practices. In the context of global marketing, the cognitive styles of managers become a critical factor when communicating across national boundaries. The management's ability to grasp how cultural and social forces shape a person's managing cognitive style will determine the ability to reconcile divergent management styles. (Lancaster and Massingham 2011: 490-491)

In 1997, Burberry appointed chief executive, Rose Marie Bravo and the company went about radically changing its business model, changes which Moore and Birtwistle (2004: 412-413) mention have also occurred within other premium international fashion retail companies such as Gucci, Ralph Lauren and Prada. Wigley and Moore (2007: 281) mention Doherty (2000) and Fernie *et al.* (1997) in stating that 'during the past two decades in particular, fashion companies have evolved to be the most prolific, dynamic and successful category of international retailers'. Wigley and Moore (2007: 281) utilize information by the Mintel Group (2003) indicating that 'in 2003, all but one of Europe's top 18 specialist clothing retailers, measured by sales, operated in markets outside their country of origin' with special mention of Inditex as 'Europe's fastest growing international fashion retail group, Inditex, reported that 54 percent of their total sales are outside their domestic market'. (Inditex 2004) Wigley and Moore (2007: 281) also mention Mintel's (2003) report on the British firm, Marks and Spencer's failed attempt at internationalization in validating the importance of managing the internationalization process, measured by proportion of sales and contribution of assets.

In examining how critical success factors of international fashion retailing may be managed at a strategic level, as well as, indicating the structures and policies retailers may operationalize in pursuit of success, Wigley and Moore (2007: 282) base their study on Hollander's (1970) seminal text on the subject of retail internationalization (RI) in which the author defines RI strategies as 'firms that are responsive to headquarters located outside the country in which retail sales are made'. According to the authors, 'Hollander (1970) recognized that RI strategies would be ineffectual if the retailer was not equipped with the financial, commercial and operational resources and competencies necessary.' (2007: 282-283) Based on this notion, Wigley and Moore (2007: 283) provide Treadgold's (1989) concept of internal and external success factors, which international retailers ought to possess:

Internal success factors:

1. Commitment of senior management to develop an international presence;
2. Adequate support for foreign markets;

3. Maximum control over supply chain participants;
4. Appropriate method of market entry selected;
5. Belief in and commitment to long-term potential of the market.

External success factors:

1. Sound understanding of the foreign market;
2. Ability to be commercially innovative;
3. Offer must appeal to the needs of foreign customers;
4. Offer must transcend cultural and aspirational differences;
5. Ability to influence customer preferences so that new opportunities can be developed where none previously existed.

Particular to the sector of international fashion retailing, the authors summarize relevant literature (Cannon and Willis (1981); Reid (1984); Turnbull 1987; Johansson and Vahlne, 1990) on some of the factors contributing to international retailer success:

- The development of an internationally attractive brand and product portfolio; and
- Central management supervision of overseas activities irrespective of market entry choice and method via the management of partner relationships. (Wigley and Moore 2007: 285)

Wigley and Moore (2007) consider how international fashion retailers integrate these two dimensions as part of an internationalization strategy through two case studies, which included retailers that were selected due to their similarity (e.g. product sector and ambitions), as well as, their specific differences (e.g. strategic approach and success). The authors also based their selection on the fact that both retailers marketed their collections under distinctive brand names, their desire to benefit from international expansion of their respective brand in addition to the fact that both retailers chose internationalization strategies that were supported by a shift to public ownership. Although the two companies operate in a similar segment and under similar corporate strategies, one has enjoyed consistent success in foreign markets whereas the other has only enjoyed sporadic success; thus prompting the authors to investigate and identify strategies influencing international success (Wigley and Moore 2007: 286):

“The first company is based in the USA and offers high-end lifestyle clothing for women, men and children, and associated accessories. Founded during the early 1980s, the company grew quickly in the USA, supported by distinctive marketing campaigns and considerable financial backing. International operations commenced during the late 1980s with overseas expansion via wholesaling and licensing. Despite domestic success, including a lucrative Wall Street flotation, the company was undermined during the 1990s as a result of strategic decisions taken by the then-incumbent management regarding their internationalization strategy.”

“The second company is based in the UK, and operates in a similar aspirational lifestyle segment and product range. Founded during the early 1980s, the company became one of the UK’s leading fashion retailers, boosted by innovative market positioning. International operations started in the mid-1990s via wholesaling, followed by store franchise

agreements, company-owned stores and product licensing. Following a pattern of opportunistic growth, the company has gone from strength to strength internationally.” (Wigley and Moore 2007: 286)

Utilizing three research techniques, interviews, observation and documentation, Wigley and Moore (2007), present the following findings and discussion:

1. Background to internationalization: The UK retailer viewed foreign markets as an essential component of a wider strategy geared towards success, whereas the US retailer’s perspective on foreign markets considered them as an adjunct to its domestic business. (Wigley and Moore 2007: 287)
2. Internationalization process and operationalization: Facing difficulties in its domestic business, the American retailer accelerated its international program requiring adequate management preparation and attention at additional cost. The UK retailer designed its international program by making an arrangement with a retail partner, an established expert in the field, who would still allow the UK company to retain some control over volume of stock, marketing and distribution. (Wigley and Moore 2007: 288, 290)
3. Operational outcomes: Although the US company’s sales volume increased in the late 1990’s, the company’s profitability suffered as it struggled to express itself coherently across international markets while dealing with distribution and quality problems; consequently, consumers were hesitant in adopting the brand. The British retailer, on the other hand, enjoyed successful international development as it focused on product innovation, as well as, the presentation of a sophisticated and distinctive image. Having been secure in its home market allowed the company to undertake international operations with success. Internationalization was a disciplined process for the British retailer, as it has been capable of expressing the same differentials abroad as it did in its home market. (Wigley and Moore 2007: 291)

Wigley and Moore (2007), identify the importance of product quality, management control and selective distribution. Central control is critical in leading to international retailer success: it may be accomplished via centralized control structures such as directly owned stores, centrally-arranged distribution and controlled marketing; as well as, through appropriate management of relationships by utilizing outside agents to operationalize the components. (Wigley and Moore 2007: 293)

2.4 Analysis of International Competitors

When competing internationally, a thorough analysis of the competitive environment is essential in identifying the customized strategies firms adopt in the pursuit of international success. Inherent to competition is a hierarchy in which the firm may choose to compete at some levels, while ignoring others. This is particularly important when the firm focuses on its strong and weak points as a way of improving its competitive advantage. A wide range of factors determines competitiveness as exemplified by costs and prices, as well as, aspects directly related to the marketing program such as product quality, delivery and reputation. In measuring competitiveness, firms may follow criteria, which analyze competitors regarding size, competitor objectives, strategies, organization, cost structure and general capability. In identifying potential competitors, it is crucial to understand motives for product-market expansion, the integration with suppliers and customers, as well as, evaluating the general ability to compete. When focusing on its own ability to compete, the firm may choose to compete on quality and manufacturing while sustaining flexible systems, innovation and general organization. (Bradley 2005: 75) According to Lancaster and Massingham (2011: 18), successful marketing in a competitive economy involves positioning and customer focus. The authors draw attention to the many factors that have contributed to increased competition, both existing and potential: barriers to trade have been lowered and communications have improved, geographical and other boundaries no longer hold back a multinational conglomerate, the 'free market' has come about due to supporting legislation and political ideologies, as well as, new sources of competition brought about by continual technological innovation.

Moore and Birtwistle (2004: 412-422) focus on the analysis of international competitors, using Burberry's current business model. The authors report on Burberry's current business model following the adoption of previous unsuccessful business models, which weakened the company's performance: 'for the financial year ending 31 March 1998, Burberry saw its annual profits drop from £62m to £25m' as financial analysts, Finch and May (1998), dubbed Burberry 'an outdated business with a fashion cachet of almost zero'. (Moore and Birtwistle 2004: 412) This in-depth analysis of the Burberry business model, which draws on extensive documentation published by Burberry (due to their initial public offering (IPO)), reveals at the micro-level, the corporate trends and management issues that concern the international luxury fashion retail sector.

The Burberry business model comprises four inter-related dimensions:

1. Products.
2. Manufacturing and sourcing.
3. Distribution channels.
4. Marketing communications. (Moore and Birtwistle 2004: 415)

Although Moore and Birtwistle (2004) provide a complete analysis of the Burberry brand, by including the brand's chronology and strategies for product design and sourcing, brand management and distribution, as well as, marketing communications, for the sake of length in this theoretical section, the Burberry business model will be looked at briefly by mentioning Burberry's five key success factors: (Moore and Birtwistle 2004: 421)

1. 'The importance of a clearly defined brand positioning which communicates a definite set of attractive brand values and lifestyle associations;
2. The requirement to maintain a coordinated distribution strategy whereby retail chains compliment and are complimented by wholesale chains which assure maximum market coverage;
3. The opportunities afforded by a strong brand identity to extend into adjacent product areas either through internal capability or via licensing agreements;
4. The opportunities afforded by a flexible approach to the management of important foreign markets – such as in the form of delegating marketing activity through licensing agreements;
5. The importance of media relations management to the creation and maintenance of a credible luxury fashion brand reputation.'

2.5 Culture, Values and Technology

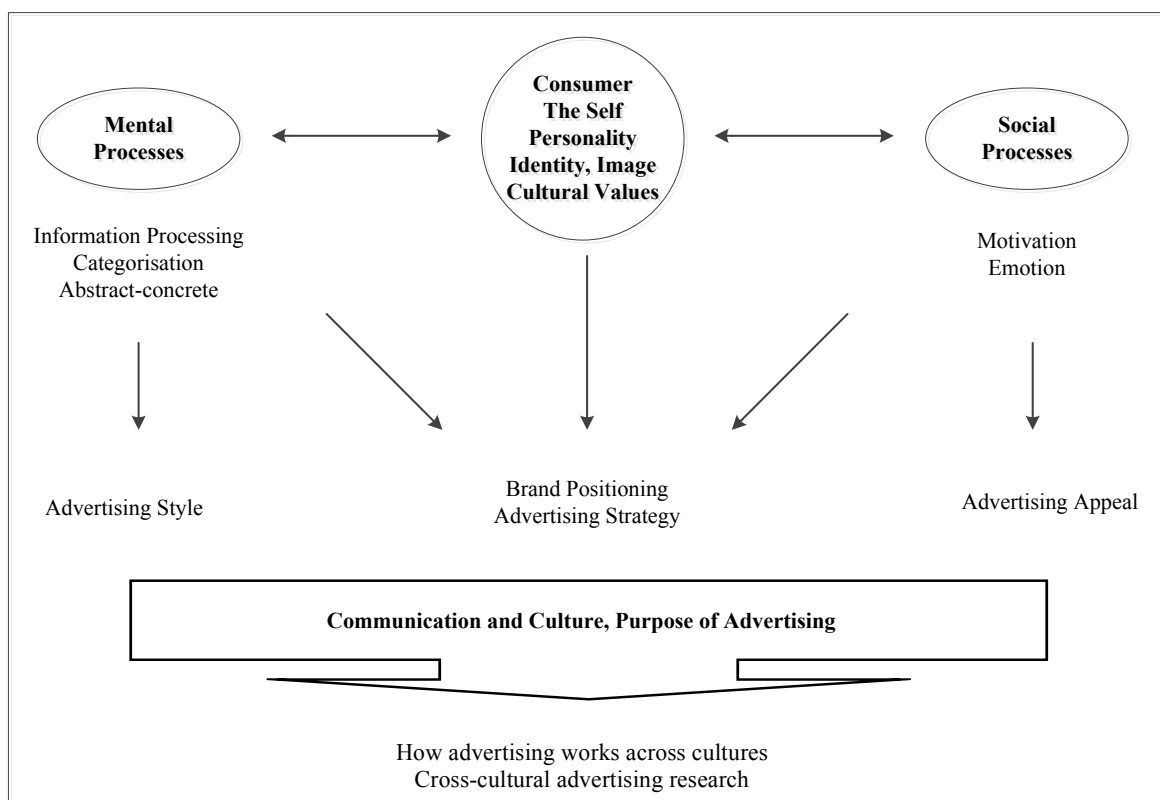
Cultural influences are determining factors of international management behavior. International business, particularly marketing, is seen as cultural, as well as, economic behavior. It is therefore essential to analyze the cultural dimension in the internationalization of the firm, as management is threefold: culture-bound, inward looking and subject to self-reference criteria. The international marketing environment is characterized by numerous cultural factors: language, religion, attitudes toward time, wealth acquisition, risk taking, organization of relationships (both in social and cultural stratification), family units, level of education and also technology and material culture in the context of general and aesthetic values. Using these cultural influences as criteria, research has attempted to extract international modes of behavior when examining the management of international firms. The cultural environment may also be examined through macro and micro categories. At the macro level, elements such as cultural variability, complexity, hostility, heterogeneity and interdependence are identified. The micro level is characterized by cultural attitudes regarding national pride, economic philosophy, national identity, fear of foreign influences and disposition toward innovation. Cultural distance is identified as a barrier to internationalization since the greater the cultural distance the weaker the flow of information from markets, diminishing trade among people and products. Cultural distance therefore translates into

business distance, a multidimensional issue that takes into account aspects such as geographical distance and physical characteristics, as well as, economic and cultural aspects. As of late, business distance has been greatly reduced by the use of media as a means of communication, as well as, increased travel causing markets to fuse distinctive and similar cultural characteristics to create more fluidity among markets. (Bradley 2005: 102) Concerning the consequences of culture for global marketing and advertising, De Mooij and Hofstede (2010: 85-110), address the various models that have been developed to understand cultural differences. The Hofstede model, being the most used, is described in this article in respect of the various elements of consumer behavior that it explained.

Concerning the Hofstede model:

“Geert Hofstede's dimensional model of national culture has been applied to various areas of global branding and advertising, and the underlying theories of consumer behavior. The model has been used to explain differences of the concepts of self, personality and identity, which in turn explain variations in branding strategy and communications. Another area is information processing, including differences in perception and categorization that influence interpersonal and mass communication, and the working of advertising.” (De Mooij and Hofstede 2010: 85-86)

Figure 3. Brand Positioning and Advertising Strategy in Cross-Cultural Contexts: (De Mooij and Hofstede 2010: 86)



De Mooij and Hofstede (2010: 86) view cultural values as an integrated part of the consumer's self rather than an environmental factor. Secondly, effective advertising must have the consumer as the central focus. A distinction is also made between mental and social processes, where mental processes are comprised of mostly internal processes such as the way people think, learn, perceive, categorize and process information; social processes, on the other hand, deal with the way people relate to each other including aspects such as motivation and emotions. Thus cultural models analyze how both processes affect interpersonal and mass communication, which in turn influence the appeal of advertising and advertising styles in the design of global advertising strategies. (De Mooij and Hofstede 2010:87) Although several cultural models have been developed by researchers such as Trompenaars (1993), Schwartz (1994; Schwartz & Bilsky 1987), as well as, the recent GLOBE study (House *et al.* 2004); the former identify similar basic value differences; however, the Hofstede model (Hofstede 2001; Hofstede & Hofstede 2005) has become a widespread option due its classification of cultures in measuring a large number of countries and for the simplicity of its dimensions, which are straightforward in their nature and are therefore appealing to both academic researchers and business individuals. (De Mooij and Hofstede 2010: 87-88) Hofstede's model is also the only model to analyze consumer behavior based on elements found from cross-cultural psychology and meta-analysis of consumer behavior data (De Mooij 2004, 2010) in contrast to the other models, which rely almost exclusively on statistical analyses as their research method (Schwartz 2003), as well as, cross-country research that utilizes a research instrument without considering the underlying conceptual framework. (De Mooij and Hofstede 2010: 87-88)

The Hofstede dimensional model of national culture:

“...distinguishes cultures according to five dimensions: power distance, individualism/collectivism, masculinity/femininity, uncertainty avoidance, and long-/short-term orientation. The model provides scales from 0 to 100 for 76 countries for each dimension, and each country has a position on each scale or index, relative to other countries.” (De Mooij and Hofstede 2010: 88)

Power distance refers to ‘the extent to which less powerful members of society accept and expect that power distance is distributed unequally.’ The authors find that the role of global brands is especially important in large power distance cultures, where a person's social status must be clear, by adhering to luxury articles, alcoholic beverages and fashion items, in order to ensure respect. (De Mooij and Hofstede 2010: 88)

Individualism/collectivism can be defined as ‘people looking after themselves and their immediate family only, versus people belonging to in-groups that look after them in exchange for loyalty.’ Individualistic cultures are low-context communication cultures with explicit verbal communication preferring the sales process to be such where parties involved want get to the point

fast in contrast to collectivistic cultures, which are high-context communication cultures that lean towards an indirect style of communication; in these societies the sales process is influenced by a desire to first build a relationship and trust between parties. The roles of advertising are also influenced varying in persuasion versus creating trust. (De Mooij and Hofstede 2010: 88-89)

The masculinity/femininity dimension refers to ‘the dominant values in a masculine society are achievement and success; the dominant values in a feminine society are caring for others and quality of life.’ Status brands or products, such as jewelry, play an important role in masculine societies where it is important to demonstrate performance and achievement. Feminine societies, on the other hand, are less prone to demonstrating achievement through status brands or products being that household work is shared between spouses and men and women alike do household shopping. (De Mooij and Hofstede 2010: 89)

Uncertainty avoidance can be defined as ‘the extent to which people feel threatened by uncertainty and ambiguity and try to avoid these situations.’ The adoption of innovations is high in low uncertainty avoidance cultures, where people are more open to change brought by a new product compared to the resistance that high uncertainty avoidance cultures demonstrate towards innovative products or brands. (De Mooij and Hofstede 2010: 89)

Long-versus short-term orientation is ‘the extent to which a society exhibits a pragmatic future-orientated perspective rather than a conventional historic or short-term point of view’. Long term orientation is directly related to investment in the future through large investments by businesses or governments in contrast to short-term orientation cultures which focus on steadiness, stability and respect for tradition. (De Mooij and Hofstede 2010: 90) This dimension is also related to as Pragmatic versus Normative (PRA) following research by Minkov in 2010. In the business context and in the country comparison analysis, PRA is related to as “(short term) normative versus (long term) pragmatic”. (The Hofstede Centre, “National Culture” 2014)

A sixth dimension has been added, Indulgence versus Restraint (IND), also based on research by Minkov (2010) and his analysis of the World Values Survey data for 93 countries. This new dimension refers to indulgence in a society if it allows for relatively free gratification of human drives relating it to enjoyment and fun opposed to restraint in a society where it suppresses the gratification of needs through strict social norms. (The Hofstede Centre, “National Culture” 2014)

Concerning how information technology (IT) enables firms to develop new organization capabilities, Luo, Fan and Zhang (2012: 186-194) examine the business value of IT by collecting longitudinal data for 49 publicly traded apparel firms in the U.S. over the period 1995 to 2007. The authors’ study (2012: 186) seeks to discover how IT assets affect the apparel firms’ organizational capabilities, such as operational capability, customer service, and ability to innovate. Luo *et al.*

(2012: 187) reference Treacy and Wiersema's 1993 definition of operational capability as: a firm's ability to provide "customers with reliable products or services at competitive prices delivered with minimal difficulty or inconvenience." Regarding customer service, Luo *et al.* (2012: 187-188) define customer service capability 'as the ability to understand markets and to tailor offerings to match the demand of different market niches'. Lastly, Luo *et al.* (2012: 188) state that the ability to innovate is directly related to the 'product development capability by offering leading-edge products'.

The empirical results show that a) 'to safeguard a leadership position, firms will need to undertake innovative IT investments to facilitate capabilities accumulation' (Luo *et al.* 2012: 192), b) 'financial resources complement IT in acquiring organizational capabilities' (Luo *et al.* 2012: 193) and c) '...an interrelationship among the three capabilities, more specifically, operational capability is highly related with customer service capabilities'. (Luo *et al.* 2012: 193)

2.6 Political Economy and Created Advantage

The international competitive environment has gone through changes due to the globalization of business. Consequently, policies adopted by governments and firms need to reflect these changes and the ability to grow and succeed through internationalization. National competitiveness is an important indicator of how firms are able to remain competitive both technologically and commercially. Competitiveness across the world may be examined by looking at newly industrialized countries that rely on low cost labor, government promotion and standard mature technologies, as well as, advanced industrial countries that offer high quality at low cost through complex manufacturing processes and lastly, high-technology industries that invest in R&D to improve product performance. Industrial and commercial policies such as these are directly concerned with the allocation of resources and promote structural changes in capital, labor and product markets, as well as, providing support to domestic industries in responding to international challenges, all by addressing economic and political issues. Government policies are shaped by the extent of governmental intervention, where a heavy interventionist government exerts a strong influence over market forces, contrasting the role of a lesser interventionist government that acts simply as a regulator and observer. In looking to the future, welfare states may start to prioritize differently thus becoming more competitive, development-oriented countries may opt to focus on security causing less competitiveness and thirdly welfare states may decide to restrict their markets thus becoming less accessible. Comparative advantage plays an influential role as it can be created and is punctuated by dynamism. Thus countries may invest further in local firms as they have a greater chance to grow and succeed due to the increase in trade through the internationalization of economies. Governmental and commercial policies are therefore a focal

point of political interest, as governments must respond to the changes happening in the international competitive environment. (Bradley 2005: 121) Because national competitiveness is an important indicator of how firms are able to remain competitive both technologically and commercially, it is relevant to consider newly industrialized countries such as Brazil, India and China that rely on low cost labor, government promotion and standard mature technologies. According to Singal and Wokutch (2014), a newly industrialized country:

“(is a country)...whose national economy has transitioned from being primarily based in agriculture to being primarily based in goods-producing industries, such as manufacturing, construction, and mining, during the late 20th and early 21st centuries. An NIC also trades more with other countries and has a higher standard of living than developing countries. However, it has not yet reached the level of economic advancement of developed countries and regions such as the United States, Japan, and western Europe.”

Equally important is the role of advanced industrial countries, which according to the World Bank (2014), may also be called industrial countries or industrially advanced countries, as it refers to:

“High-income countries, in which most people have a high standard of living. Sometimes also defined as countries with a large stock of physical capital, in which most people undertake highly specialized activities. According to the World Bank classification, these include all high-income economies except Hong Kong (China), Israel, Kuwait, Singapore, and the United Arab Emirates. Depending on who defines them, developed countries may also include middle-income countries with transition economies, because these countries are highly industrialized. Developed countries contain about 15 percent of the world's population. They are also sometimes referred to as ‘the North.’”

In Western Europe, the modern economic situation is currently punctuated by slow but sustained recovery conditions after a global recession took place in 2008 and was at its very worst in 2011. Now 83 percent of investors believe the euro areas' economies are either stable or getting stronger having avoided what many feared would be an outright collapse of the euro currency system. (Crook 2014) Europe continues to struggle with a contradiction built into its economic system: “In a single-currency system, policymakers lack the most powerful tool for helping individual economies adjust to setbacks: interest rates set according to national conditions”. (Crook 2014) The current European economic situation is punctuated by persistent high unemployment in Greece, Ireland, Portugal and Spain (since these countries have no choice but to turn to internal devaluation by using high unemployment to force down labor costs), as well as, chronic underperformance across the EU. (Crook 2014) Capell (2008) gives an example of a clothing manufacturer (H&M) that integrated the concept of fashion and quality at the best price in its strategy, automatically predisposing the company to survive and prosper even during a global economic crisis. A key aspect in H&M's strategy for being able to open stores, enter new markets (such as Japan's highly competitive fashion market) and add new brands, is directly related to the company's heavy focus on monitoring costs: from the company's merchandise to its business

model, H&M is able to drastically reduce costs when compared to fashion giants Zara and Gap. H&M's outsourcing practices are mostly responsible for an important advantage as it allows the company to have a team of 100 in-house designers that work with buyers to develop the clothing, which is then outsourced to a network of 700 suppliers, more than two – thirds of which are based in low-cost Asian countries. Not owning factories allows for a higher degree of flexibility in reducing costs when compared to other brands. (Capell 2008)

2.7 Public Policy Risk and Regulation

The political environment is a critical factor for firms operating in international markets; after all, lack of political stability makes it too risky to carry out international marketing activities. Expanding firms understand that the level of political risk they face abroad is frequently higher than the level of political risk in domestic markets. Political philosophies, culture and laws, as well as, attitudes to property and contracts are just some of the aspects that comprise political risk. In some countries, the political-business interface is seen positively as an array of opportunities for expansion and global interaction whereas in other countries business is seen negatively as a channel for taxation and control. Consequently, the political environment is especially important when it offers indicators of an open and dynamic market that will interest international firms. Through regulation, governments oversee the cross border flow of products, services, people, money, as well as, assets such as technology transfers, the most recent focus of interest. Interestingly, regulation often benefits companies that thrive under protection and can become monopolies in national markets but regulation scares firms seeking a freer legal framework internationally. Naturally, legal frameworks vary from country to country with transnational bodies, such as the EU, attempting to coordinate regulation and controls among countries allowing for a more concise understanding of national legal frameworks. In contexts of differing legal frameworks, firms often settle disputes through arbitration when taking into consideration factors such as time and cost. (Bradley 2005: 139-140) Benáček *et al.* (2014: 625-653) analyze how political and economic risk affect foreign direct investment (FDI) inflows into a particular set of host countries over the period 1995 to 2008. The authors point out that political risk has not always been included as a relevant variable in the abundant literature on FDI: in most discussions regarding the relationship between risk and FDI, traditional FDI macroeconomic drivers, such as labor costs, factor endowments or level of infrastructure, have characterized the discussion, leaving out psychological factors, such as values, path dependency or local conflicts of interest, which are relevant aspects that reflect the institutional set-up in a given society. Because institutions can be dominant drivers of long-term development, the authors test the hypothesis that patterns of decision-making regarding investments depend to large extent on political factors embodied in institutions. (Benáček *et al.*

2012: 625-626) The research focuses on 35 European countries, divided into three groups: a) advanced Europe, b) accession countries (the first wave) and c) EU candidate countries. The research is based on a comparative approach blending five macroeconomic factors with eleven political, governance and institutional risk indicators along with the parallel estimates of behavioral patterns of investors in three subgroups of countries. This study finds that behavioral patterns differ among European recipients of FDI, depending on their economic and institutional maturity. The results estimated across four different groups of countries substantiate the voluminous literature on FDI modeling, which reinforces the dominant role of economic factors while institutional, policy and risk factors briefly emerge, especially in situations of intensive reforms or structural changes. (Benáček *et al.* 2012: 648)

The results show:

“With regard to political risk, the most frequent positive and significant relationship was between FDI and price stability, absence of price controls and low inflation (i.e. the ‘monetary freedom indicator’) and investments policies indicator. Though less frequent, the indicators of low regulation, low corruption and effective public administration always had a positive sign. This indicates that countries with more transparent and efficient institutions tend to experience higher levels of FDI and prosperity.” (Benáček *et al.* 2012: 649)

In discussing institutional factors in Europe such as high taxation, lavish government spending, low enforcement of property rights, inefficient local financial sector or substandard education, the authors find that these factors do not impede FDI on a universal scale demonstrating that investors may tolerate one or more of the above mentioned factors if it does not ‘affect the level of stability and *status quo* in the country.’ Investors are then able to receive stable cash flow from investments and profit from market shares. (Benáček *et al.* 2012: 649)

2.8 The Consumer Products Firm

Consumer markets vary across the world as they are characterized by different stages of development. Firms are required to take an adequate approach to new product development, as well as, managing products through the specific life cycles of country markets. Often consumer markets are advanced in one product area and less advanced in another, causing firms to deal with a high degree of fragmentation in such markets. Because of this, product adaptation becomes necessary as the core product, the packaging and even product services may need to be adapted. International firms must consider the cultural impact of product development processes both on customers, as well as, internally within the company. An open approach to communications and flexibility are required during the early stages of new product development processes. These processes also have important cultural consequences on firms that develop products across countries. At later stages of product development firms must opt for greater rigidity without losing cultural sensitivity. One of the many struggles of international firms is dealing with new product development strategies,

which are based on the concept of platforms, and often create a barrier between true product innovation and the differentiation desired by consumers. Firms turn to modern information technologies to balance their dependence on product platforms and create a foundation for innovative and differentiated product development strategies. Multinational firms are also using prime mover markets to test and launch new products; however, this policy diminishes new product development and innovation activities in smaller country markets. Consumer product firms face problems in the management of products across markets, as tastes and preferences vary. For this reason, consumer product firms develop marketing mixes for major international markets and often the same elements are found in many other markets. In light of the varying characteristics of consumer markets, firms now focus more on the evolution of product categories across international markets. (Bradley 2005: 157) Caniato *et al.* (2014: 294-306) acknowledge the key role of the integration of new product development (NPD) and supply chain (SC) in achieving success in consumer markets. The authors explore a framework that focuses on the integration of the NPD process from an international perspective by focusing on international retail in the fashion industry. The authors draw attention to the single most important aspect in new product development across countries – the influence of foreign countries' characteristics. By using thirteen exploratory case studies of Italian fashion companies, the authors are able to identify a framework of variables, as well as, the relationship among those variables, to determine three main archetypes of behavior that firms adopt, depending on their level of involvement, the level of integration of NPD, as well as, the level of information sharing necessary in achieving success across country markets. Caniato *et al.* 2014: 294) The authors (2014: 295) utilize Aktuglu's (2001) definition of NPD in the fashion industry as: '...the collection, a seasonal set of products developed by a company that takes into consideration customers' needs, tastes, fashion and usage'. Using a contingency approach (when organizations adapt their structures to fit contextual factors with high performance as a goal), the authors identify three variables that influence the integration between new product development and international retail:

1. Country variables: Climatic requirements, season timing of the country, economic potential of the country, religious requirements, stylistic requirements and fitting or size.
2. Firm variables: Level of internationalization.
3. Performance: Time-to-market and number of collections. (Caniato *et al.* 2014: 299)

In the international retail arena, firm variables are divided into retail and wholesale, macrostructure or microstructure, as well as, shared information. In the new product development arena, firm variables are divided into standard and tailored practices, as well as, ideas and research, line conceptualization, preparation for production and market preparation. (Caniato *et al.* 2014: 299)

To conclude, the authors identify three main archetypes of behavior in the integration of NPD and international retail:

1. Glocal (a mixture of global and local) approach...“aims to transmit the idea of global orientation (because companies sell products worldwide) with local attention to the requirements of a single country. This archetype includes companies with a high level of internationalization and high turnover from direct stores. This archetype implies high involvement of international retail throughout the entire NPD process and thus the ability to incorporate soft insights into the collection from the ideas and research phase to the final preparation for the market.” (Caniato *et al.* 2014: 301)
2. Hybrid approach...“this archetype does not present a clear and straightforward aim of integrating international retail and the NPD process. This archetype includes companies with a high level of internationalization but a low turnover from direct stores. There is medium involvement in the NPD process, which consists mostly of approving final decisions; therefore, international retail has a decisional role. However, the involvement is discontinuous over time and is not time-consuming enough to justify a dedicated role in the organization. Therefore, a part-time unit is generally adopted.” (Caniato *et al.* 2014: 302-303)
3. Stylist oriented...“This archetype aims to transmit the idea that the stylist is perceived as the indisputable owner of the NPD process, and integration with other people is minimized to avoid the risk of reducing the stylist's freedom and creativity. This archetype includes companies with a low level of internationalization and low turnover from direct stores. Due to these characteristics, the involvement of international retail in the NPD process is low, on average, and is generally limited to the ideas and research phase, where the boundaries of the seasonal collection are defined. In fact, the organization is definitively aligned with this phase, and it provides only a consulting role for international retail.” (Caniato *et al.* 2014: 303)

International firms looking to integrate NPD and international retail in Europe encounter a unique set of challenges as across Europe both similarities and differences may be found.

2.9 The Industrial Products Firm

As such technology often drives international marketing and brings emphasis on product orientation versus marketing orientation. Product orientation happens as marketing interacts heavily and is interdependent with functional areas such as manufacturing, R&D, inventory control, as well as, engineering, consequently giving marketing a subservient role. Moreover, it is the technical nature of the products purchased that adds to the complexity of industrial marketing.

The price of the purchase requires a greater financial investment together with long term and complex buying relationships that extend through networks among firms. Adding to the complexity of international marketing, in the industrial products firm, is their usage, which is often vulnerable to interference from foreign governments whose laws and regulations often restrict and determine how industrial products are marketed internationally. (Bradley 2005: 174) In the apparel industry, technology drives international marketing by putting emphasis on product orientation. Product orientation deals directly with functional areas that have evolved rapidly with the continuous and substantial growth of the fashion industry. Product orientation in apparel deals directly with manufacturing, where Quick Response, a type of Just-In-Time (JIT) manufacturing system, has been ‘specifically developed for the apparel industry to help firms respond to consumers’ demands within a changing competitive environment’. (Sullivan and Kang 1999:1) Secondly, through the implementation of mass customization, a new supply chain process, concurrent engineering in manufacturing is able to realign the traditional, linear apparel product development to a more concurrent and consumer-focused process. (Kincade, Regan, and Gibson 2007: 627) Lastly, through the possession of information technology (IT) assets, the apparel firms’ organizational capabilities, such as operational capability, customer service and ability to innovate, strongly improve. (Luo *et al.* 2012: 186)

Sullivan and Kang (1999: 1-13), in their article on the apparel manufacturing industry, utilize Kurt Salmon Associates’ 1990 definition of Quick Response:

“Quick Response (QR), a program developed by textile and apparel manufacturers and retailers around 1985 as a way to cope with problems challenging the apparel industry, uses a combination of strategies to reduce inventory levels, improve merchandise quality, increase worker productivity, increase stock turnover, and reduce merchandise markdowns and inventory costs.” (Sullivan and Kang 1999: 2)

QR consists in gathering information about consumer preferences and making sure they are implemented into production in a timely manner. QR relies on sales data as it is transmitted and transformed among textile mills, apparel manufacturers, as well as, retailers. It is then turned into useful information about consumers’ needs, preferences and reactions so production can increase responsiveness to demand. Sullivan and Kang’s (1999: 4) research surveyed four hundred New York state apparel manufacturers for QR adoption, gathering conclusive data that firm size is directly connected to QR adoption, as well as, the mix of QR systems adopted by larger firms, which are more likely to perceive benefits from QR implementation. Small and medium-sized firms may be hesitant to adopt QR strategies because of initial costs and the considerable period of time of return on investment. Larger firms, on the other hand, have the capital to invest in QR strategies and economies of scale in production, considerable advantages in fostering innovation adoption. (Sullivan and Kang 1999: 11)

Kincade *et al.* (2007) advocate the potential of concurrent engineering for mass customization in the apparel industry:

“...concurrent engineering (CE) to realign the traditional, linear apparel product development process to a more concurrent and consumer-focused process in order to facilitate the implementation of the new supply chain process (i.e. mass customization) with sensitivity to time-to-time market demands.” (2007: 627)

The authors utilize Roberts’ (2004) notion that in a modern strategy for the forecasting, production and sale of products, apparel manufacturers and retailers can no longer solely rely on lean manufacturing through strategies such as, Quick Response (QR) and Just-In-Time (JIT), in achieving economies of scope and efficient production and distribution processes. (Kincade *et al.* 2007: 628) As competition intensifies, customers’ preferences become more fickle and difficult to forecast, according to Branch’s 2002 notion; therefore, concurrent engineering would offer a paradigm shift in production and distribution processes, according to Singletary and Winchester, 1998 and Swing and Hegarty, 1998, processes which would facilitate the implementation of a new supply chain process, mass customization, that is consumer-focused and sensitive to time-to-market demands. (Kincade *et al.* 2007: 628) By analyzing three non-competing apparel firms and the functional areas of product development, including merchandising, engineering, management, manufacturing, merchandise services and research and development Kincade *et al.* (2007: 633-634) find that the use of CE in the apparel product development process, as well as, the movement of activities from a sequential to a more compressed and concurrent operation, would ultimately ‘place the apparel product development process closer to the consumer or reduce time-to-market’. (Kincade *et al.* 2007: 640)

2.10 The Use of Services Firm

The recent growth in the international marketing services field is directly related to the international product marketing that services marketing brings about. A firm that seeks internationalization in manufacturing is confronted with the added costs of services characterized by intangibility, direct contact between supplier and customer, customers participating in the production of the service and the understanding that production and consumption happen simultaneously. By looking at the international marketing of products, one can track the growth and internationalization of services: a) specialized firms are needed to provide the manufacturing firm with information about the size, composition and trends in foreign markets; b) in modifying a product, engineering and design services, as well as, after-sales maintenance and servicing facilities are essential in aiding the expansion of a manufacturing firm; c) services are required to remove the barriers as products travel across borders and are faced with obstacles such as distance, culture, language, customs, laws and regulations. Once again, technology is crucial in the

internationalization of the services firm as it allows cost-effective transactions, the handling of large volumes of services without reducing quality, as well as, a wider range of services. An integrated approach is essential in the international marketing of services, as firms must regard the tangibility and personal contact involved in services, allowing firms to distinguish the need for location-free professional resources, location-bound customized services, as well as, standardized or value-added customized services. International services firms must also consider barriers to internationalization of an administrative and investment-related nature. (Bradley 2005: 187) Kastalli, Looy, and Neely (2013: 100-123) explain that manufacturing firms now see services ‘as a new way of creating and capturing value’. (Kastalli *et al.* 2013: 100) The authors emphasize the need for product-service providers to reflect the presence of service activities in performance management systems (PMS), in order to deploy service activities effectively and reap the potential benefits of a services oriented business model. A transition towards services must be steered as manufacturers are advised to focus closely on ‘service adoption’, to determine the proportion of customers who purchase the manufacturer’s services, and secondly, ‘service coverage’, the range of service elements that customers opt for, as well as, the comprehensiveness of the service contract customers select. These are two important indicators of market performance of service activities along with a ‘complementary index’, used to determine if the relationship between products and services is reinforcing or substitutive. By combining the above-mentioned indicators, manufacturing firms are able to deploy a service-based business model that will allow them to create and capture value. (Kastalli *et al.* 2013: 100) The authors refer to accelerating global competition, shrinking product innovation cycles, and a growth in the number of imitators, as some of the threats to manufacturing firms in today’s developed world. Manufacturing firms then look to service markets related to their products as a means of diversifying opportunities, which may bring about customer loyalty in response to services, as well as, increasing customer focus thus strengthening the relationship with the customer. In addition to these benefits, manufacturers are attracted to the direct economic benefits of services which include sustainable growth, profitability and stable revenue streams. (Kastalli *et al.* 2013: 101) By choosing the Atlas Copco Compressor Technique, a manufacturer turned product-service provider, the authors sought to understand the nature of service performance in an industrial, product-driven enterprise by conducting a three-year study of this multinational equipment manufacturer. Having engaged in business model innovations, by diversifying towards services, ‘Atlas Copco has achieved outstanding financial performance and has continued to significantly outperform the competition.’ (Kastalli *et al.* 2013: 104-105) The authors’ suggestion of an integrated perspective on market performance measurement for manufacturing firms engaging in service business model innovations is comprised of the following:

“...market performance is crucial for the success of the product-service provider. We find that two indicators, service adoption (breadth of service presence) and service coverage (depth of service presence), capture service value and complement market share as an indicator of product market effectiveness. In addition, the complementarity index assesses the quality of the relationship between the two businesses and the nature of the interdependency that they forge.” (Kastalli *et al.* 2013: 118-119)

Other manufacturing firms may decide to tailor their service strategies depending on the desire to pursue a more aggressive development of service businesses, especially when dealing with more distant service markets, involving capabilities and other investments that the firm may need to compete in those markets. In those circumstances, the service strategy may be further extended, as well as, the services portfolio. (Kastalli *et al.* 2013: 119)

2.11 Building the Global Brand

As global markets are in different stages of development, brands must be versatile in order to respond to buyers needs in the varying stages of the life cycles that punctuate each market. Brand building companies enter and compete in numerous international markets. Although a hard task, successful international brands are able to communicate desired values despite the cultural heterogeneity of international markets. Culturally heterogeneous markets are characterized by varying tastes and preferences making brand management the most important aspect for the success of the international firm. International firms frequently implement standardization of marketing programs although firms also need to find a balance between branding scale economies and niche strategies. In distinguishing itself, the firm's featured attributes give it competitive advantage in the markets where it competes. Retaining competitive advantage becomes a constant struggle as it can easily disappear due to competitor activity and poor brand management. International firms often design a separate marketing program for major international markets although common elements may be found in smaller markets; finding harmony in all brand strategies is essential in maintaining a cohesive brand image. Building and maintaining international brands requires a great deal of investment in marketing. In launching new products in markets, companies will often create umbrella brands. Numerous pitfalls can be found in the international marketing of branded consumer products: aspects such as packaging, labeling and after-sales service represent challenges for international firms dealing with the complexity of international markets. Brands must also protect themselves against crimes such as counterfeiting, forgeries and developments in the grey market. Counterfeiting, in particular, is a significant issue affecting branded consumer and industrial products companies. (Bradley 2005: 204) Harish (2008: 22-28) explores building a global brand and addresses one of the greatest issues in international marketing: global standardization versus local customization. According to the author:

“Global branding, with a common worldwide positioning and communication, has the advantages of scale economies and consistency. However, individual countries may require different brand strategies due to variations in customer responses, preempted positions taken by the competitors, different legal environments, etc.” (Harish 2008: 22)

In order to demonstrate actual decision making processes regarding global brands, practical case studies are provided in Harris’ (2008) research to demonstrate how McDonald’s, Smirnoff, Proctor & Gamble’s (P&G) Pantene Pro-V shampoo and BMW/Volkswagen (Audi) have dealt with the global versus local dilemma. Harish (2008) says that although these are global brands, which associate themselves to a fairly standardized image across the world, they have achieved a standardized image by taking the local route. ‘Without evident confusion or conflict’, these brands became global either by adapting a global model to local contexts or by bringing successful local models to global markets. (Harish 2008: 22) Focusing on the standardization versus customization conflict, Harish (2008) describes the struggles that characterize a ‘homogenized’ brand strategy. Due to a slew of factors, such as culture and different stages of product life cycles (among many others), a ‘homogenized’ brand strategy is nearly impossible to execute across international markets. Additionally, Harish emphasizes the difficulty a brand encounters in executing the opposite strategy by ‘adopting varying positions in different markets which is not safe since it could possibly dilute the global image of the brand’. (Harish 2008: 23) To demonstrate how different global brands have addressed and resolved these conflicts, Harish (2008: 24) starts by investigating McDonald’s approach to building its global brand through the local route: the author refers to McDonald’s as a “Global Local Brand” and proceeds to explain that although McDonald’s is seen as ‘the epitome of a standardized global brand’, the food chain is actually more standardized in its supply chain and operational model but not standardized in its marketing mix. McDonald’s products, pricing, promotion and distribution models vary across countries and regions:

“Thus, we see that contrary to popular perception that McDonald’s has a homogenized marketing strategy across the world, there is substantial variation in all elements of the marketing mix—product, price, promotion and place. But nonetheless, the fact remains that McDonald’s and its golden arches have a fairly standard image across the world. People go to McDonald’s in different parts of the world because it is the very same McDonald’s that is there in other countries across the globe. McDonald’s has thus become a standard/homogenized brand by changing its marketing mix to suit local needs.” (Harish 2008: 25)

Secondly, Harish (2008: 25) explores Smirnoff’s ads - “Global Concept - Local Execution”. According to the author, Smirnoff, the renowned vodka company, uses varying themes and different ad agencies for its campaigns across the world; however, Smirnoff’s clever strategy is to supplement local campaigns with global campaigns at the same time that it adapts them to the local context. By utilizing David and Erich’s 1999 analysis on the company’s branding strategies, Harish (2008) points out the fascinating characteristics of Smirnoff’s ads:

“Take Smirnoff’s ‘Pure Thrill’ vodka campaign. All of its global advertising shows distorted images becoming clear when viewed through the Smirnoff bottle, but the specific scenes change from one country to another in order to appeal to consumers with different assumptions about what is thrilling. In Rio de Janeiro, the ad shows the city’s statue of Christ with a soccer ball, and in Hollywood, the ‘w’ in the hillside sign is created with the legs of two people.” (Harish 2008: 25-26)

Thirdly, Harish (2008: 26) acknowledges Pantene Pro-V’s implementation brilliance in becoming a global leader. Pantene Pro-V’s, “The Global Brand Developed in Taiwan”, a P&G’s brand launched in Taiwan in 1990, focuses on exceptional ideas by empowering individual country brand teams to develop innovative brand-building programs, out of which successful ideas are implemented in other countries.

“P&G’s brand strategists in Taiwan struck gold when they discovered that the brand sells well when positioned on the ‘shiny hair and healthy hair’ platform, portrayed by models with extraordinary hair. The tag line for the ad—‘Hair so healthy, it shines’—was an instant success. Even though consumers would observe that the models were unrealistic, they were attracted towards the brand by hope and fantasy—‘I’ve got to have that hair.’” (Harish 2008: 26)

By taking a product concept that was developed in a small market of a developing country, P&G was able to transform a struggling brand into a global leader.

Finally, Harish (2008: 27) explores the success behind the use of multiple ad agencies in building the global brands of BMW and Volkswagen: “Blending Consistency with Flexibility in Ad Campaigns”. Unlike most European automakers, which rely on a single international communication to handle pan-European and global advertising, BMW and Volkswagen have adopted an approach punctuated by flexibility, as both brands extract exceptional ideas from multiple ad agencies spread throughout the world. In 2001, BMW integrated consistency in flexibility by putting together a committee of marketing heads from BMW’s key markets – Germany, USA, Spain, UK, Italy, France and Japan. (Harish 2008: 27) The author quotes Thomas Giuliani, BMW’s Director of Marketing:

“It’s not that one of them has to win. Depending on the situation and the model, three or four different campaign concepts may be selected. In this way, we make sure that we can appeal to different mentalities in different continents...the coordinated approach lets local markets take over campaigns completely, adapt individual elements or decide on a new direction.” (Harish 2008: 27)

BMW had actually modeled its approach based on the Audi Agency Network, an informal group of agencies put together by Volkswagen in 1995, responsible for the strategic direction of ad campaigns in the Audi range. Volkswagens are associated with automobiles for the mass market, whereas Audis is Volkswagen’s premium brand. Unfortunately, Audi was often compared negatively to its German rivals, which caused Audi to undergo two decades of heavy investment to polish its brand image, both technologically and in terms of marketing. Volkswagen undertook two

initiatives to take the Audi brand to a global platform by creating Audi Design Circle and Audi Agency Network (AAN). The AAN is comprised of Agency Louis XIV of France, Saatchi & Saatchi in Germany, BBH in the UK, Verba in Italy and DDB in Spain. (Harish 2008: 27) According to the author:

“When a single ad agency is used across the world, it could lead to mediocre effort and sub-optimal results. Audi therefore, gets five agencies to compete with each other, to bring in the best of talent and diversity. Each time, the winning agency creates the campaign and others implement the campaign in their respective countries. BMW and Volkswagen Audi have thus successfully adopted the strategy of using multiple advertising agencies from different nationalities and cultures, to bring in the necessary resilience and wider appeal to their advertising communications.” (Harish 2008: 27)

Among the numerous issues embedded in building a global brand, the common aspects to any firm involved in global branding is deciding how to reach successful, cohesive and efficient worldwide positioning through communication tactics. Global standardization and local customization is a relevant an issue that any global brand must confront as a means of positioning its product on a global platform.

2.12 Selecting International Markets

International market selection takes place as the firm becomes aware of opportunities in international markets and begins to strategically structure those markets. There are multiple influences in international market selection and while some may facilitate selection others may hinder it. Often, larger firms opt for systematic selection because they depend on international markets for a large proportion of their revenues. The importance placed on the company’s goals also influences international market selection as the company often concentrates on a limited number of options. A systematic approach to international market selection is characterized by an emphasis on evaluating costs, competition, distribution, as well as, customer needs in prospective markets. Naturally, the availability of information is an important factor in selecting international markets. Firstly, the international firm must decide how to segment international markets. Firms might use three generic market segmentation strategies: an undifferentiated strategy, a differentiated strategy and a concentration strategy. With regard to generic segmentation approaches, firms choose two approaches that focus on strategic country groups and cultural and geographic segmentation. The notion of sequencing the selection of international markets is based on the fact that market choices are linked or embedded in each other. Market sequence is presented in two principal forms: a) market diversification, fast penetration into a number of markets with allocation of limited resources to each; and b) market concentration, focus on few markets with gradual expansion and initial allocation of resources in a small number of markets. The mechanics of international market selection are defined by the firm’s choice among three approaches: a)

opportunistic market selection takes place when market opportunities come about casually calling for careful pursuit of such by the firm; b) systematic market selection occurs as firms become aware of opportunities in foreign markets by exploring and evaluating markets in a scientific approach and c) when the firm finds the ideal approach that develops out of an opportunistic approach which develops into a systematic approach. Once again, the availability of information such as management knowledge and experience, internal company data, the internet, trade journals, magazines, as well as, government agencies, industry-sponsored information agencies and marketing consultants, is extremely important for the success of the firm in selecting international markets. (Bradley 2005: 221) A recent study by Hassan and Craft (2012: 344-356) examines the links between segmentation bases and brand positioning strategies. The authors (2012: 344) believe that segmentation decisions are of extreme importance since they can enhance the strategic position of the brand by fostering efficiency and good performance for firms operating in globalized markets. Where limited attention has been given to defining the dimensions that form international market segments, the authors argue that in an increasingly global and technology savvy marketplace, behavioral and lifestyle segmentation dimensions must be analyzed, in addition to geographical segmentation. Firms depend heavily on segmentation to make decisions regarding their strategic positioning to leverage brand equity and achieve economies of scale. In this sense, companies must not only choose the ideal market segments but also effectively position their brands according to the chosen market segments. (Hassan and Craft 2012: 344) In order to understand the interaction of brand positioning and segmentation decisions in world markets, the authors examine the relationship between three types of segmentation bases and brand positioning, on the premises that ‘the appeal of similar brand benefits, similar patterns of purchase and consumption behavior, and specific shared values should be the focus of strategic response to market segments that transcend the geographical boundaries globally.’ (Hassan and Craft 2012: 347)

Hassan and Craft’s (2012: 351) research found that there is a positive association between global positioning and world market segmentation strategies. The authors further suggest that with the globalization of the world markets, there will naturally be more opportunities to create market potential by stimulating demand for brands with universal appeal. The authors further elaborate:

“...in different countries, regions and/or clusters of countries, groups of buyers having the same expectations and requirements vis-à-vis brand strategies, despite cultural and national differences, in other words, targeting the changing global consumers. Those segments, even if they are relatively small in size within each country/region/cluster, may represent in total a very attractive market opportunity for the global marketer.” (Hassan and Craft 2012: 351)

Thus of the four strategic brand positioning strategies initially suggested by the authors, the “global strategy” and the “multinational strategy” are:

“...more likely to give the firm significant competitive advantage since associated with strategies is unified brand image which can be leveraged across markets also giving the brand a perceived reputation as well as coherence in image, which is internationally reinforced.” (Hassan and Craft 2012: 351)

The remaining strategic brand positioning strategies, namely “focused strategy” and “multi-local strategy”, are associated with the merit of ‘taking into consideration differences among target markets and of introducing adaptations to accommodate these differences or focusing their marketing offerings to excel in a specific segment(s) (Lambin 1997)’; however, these strategies have the disadvantage of ‘either high cost of differentiation or limited economies of scale focusing along with running the risk of vulnerability to drastic local market changes.’ (Hassan and Craft 2012: 351)

2.13 Market Entry

2.13.1 Exporting

Exporting is the simplest and quickest mode of entry into foreign markets requiring a relatively low level of investment of managerial and financial resources, as well as, a low level of corporate commitment and risk. Consequently, it is often the ideal first step in internationalization thus becoming a useful strategy for firms present in risky and uncertain markets. Firms opting for exportation are influenced by three sets of factors: a) firm experience and uncertainty effects, b) behavioral and firm specific influences and c) strategic influences on exporting. Perhaps the most relevant influence in exporting is the firm’s activities at the pre-export stage, as well as, the firm’s initial export direction. Numerous other factors influence the firm’s decision to internationalize: a) the firm’s degree of international orientation, b) the firm’s previous experience in internationalization and c) the managers’ perceptions of risk and return. Government-sponsored export stimulation measures, product characteristics and unsolicited export orders play an equally important role in the early stages of exporting. Researchers and managers disagree on the relationship between firm size and export success. It is essential to mention the importance of managerial attitude in exporting and the necessity to commit managerial and financial resources in the internationalization process, as the firm pursues successful exporting, regardless of its size. Some of the costs associated with exporting include: market research, product adaptation, market visits, shipping, as well as, agency fees. Understandably, larger firms have an advantage over smaller firms in the pursuit of export activities. It is vital that firms carefully consider and assess aspects such as costs associated with exporting and maintaining competitiveness, services provided by the firm, as well as, aspects such as quality, design and product uniqueness, perhaps the most important of all. (Bradley 2005: 237) Fabling and Sanderson (2013: 422-431) discuss the input and

productivity dynamics of manufacturing firms before and after executing export market entry. Having discovered a productivity gap between exporting and non-exporting firms, the authors offer three possible explanations for this occurrence: a) self-selection of high performing firms into exporting, b) post-entry learning effects, and c) joint export-investment decisions. (Fabling and Sanderson 2013: 422) Considering two types of entry, initial entry into exporting and subsequent expansion into new destination markets, both capital deepening and employment growth play an important role, as well as, the timing of investment and how it differs between the two types of entry. The input and productivity dynamics of manufacturing firms, before and after export market entry, are consistent with the model used by exporting firms under uncertainty, where investment is delayed until the first-time exporting firm is able to gain more information regarding its success, whereas the experienced exporting firm ‘pre-commits to capital deepening in advance of additional market expansion.’ (Fabling and Sanderson 2013: 422) Four firm characteristics, later used as performance metrics in this study, are crucial to the firm entering exportation for the first time, as well as, an incumbent exporter entering new destination markets:

1. Labor productivity;
2. Multi-factor productivity;
3. Capital-labor ratio;
4. Employment. (Fabling and Sanderson 2013: 422)

The authors examined the input and productivity dynamics of export market entry of New Zealand manufacturing firms having discovered that larger, more productive and more capital intensive firms, are more likely to enter exporting ventures. The performance gap widens after entry, as investment decisions play an important role in increasing the exporter’s labor productivity premium, raising both employment and capital intensity, as firms adopt a form of learning-by-exporting while they gain knowledge of their success off-shore. (Fabling and Sanderson 2013: 422) The authors highlight that a) joint-export investment decisions, b) incorporation of destination country characteristics and c) methods for controlling for non-random selection into exporting, as the three particularly relevant areas. (Fabling and Sanderson 2013: 423)

In conclusion, Fabling and Sanderson (2013: 430) find that:

“In contrast, when incumbent exporters expand into new markets, the perceived risks associated with early investment may be lower, as past export experience raises firms' confidence of future success. That is, rather than learning more efficient management or production methods, firms are learning about their own abilities as exporters, which in turn affects their input mix and willingness to invest.”

2.13.2 Strategic Alliances

In examining market entry in international markets, it is essential to discuss the four different forms of strategic alliances: marketing partnership agreements, licensing, franchising and joint ventures. All of them have in common the need to work closely with firms located in different markets and cultures. The strategic alliance that requires the greatest commitment in international markets is the equity joint venture, which is tailored to the transfer of product or marketing technology. Understandably, forms of alliance vary by product or marketing situation, where product markets may favor one form of alliance while other types of markets may favor another. Marketing partnership agreements have been established for special short-term needs in particular in markets often involving the cross-distribution of the partners' products. Licensing stands as yet another mode of entry, usually selected when dealing with difficult and distant markets when the transfer of product technology is involved. Franchising, on the other hand, is frequently selected when dealing with similar markets in the transfer of marketing technology. The versatility associated with franchising as of mode of entry is convenient, when attempting to secure distant markets, where international advertising or word of mouth from tourists and business travellers stimulates initial demand. When market entry is conditioned by public policy, encouraging the transfer of technology and know-how to local firms, joint ventures become the only means by which firms have access to such markets. Joint ventures are advantageous because sharing capital among partners reduces the risk involved. Some of the other benefits involved with joint ventures include: a) ease of technology transfer, b) access to resources, c) ability to comply with political pressure and d) access to markets. (Bradley 2005: 260-261) There are several circumstances surrounding the selection of strategic alliance partners, as well as, the form of alliance. As mentioned by Bradley (2005: 260-261), all four forms of strategic alliances require firms to work closely with partners located in different markets and cultures. Chan and Makino (1999: G1-G6) provide excellent tools for identifying the determinants of global alliance survival, as partnerships are formed by firms from different contexts. Using Parkhe's (1991) notion that 'global strategic alliances have been used as strategic weapons for expanding geographical market participation and facilitating effective resources sharing', Chan and Makino highlight the poor survival rate of such alliances by once again quoting Parkhe (1991) that 'despite the strategic importance, global strategic alliances are considered to be highly unstable, with the estimated failure rate ranging from 30% to 70%.' Chan and Makino (1999: G1) In selecting alliance partners, the authors research the partner selection process managers must perform: a) choosing a partner with similar or complementary resources and contributions to the alliance, or b) selecting a partner who possesses similar or dissimilar cultural values, and c) perhaps a natural preference for a partner with whom a social relationship was developed through a previous alliance partnership. (Chan and Makino 1999:

G1) By providing an integrative conceptual model that examines all three aspects simultaneously in order to identify the global strategic alliance survival determinants, Chan and Makino additionally incorporate the strategic, cultural and social aspects. (Chan and Makino 1999: G1) The findings demonstrate that:

“...interdependence between partners has more pivotal impacts on the global strategic alliance survival than cultural congruence and social connectedness, suggesting that a strategic alliance is more likely to survive when partners depend upon one another for complementary resources and capabilities.” Chan and Makino (1999: G4)

Secondly, cultural congruence was shown to have a negative impact on the survival of a global strategic alliance, perhaps because cultural dissimilarity may actually lead to cultural synergy, as partners in a situation of cultural dissimilarity offer multiple perspectives to create value thus leading to mutual growth and the maintenance of the strategic alliance partnership.

Thirdly, social connectedness between partners possesses no significant impact on the global strategic alliance survival, as social connectedness is essential in forming partnerships, but may disappear after making no real contribution to the survival of the global strategic alliance. (Chan and Makino 1999: G5)

2.13.3 Acquisition and Direct Investment

When examining forms of commitment to international markets, foreign direct investment is perhaps the most intense, as it involves a greater commitment through acquisitions or new ventures. Acquisitions are a popular form of market entry since they are quick and effective, although expensive, particularly if the acquired firm is well established in the market with a well known branded product. Foreign direct investment, including cross-investment, is therefore a prevalent feature of international business. Foreign direct investment may also take place through new ventures, a form of commitment usually chosen by smaller firms or firms motivated by manufacturing, as well as, market reasons. Scale effects are an important determinant of the new venture mode of entry into international markets. Regardless of the chosen form, foreign direct investment is capable of causing political concern in either the source or the host country. It has been determined that the benefits of foreign direct investment (particularly when motivated by marketing reasons) outweigh the costs of such ventures. Some of the advantages firms experience when entering international markets through foreign direct investment include reduced costs, effective marketing and greater control over manufacturing and marketing. (Bradley 2005: 278) Kalamova and Konrad (2010: 400-431) argue that the size and the flows of foreign direct investment (FDI) are not only driven by economic factors, as explained by the standard framework the knowledge capital model (KC model), but by intangible factors, such as country stereotypes or consumer perceptions. (Kalamova and Konrad 2010: 400) The KC model takes into account factors

such as trade openness and geography, as well as, product fragmentation whereas Kalamova and Konrad (2012) utilize the *Anholt Nation Brands Index* to operationalize intangible factors. The authors look to this index (available for a large number of countries) to capture individual's perceptions about other countries: spanning perceptions about a country's governance, its products, its cultural status, its attractiveness (from a tourism standpoint), as well as, perceptions about the country's population, economic and social conditions. (Kalamova and Konrad 2010: 400) The principal research question lies in 'whether these perceptions, stereotypes, or the quality of the 'nation brand' generate incentives for FDI'. Stereotypes may influence the perception of various aspects of a country, from work ethic to public administration, making it an attractive location for investment or not. From the consumer standpoint, stereotypes may be an important factor if consumers' purchasing decisions take into account stereotypes about the country of origin of a product. Whether the country's consumers have negative or positive stereotypes about foreign products, it may represent an opportunity for FDI thus influencing firms' investment decisions. (Kalamova and Konrad 2010: 401) The authors further highlight the concept of 'nation brand', a general index that measures and aggregates stereotypes: developed by marketing research, 'nation brand' has encountered some difficulty as a concept, as various researchers have attempted to define it: Fan (2006) defines it as an umbrella brand directly connected to the products of a specific country emphasizing the 'country-of-origin' notion, Bilkey and Nes (1982) emphasize the role of 'country-of-origin' as an information cue (where consumers' home bias influence product evaluation) leading to Klein's (2002) summary of the 'country-of-origin' effect:

"Consumers use the country of origin to assess product quality and to optimize their consumption choice. Given the role the country of origin may play for purchase decisions, the size and direction of country-of-origin biases should be important for multinational investors when choosing the location of production, and everything else given, investors should choose as their location of production countries to which consumers show a positive country bias." (Kalamova and Konrad 2010: 402)

Kalamova and Konrad (2010: 402) investigate the hypothesis that FDI in a particular host country is driven, at least partially, by these perceptions and stereotypes. The authors considered EU-27 countries, excluding Luxembourg and Malta, together with Croatia, Japan, Switzerland, Turkey and the United States, as source countries. The set of host countries included 34 developed and less developed economies, which are OECD member states, including Australia, Belgium, Canada, Czech Republic, Denmark, France, Germany, Hungary, Ireland, Italy, Japan, Korea, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Spain, Sweden, Switzerland, Turkey, United Kingdom, and United States of America together with the BRIC countries (Brazil, Russia, India and China) and Argentina, Estonia, Indonesia, Malaysia, Singapore, and South Africa. (Kalamova and Konrad 2010: 406-407) The results confirm that 'host countries with higher

index value (expressing brand appeal and brand power) attract significantly higher incoming investment flows.’ (Kalamova and Konrad 2010: 412) Other controls in the baseline model show that ‘the sum of a host country’s and a source country’s GDP affects investment positively’ ultimately supporting that many of the fundamentals in the KC model remain important determinants of FDI flows but ‘the *Nation Brands Index* is most powerful as key explanatory variable’ with *Investment and Immigration* and *Culture and Heritage* emerging as stronger. (Kalamova and Konrad 2010: 414) Further controls in the baseline model also show that the ‘perceptions about host country’s products, social and economic conditions and culture influence significantly and positively inward FDI flows’, as well as, ‘stereotypes about host country’s people and perceptions about its attractiveness as a tourist destination show weak and ambiguous effects, while governance tends to be persistently negative.’ (Kalamova and Konrad 2010: 417) The authors find that the nation brand of a developed country affects the incoming flows of FDI when compared to a developing country revealing that ‘the effect of the Nation Brands Index on FDI decisions is slightly weaker when the host is an OECD country’, in addition to the fact that, ‘the nation brand will be of less relevance while investing within the EU area’ proving that the *Nation Brands Index* has statistical significance and affects positively inbound FDI flows. (Kalamova and Konrad 2010: 423)

In conclusion, Kalamova and Konrad (2012) state:

“Governments invest (or investigate opportunities to invest) into an improvement of the country’s image... These activities may affect beliefs, stereotypes or prejudices about countries, which are mapped in a nation’s brand index. We show that a nation’s brand index as measured by Anholt Nation Brands Index (and its components) indeed has some independent effect for one of the key variables of a country’s economic prosperity: inbound FDI. We show that FDI flows into a host country rise as its nation image, the value of its intangibles, improves. We also show that this effect is not driven by ‘fundamental’ or ‘economic’ variables that are known from international economics to influence FDI flows.” (Kalamova and Konrad 2010: 426)

The relevance of this study lies in demonstrating the power of intangibles in the business field, such as psychological factors including perceptions and values. Culture and its derivatives are often overlooked but are critically important to the success of international business ventures.

2.13.4 Strategic Approach

As international firms decide on market entry, they must consider the strategic aspects of the various means of market entry, which vary according to the firm’s choice of market strategy. The firm must take into account the relationship between market strategy, the complexity of the international markets and the chosen form of market entry. In the process of choosing a strategic approach, the firm must attempt to integrate a series of approaches into a form that allows it to make an optimum choice in devising its entry strategy. An examination of the concept of

international market entry, generic market entry strategies and the various ways of entering international markets in practice must be performed, as well as, the issue of sequencing subsequent entry into additional foreign markets. The concept of entry into international markets must be discussed in the context of how firms utilize information on finding opportunities in foreign markets, acquiring resources and accessing these markets, as well as, overcoming natural entry barriers. Market penetration strategy, consisting of concentrating on a select number of markets, and market skimming strategy, defined by simultaneously entering a large number of markets, are the two most popular generic market entry strategies. Strategic alternatives may apply to specific country markets, as well as, segments within country markets implying that the greater the range of choice, the greater the level of complexity in making a decision. In helping firms decide on an optimum entry choice, frameworks based on product-market familiarity are frequently used. Entering foreign markets may be executed in a variety of ways, usually by either exporting (taking into account all derivatives) or by forming strategic alliances such as joint ventures, licensing, as well as, foreign acquisition and direct investment (see 2.13.1, 2, 3). Usually, the choice of one market is linked to the choice of another. Firms often educate themselves further by examining the combination of entry methods with the sequence of decisions over time in related markets. Again, a framework based on product-familiarity is helpful in making an optimum choice. Sequencing is therefore a generic long-term strategy often used by firms in international markets. Firms are confronted with two alternatives that consist of either initially entering a small number of promising markets or simultaneously entering as many markets as possible. Naturally, there are advantages and disadvantages to all approaches, making market entry a complex process for firms seeking international expansion. (Bradley 2005: 296) Lu, Karpova and Fiore (2011: 58-75) provide a theory-based framework that informs a fashion retailer's entry mode choice into a foreign market. In this study, influential aspects such as transaction cost, bargaining, resource based and internationalization theories are examined in building a framework specific to fashion retailers. (Lu *et al.* 2011: 58). The authors aim to define a framework and propositions that can be used to justify an entry mode for a specific foreign market. In mentioning international activity as a catalyst for the expansion of fashion retailers, Lu *et al.* (2011), utilize Hill *et al.*'s (1990) definition of entry mode as 'the institutional arrangements that a firm develops for transferring its products, technology, staff, and other resources to a foreign country'. (Lu *et al.* 2011: 58)

"Fashion retailers can select from a variety of entry modes when entering a foreign market, such as export of their products, participation in franchising agreements, involvement in joint ventures (JV) and operational alliances, or establishment of wholly owned subsidiaries (WOS). A fashion retailer may use more than one entry mode type for its operations in different countries. For example, Marks and Spencer uses franchising in Portugal, Greece, and Hungary, and WOS in France and The Netherlands (Doherty 1999)". (Lu *et al.* 2011: 59)

Among the several gaps identified in the literature concerning the entry mode choice for fashion retailing, Lu *et al.* (2011), mention the need to apply entry mode theories that have been tested in the manufacturing and service industries (Agarwal and Ramaswami 1992; Blomstermo *et al.* 2006), to the fashion retailing sector. Having based themselves on four entry mode theories; namely, transaction cost, bargaining power, internationalization and resource-based theories, the authors have come up with a total of nine factors that influence a fashion retailer's entry mode choice:

1. Asset specificity;
2. Brand equity;
3. Financial capability;
4. International experience;
5. Country risk;
6. Government restrictions;
7. Cultural distance;
8. Market potential;
9. Market competition. (Lu *et al.* 2011: 62)

For organizational purposes of further analyses in the fashion retail context, the nine factors were classified into three groups:

- a) Firm-specific factors;
- b) Country-specific factors;
- c) Market-specific factors. (Lu *et al.* 2011: 62)

Following the identification of influential factors in a fashion retailer's entry mode choice, the authors cite a series of propositions, regarding the appropriate level of entry mode for fashion retailers, by utilizing a few examples of international fashion retailers:

P1. To be successful in a foreign market, a fashion retailer with high asset specificity should choose a higher control entry mode:

“Agility is the competitive weapon Zara uses to achieve its success: it takes less than two weeks for a skirt to get from Zara's design team in Spain to an overseas store (Jin 2004). Achieving agility requires the retailer to oversee and have a higher control over the entire supply chain from the design center in Italy to the distribution at the local store level, which contributes to Zara's adoption of wholly owned subsidiaries (WOS) as the primary operation mode for its overseas stores (Jin 2004; Park and Sternquist 2008).” (Lu *et al.* 2011: 63)

P2. To be successful in a foreign market, a fashion retailer with high brand equity should choose a higher control entry mode:

“Laura Ashley's strong brand image and the need to ensure the consistency of this image worldwide 'are obvious potential contributory reasons' for Laura Ashley to use a wholly

owned subsidiaries for all their stores in the USA, Canada, and Europe (Doherty 1999, p. 392).” (Lu *et al.* 2011: 64)

P3. To be successful in a foreign market, a fashion retailer with low financial capability should choose a lower control entry mode:

“Fashion brands such as Calvin Klein and Donna Karan often choose to open their chain stores in foreign markets under franchise agreements, which are attributed to their limited resources and the desire to avoid significant start-up costs (Moore *et al.* 2000).” (Lu *et al.* 2011: 64)

P4. To be successful in a foreign market, a fashion retailer with high international experience should choose a higher control entry mode:

“A good example of a fashion retailer that has evolved its presence in an international market is Benetton, which first entered the Indian market in early 1980s through a license. As their familiarity and comfort with the market grew, Benetton transitioned into a joint-venture in 1991, and took over their Indian businesses completely in 2004 (Dutta and Saxena 2009).” (Lu *et al.* 2011: 65)

P5. To be successful in a foreign market, a fashion retailer should choose a lower control entry mode when country risk is high. (Lu *et al.* 2011: 65)

P6. To be successful in a foreign market, a fashion retailer should choose a lower control entry mode when cultural distance is high:

“For instance, the potential for success of American Apparel in China is questioned because its products do not have an identifying logo or signature design, which Chinese consumers desire (Goldkorn, 2008).” (Lu *et al.* 2011: 66)

P7. To be successful in a foreign market, a fashion retailer should choose a lower control entry mode when government restrictions are high:

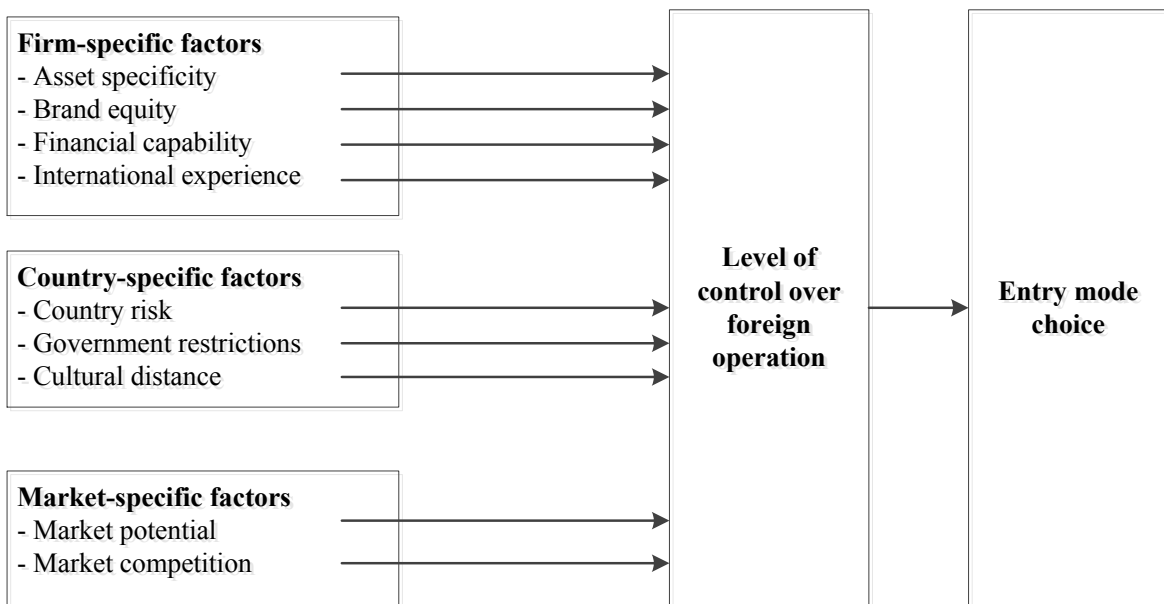
“For instance, in 2006, when the Indian government re-opened retail to foreign investment allowing up to 51 per cent FDI in single brand retail, many fashion retailers, such as Marks & Spencer, transitioned their existing franchising arrangements into a JV structure (Choudhary 2009; Dutta and Saxena 2009). At the same time, the FDI policy combined with high duty on luxury fashion brands, have been cited as main deterrents for some fashion brands entering the Indian market. Examples include Louis Vuitton and Prada that are more conservative about maintaining high control in their operations in India (Joshi, 2008). In addition, foreign countries may have restrictive media policies, which may result in the censorship of advertising campaigns. For instance, the “gritty, home porno” style of American Apparel’s advertising campaign, which has been instrumental in building their brand image in the USA, may be censored in China (Goldkorn 2008).” (Lu *et al.* 2011: 66)

P8. To be successful in a foreign market, a fashion retailer should choose a higher control entry mode when market potential is high. (Lu *et al.* 2011: 67)

P9. To be successful in a foreign market, a fashion retailer should choose a lower control entry mode when market competition is high. (Lu *et al.* 2011: 67)

Furthermore, the authors provide this study with a conceptual framework, achieved by applying the entry mode theories to the fashion retail industry, out of which nine factors were identified, as they impact the fashion retailer's expansion. (Lu *et al.* 2011: 68)

Figure 4. Conceptual Framework for Entry Mode Choice in the Fashion Retail Market: (Lu *et al.* 2011: 68)



2.14 Channels of International Distribution

One of the key decisions in the area of international marketing is how to access international markets and customers through effective use of distribution channels. Good distribution channel management gains and holds access to markets and is seen as an interactive process between the manufacturer and a foreign-based intermediary, who may dominate the path to the final user or consumer. This relationship is further complicated as different historical developments generate different distribution structures. Agreements made between manufacturers and distributors are influenced by a range of factors within the physical performance criteria, related to sales of products or services, as well as, by elements within the financial criteria, related to profits and return on investment. Often there can be conflicts among members of distribution channels, as objectives may be different at different stages. One way to minimize channel conflict is to specify channel roles in advance. Through the primary objective of maintaining the desired position for the brand in markets, large consumer brand companies closely control distribution

channels. Frequently, international companies take extreme measures, as access to customers is absolutely essential, by acquiring distribution partners to ensure as much control as possible instead of relying on a fickle independent distribution system. A highly developed distribution system, characterized by great coordination between marketing and production, as well as, the use of modern technologies, allows the international firm to maximize the number of markets successfully entered. (Bradley 2005: 325) In accessing international markets and customers, companies rely on distribution channels characterized by the interaction between manufacturers and foreign-based intermediaries. In cross-national channel communication, divergent cultures represent a unique set of challenges, which may increase conflict and damage the performance of international distribution channels. Mehta *et al.* (2010: 89-117), explore different channel leadership styles, based on Hofstede's (2001) dimensions of national culture, to discover to what extent these leadership styles can provide effective strategies for solving intercultural conflict. The authors investigate 'whether the relationship between leadership style and conflict is moderated by national culture' and 'the impact of manifest conflict on international channel partner performance.' (Mehta *et al.* 2010: 89-90) The goal of this research is to discover techniques that will help partnerships integrate smoothly and thrive since:

“Studies of alliances have shown failure rates of close to 50% (Inkpen & Ross 2001). Furthermore, Bleeke and Ernst (1995) stated that the median life span for alliances is only about 7 years and that nearly 80% of joint ventures (one form of alliance) ultimately end in a sale by one of the joint venture partners.” (Mehta *et al.* 2010: 90)

In this study, Mehta *et al.* (2010), focus on normative rather than descriptive literature in order to identify proactive conflict management techniques:

National Culture–Leadership Styles Linkage – the authors consider empirical evidence showing that leadership styles are related to national culture (Byrne & Bradley 2007): “...it is imperative that suppliers be cognizant of the culture and subcultures of its channel partners so that they can tailor or match their leadership style to “fit” the boundary personnel of their international channel partners - many of whom may be from different cultures or subcultures.” (Mehta *et al.* 2010: 102)

Leadership Style–Manifest Conflict Linkage: Main Effect – the authors base this focal construct on how various leadership styles might differentially impact manifest channel conflict: “...as a social system composed of channel partners, the distribution channel is affected by such behavioral dimensions as power, roles, conflict, and satisfaction, and all these constructs have been the focus of intensive investigation. The frequency of interaction and the nature of interdependence between channel partners - who have independent and sometimes even divergent goals - produce conflict. Though the majority of channel relationships are cooperative, some are inherently laden with conflict.” (Mehta *et al.* 2010: 103)

Leadership Style–Manifest Conflict Linkage: The Moderating Role of National Culture – “the model proposes that culture moderates the relationship between leadership style and conflict. That is, different leadership styles have different moderating influences on conflict depending on where the culture falls on Hofstede’s (2001) cultural dimensions.” (Mehta *et al.* 2010: 105)

In *individualistic* cultures: self-interest and emphasis on personal achievement are most important. The directive leadership style is consistent with these values and more fitting to individualistic cultures as ‘channel members expect the rules for behavior and reward for achievement to be clearly stated in advance, so that they may map their path to individual advancement.’ (Mehta *et al.* 2010: 106)

In *collectivist* cultures: the emphasis is put on group interests rather than individual interests. The participative and supportive leadership styles are consistent with these values as trust and personal relationships are fostered in the interest of interdependence among group members vying for the success of the whole. (Mehta *et al.* 2010: 106)

In *strong uncertainty* cultures: there is a strong need for consensus, as people are threatened by uncertain situations and feel more at ease with explicit rules and regulations calling for a directive leadership style. (Mehta *et al.* 2010: 106)

In *weak uncertainty* cultures: people are more comfortable with dissent and risk taking calling for the supportive leadership style that ‘provides a trusting, friendly environment for work and, perhaps to a lesser extent, a participatory leadership style that fosters involvement.’ (Mehta *et al.* 2010: 106)

In *large power distance* cultures: the most significant aspect is the more subordinate dependence and ease with inequality. In these cultures, a directive leadership style would be more consistent in dictating rules and regulations. (Mehta *et al.* 2010: 106)

In *small power distance* cultures: inequality and subordinate dependence is minimized calling for a supportive leadership style that fosters involvement in decision-making and trust in the work environment. (Mehta *et al.* 2010: 106)

In *masculine* cultures: where performance and materialism are paramount, rules and rewards are clearly defined fitting a directive leadership style. (Mehta *et al.* 2010: 106)

In *feminine* cultures: where quality of life, involvement and solidarity are paramount, a participative leadership style is more fitting as it calls for involvement of everyone in the organization or a supportive leadership style, to a lesser extent, that ‘seeks to provide the foundation from which people may succeed.’ (Mehta *et al.* 2010: 106)

Manifest Conflict–Channel Partner Performance Linkage: conflict may be dysfunctional if it reduces efficiency due to tension and frustration. Conflict may also be functional if brings partners to interact more closely and improve performance. Lastly, conflict may have no effect on

performance if partners are accustomed to conflict, where efficiency is not compromised. The authors deduce that ‘consequently, manifest conflict on distribution channel performance should conceivably be invariant across nations or cultures.’ (Mehta *et al.* 2010: 108)

As the article explores the use of alternative channel leadership influence strategies for managing manifest conflict among channel partners, it imparts knowledge that can be used by cross-cultural management in confirming that leadership styles are contingent upon cultural context and moderated by national culture. More concretely, Mehta *et al.* (2010), affirm that cultures are resistant to change and managerial practices requiring channel leadership styles to be adapted due to cultural differences across nations. (Mehta *et al.* 2010: 108)

2.15 International Markets

2.15.1 Pricing

The nature of the product, as well as, the level of competition in relevant international markets are factors which limit the amount of price discretion available to the competing firm; firms may gain room to maneuver if they acquire knowledge based on competitive advantage in high technology. Firms dealing with pricing in international markets must also pay close attention to government macroeconomic policies in a number of areas, which may influence price levels in these markets. Managerial and administrative difficulties are generated as the transfer of pricing among units of the same international firm occurs. International firms often use market prices as the common method of transferring prices followed by standard full unit cost with fixed mark-up added. Among the many issues faced by international firms, fluctuating exchange rates become an important factor as firms are required to cope in the following three ways: by diversifying sales among a mix of currency areas, hedging and creating strategic responses by developing marketing programs tailored to weak and strong currencies depending on the situation encountered. Price volatility is yet another factor considered by customer firms as crucial as high absolute prices. Firms trade in euro, US dollar or pound sterling to alleviate the difficulty in dealing with price volatility. Large firms have the advantage of creating internal fixed rates of exchange, particularly when dealing with volatile currencies, so as to ensure that prices do not fluctuate wildly affecting customers abroad negatively. Standardized prices are particularly hard to maintain in markets where currency fluctuations occur more frequently due to the different cost structures, government policies and transfer pricing requirements. To avoid parallel importing, it is therefore essential to maintain some order on prices. Prices between domestic and foreign markets escalate due to factors such as added costs and margins incurred in international distribution channels. Price escalation is more characteristic in longer channels. Firms are therefore advised to focus on market-based approaches on international pricing rather than cost based. Costs comprise the base below which

the firm should not go contrasting market-based prices, the highest in range of feasible prices. When setting prices for the first time, firms are advised to start with current prices in the market and work backwards to determine the level of profit or contribution remaining after carefully considering costs. (Bradley 2005: 346)

Yeoman (2007: 287-290) addresses the pricing pressures in Europe's fashion industry by looking into whether it is value shopping or indulgence that is driving such pressures. To explain this supposition, the author draws attention to the rise of expenditure on clothing and footwear across European markets, noting that average spending per head varies greatly across geographic territories:

“In 2005, the EU15 average spend per person per year was just over 800 Euros, falling to 300 Euros in the new, much poorer, member states such as Poland and Hungary...with price level differences of up to a third between the most and the least expensive countries. Prices in Eastern and Southern Europe tend to be lower than in the rest of the EU25 - this is a reflection on the affluence and in those countries and relative purchasing power.”
(Yeoman 2007: 287)

In describing today's consumer, Yeoman (2007) states that reliability and quality are no longer sufficient in creating brand loyalty. Today's consumer is savvier and more demanding, as cash is readily available and consumers are more educated and encounter endless options; thus, the desire to own a product no longer has as its sole aim the consumption of the product, it now goes beyond consumption to fulfill the consumers' needs including product delivery preferences. The author highlights that this phenomenon is exacerbated by the fast paced and intensely competitive fashion industry in which companies must gain knowledge of consuming patterns to successfully respond to consumers' needs and preferences. (Yeoman 2007: 287) In addressing the ability Europeans possess to indulge in luxury fashion, Yeoman (2007) explains that Europe is the biggest market for luxury goods accounting for 40 per cent of the market, whereas Japan alone captures 25 per cent and China 5 per cent. Large fashion houses currently worry about their future due to a changing market structure, a series of world-events and Japan's economic slow down. Perhaps the biggest change occurring in the landscape of the fashion market and consumers is the meaning of luxury: Yeoman (2007: 287-288) explains 'the meaning of luxury is changing as personal disposable income rises', which begs the question of whether wearing designer clothes is still the best description of luxury. The author describes the 1980's fashion landscape as characterized by materialist pursuit with an emphasis on status symbols, e.g. wearing designer labels, referring to the 1980's as 'mega-logo-mania' explaining that 'brands were bought solely for the status that was attached to them.' (Yeoman 2007: 288) Today's description of luxury is changing as demonstrated by Yeoman (2007) when surveying consumers in Europe. Only a minority of Europeans in nine countries surveyed described everyday luxury as 'wearing designer clothes':

“This is a reflection of mature Western countries that have higher purchasing power, whereas consumers in Eastern Europe aspire to wealth, so ‘wearing designer clothing’ is more important. In many senses, rising affluence, social mobility, the diversification of retail brands and consumer empowerment have all helped to democratize luxury, making it a key attribute of many brand propositions...Now, however, the elements of exclusivity, expense, affluence, extravagance, hedonism and gratification inherent in the term ‘luxury’ find themselves ingrained in the marketing of many of the less expensive FMCG (Fast Moving Consumer Goods) brands...” (Yeoman 2007: 288)

The author describes the change occurring on the fashion landscape as the ‘democratization of luxury’, where consumers ‘trade up or trade down’ on levels of quality depending on taste in the markets they are interested in. Although consumers still like to indulge, products are selected with greater care as preferences change and consumers ‘search longer for the product that tells the right story’ about whom they are, showing individual style rather than packaged solutions or total outfits. Understanding the desire for individual style and differentiation has been crucial to mass fashion brands. Whereas in the past it would have been considered taboo to mix inexpensive with expensive, mass fashion brands now offer alternatives to traditional luxury products or complimentary goods at better price-value. (Yeoman 2007: 289)

“Many of the European high street fashion brands such as Zara, Bershka, H&M and Mango are successfully launching affordable copies of items hot off the cat-walk and are able to respond to changing consumer demands much faster. In 2004, H&M teamed up with designer Karl Lagerfeld to create a limited-edition line for the autumn/winter collection at affordable prices.” (Yeoman 2007: 289)

Yeoman (2007) also draws attention to the concept of ‘Low-Price Culture and Value Shopping’ by demonstrating that although many Europeans are able to occasionally indulge in a luxury item, self controlled and rational consumption is still very much present as price constraint represents an attitudinal phenomenon in Europe. According to the author, irrespective of social background or income, European consumers shop at both premium and value ends of markets, splurging on items they are passionate about and trading down on other products. (Yeoman 2007: 289-290)

“Across Europe, the value sector for clothing (including supermarket retailers) is winning a larger share of the clothing market. In the Czech Republic, Tesco is now the number one clothing retailer and is also a major player in Hungary. Carrefour dominates in France and in the UK the value sector now accounts for one-fifth of the clothing market with brands such as Tesco, Asda (famous for their d4 jeans), Matalan, New Look and TK Maxx.” (Yeoman 2007: 290)

Yeoman makes it clear that this is not a battle between big labels such as Gucci and Prada and the value-sector by explaining that fashion consumers are likely to be economical by hunting for bargains in discount stores but then splurging on luxury goods that may have emotional value. The author draws attention to the polarization of the market suggesting that the middle-market may need to reinvent itself or be negatively affected:

“European consumers want choice and they want products at a reasonable price. Premium products will sell if they are perceived to offer that. Customers will understand the difference between ‘made in Italy’ and ‘made in China’ and while outsourcing makes sense to middle and value retailers, traditional luxury companies should think twice about it. In Europe today, there are now two types of luxury consumers. It is estimated that the ‘old’ elitist luxury consumer makes up 10 and 90 per cent from the new generation.” (Yeoman 2007: 290)

2.15.2 Selling and Negotiating

The interaction between buyer and seller in international marketing is particularly complex. A marketing exchange may refer to a simple discrete transaction or a long-standing, well-developed relationship between two firms operating in two distinct cultures, as both strive to attain mutual, beneficial objectives. In any situation, it is essential to understand the selling negotiation process. Communication, negotiation and personal selling in international markets is considerably more difficult when dealing with differing cultures, languages, as well as, the interaction between the familiar and unfamiliar and the context of the relationship involved. As far as international marketing is concerned, most exchanges take place between firms: the supplying firm operating in one market deals directly with the purchasing firm in another market, but only indirectly dealing with the consumer market which explains the emphasis on international selling and negotiation, more heavily in international business-to-business marketing. Choosing appropriate roles in the sales force is crucial as the firms acknowledge the existence of separate buying and selling processes, which must converge to produce satisfactory results for both parties involved in the exchange. The successful outcome of the processes of convergence is largely dependent on the existence of a high degree of cultural understanding and affinity between partners. Affinity, in particular, arises from culturally sensitive communications from both parties. Hence international marketing adds a new and complex dimension to the communications process. In conclusion, successful buying and selling strategies are based on establishing mutually beneficial marketing relationships. (Bradley 2005: 368) Although differences in national culture influence selling and negotiation in international markets have been extensively researched and universally acknowledged, Pressey and Selassie (2003: 354-368) look at the seven key dimensions of Hofstede’s (1997) indices of culture to shine light on the degree of the impact cultural differences exert on international buyer-seller relationships:

1. Trust;
2. Affective commitment;
3. Calculative commitment;
4. Rigor,
5. Social bonds;

6. Coercive power;
7. Long-term planning. (Pressey and Selassie 2003: 354)

In reviewing existing literature, Pressey and Selassie (2003), provide numerous notions on the perspectives of culture and its influence on international business: the authors mention Triandis *et al.*'s (1986) notion that 'culture is a nebulous construct that is difficult to define and is posited to be subject to change over periods of time', in addition to Hofstede's (1984) concept that 'culture is thought of as being learned', as well as, Harris' (1979) belief that '(culture) is manifest through history, religion and education which act as strong factors that define and shape a nation's or society's character and culture.' (Pressey and Selassie 2003: 355) The authors highlight Hofstede (1984) for having produced one of the most-cited studies of culture on work values:

"Hofstede's work resulting in the creation of five indices of culture (uncertainty avoidance, power distance, individualism, masculinity and long-term orientation), upon which the work-related values of individuals of different countries are purported to differ, has been received as seminal in cross-cultural literature." (Pressey and Selassie 2003: 355)

However, Hofstede's (1984) admittance 'that there may be shifts in culture over long periods of time' reinforces the authors' argument for constant reconsideration and re-evaluation of the nature and influence of culture essential in attributing the correct degree of influence of national culture on cross-national business ventures. (Pressey and Selassie 2003: 355) Additional authors, such as Markoczy (2000), further agree with Pressey and Selassie's (2003) stance by arguing that culture does not pervade all aspects of beliefs and values that an individual possesses and that cultural influences are limited. This argument is based on the results of several studies that have failed to find empirical evidence to support such notions:

"In a study of managerial skills and national culture, Lubatkin *et al.* (1997) failed to find a relationship between the skills of managers and their national-cultural backgrounds in three countries...On the subject of managerial values, Haire *et al.* (1966) contend that being a manager is a way of life that transcends a country's cultural values...A poll of managers examining market research priorities for new market entrance strategies revealed that cultural difference was viewed as factor of least importance to managers (Wood and Robertson 2000)." (Pressey and Selassie 2003: 355)

These studies suggest that 'differences relating to culture may be so deep and subtle that it is difficult to see how they influence business decisions (Markoczy, 2000)' and that perhaps 'international relationships are influenced by company strategies, professional experience and training, and the general operating environment than they are by national-culture background.' (Pressey and Selassie 2003: 356)

The interviews performed, in order to canvass the opinions of managers and assess their general perceptions regarding the influence of culture on international business, reveal that there was a split between the opinions of the managers interviewed with regard to the impact of culture:

“...indicating that the circumstances of the relationship might exert a greater influence than predicted cultural influences (e.g., product-related factors), and that stereotypes prevail (rightly or wrongly). Furthermore, the industry context may exert a greater influence than culture in some circumstances (e.g., industry customs, product issues).” (Pressey and Selassie 2003: 361)

The mail survey, in which UK importer/exporter perceptions of 11 countries were examined, had as its objectives to firstly, ‘quantitatively explore the assertion that culture impacts upon international relationships, and secondly, ‘to identify the additional factors that managers perceived influenced international relationships’ (Pressey and Selassie 2003: 362), revealing that:

Uncertainty avoidance: Little support - “Italy, which is reportedly a high UAI country, indicated a low degree of rigor in selecting foreign suppliers, contrary to expectation. Similarly, Germany, with a mid-range UAI score, shows evidence of being a high-rigor score.” (Pressey and Selassie 2003: 363)

Individualism-collectivism: Little consistent support - “Although Germany is one of the lowest scoring IDV countries surveyed, and therefore should have a high degree of social bonding, it indicated a low propensity for social bonding. Conversely, Norway (which has a reportedly similar IDV score to Germany) indicates a much higher propensity for social bonding...” (Pressey and Selassie 2003: 363)

Masculinity-femininity: rejected - “Italy and the USA - both high-scoring masculine countries – display a relatively high tendency to have relations characterized by affective commitment. An examination of the calculative commitment scores illustrates that the high MAS scoring countries of the USA and Italy indicate a relatively low propensity to develop relationships based on this dimension, contrary to the hypothesized assumption.” (Pressey and Selassie 2003: 364)

Power distance: unsubstantiated - “Although Spain and Italy are both high-scoring PDI countries (and should demonstrate a relatively greater use of coercive power) they nevertheless indicate a low propensity to use power. Conversely, the USA and Netherlands are both low-scoring PDI countries and should subsequently shun the use of power, yet they both exhibit high levels of the use of coercive power.” (Pressey and Selassie 2003: 364)

Long-term orientation: rejected - “Although PRC receives the highest LTO score by some considerable margin, it indicates a comparatively low propensity for long-term planning, contrary to expectations. Conversely, countries such as the UK and USA (with reportedly low LTO scores) score quite highly on long-term planning...” (Pressey and Selassie 2003: 364)

In conclusion, managers do not consider culture to have a significant impact on international relationships having elaborated in their research on factors they perceive to have greater impact on international business relationships. The results with respective frequency:

1. Communication/language barriers (translation of material, language difficulties) - 19

2. Political barriers (government change, political instability) - 2
3. Geographic distance (distribution costs, trade routes) - 4
4. Economic factors (economic climate, exchange rates) - 2
5. Industry barriers (differences in business practices, level of competition) - 2
6. Time differences (time disparity between domestic and foreign market) - 4
7. Technology barriers (different understanding of technology) - 3
8. Legal differences (different legal practices) - 1
9. Infrastructure barriers (customs procedures) - 1 (Pressey and Selassie 2003: 365)

According to Pressey and Selassie (2003) there may be multiple reasons as to why culture appears to exert little influence on international relationships, perhaps the most striking is directly related to the factors mentioned above making these barriers 'so germane to operating in a number of global markets that cultural differences may even seem relatively insignificant in comparison.' (2003: 366) It is equally worth noting that due to the sample size of the present study, most of the countries used in the survey are from Europe, this could have led to the smaller differences perceived by the managers explaining the results obtained. Additionally, the USA and Britain appear to have been represented more than the other countries in Pressey and Selassie's (2003) study and it can be argued that these two countries share historical bonds and practices, such as time, law, work ethic, religion and so on, making the results unreliable for finding cultural differences. Most importantly, this article provides the opportunity to discuss what is the same and different within European markets despite the European policies, which are designed to lead to greater convergence between EU countries.

2.15.3 Operations and Performance

Wigley and Moore (2007) identify the three components contributing to international fashion retailer success:

1. Brand – 'The retailer must own a compelling brand that can be coherently expressed across international markets and substantiated with products of an appropriate quality and appeal.'
2. Distribution - 'The retailer's products must be distributed in accordance with its brand positioning, maintaining exclusivity where necessary by restricting supply.'
3. Retail Operations - 'The retailer's brand and product should be represented by stores and people who conform to the brand imagery.' (Wigley and Moore 2007: 292)

When firms work on aligning their international marketing performance, they focus on planning their strategy on implementation and control. In planning their program, firms pay close attention to the difficulties that arise subsequently in implementing plans. Successful firms are known to install control systems that complement and support planning. Effective implementation

of strategy in the international firm consists of deciding on the best short-run tactical control and long-term strategic control in regard to the direction of the firm. In measuring international marketing performance, numerous measures are utilized in examining efficiency: commonly applied are sales quotas, asset earnings and profits, as well as, market share and market growth. One of the key variables closely managed is cash flow as timing and the sequencing of events in international markets place a great amount of pressure on cash flow; cash flow puts even greater pressure on smaller firms. Short-term financial measures, such as return on investment, are frequently used. Short-term financial measures are advantageous when applied over time and in different countries' markets, the firm can monitor its performance and attribute any deviation from standard to cost or marketing factors. Most firms choose to apply strategic controls to international operations; strategic control uses a broader set of factors related to marketing, customers and competitors, and it naturally distinguishes the more successful companies from the less successful. (Bradley 2005: 390) Effective implementation of strategy in the international retail firm is the topic examined by Swoboda and Elsner (2013: 81-109) who look into 'how strongly a retail format's standardized or adapted elements affect performance in a foreign country.' (2013: 81) The authors believe that retailers successfully transfer their retail format by building on the unchanged parts of their know-how while combining the more standardized core elements with adapted peripheral elements. In this study, the focus remains on investigating the design of important processes and offers to better understand its influence on retailers' efficiency and sales. In mentioning global strategy as an intensely researched subject (particularly in regard to the transfer of marketing elements across countries, e.g. Baalbaki and Malhotra, 1995; Ryans, Griffith, and White, 2003; Sousa and Bradley, 2008), Swoboda and Elsner (2013: 81) believe it is essential to research 'the advantages of standardization across countries with the benefits of local market adaptations'. Aware of retailers aggressively expanding abroad, the authors focus their study on the successful format transfer by investigating the relationship between two important types of processes, namely marketing and supply chains processes, and marketing programs.

Marketing processes are defined as:

1. Sales-related procedures, systems, and regulations (Griffith, Hu, and Ryans, 2000; Walters, 1986); whereas,

Supply chain processes are defined as:

2. Purchase and logistics procedures, systems, and regulations (Bourlakis and Bourlakis, 2001; Swoboda, Foscht, and Cliquet, 2008);

Marketing program elements are defined as:

3. Assortment, prices or promotions. (Swoboda and Elsner 2013: 86)

Figure 5. Possible Core and Peripheral Program and Process Elements in Retailing: (Swoboda and Elsner 2013: 84)

	Marketing Program	Marketing Processes	Supply Chain Processes
Core Elements	<ul style="list-style-type: none"> • Retail brand • Store type • Store layout and store design • Store location 	<ul style="list-style-type: none"> • Procedures of market and trend analysis • Category development processes • Procedures of store location planning • Identification of target groups • Procedures and systems for customer relationship management 	<ul style="list-style-type: none"> • Purchasing systems/procedures (e.g., direct store, central) • Relationships with key suppliers • Logistics and warehouse systems • ERP/IRP systems • Facility planning processes (location and design of logistics facilities)
Peripheral Elements	<ul style="list-style-type: none"> • Assortment • Price • Private labels • Sales promotion and POS marketing • Service • Hours of operation • Standard operating sales procedures (including personnel planning in stores) 	<ul style="list-style-type: none"> • Processes of category composition • Cost and price calculation procedures • Processes of sales planning and monitoring • Processes of customer service • Processes of promotion planning • Complaint management procedures 	<ul style="list-style-type: none"> • Distribution logistics for stores • Warehouse management • Cross-docking procedures • Store logistics processes • Logistics of disposal • Personnel recruitment processes

The authors shine light on which elements of the retail format are transferred without changes or adaption abroad. In addition, whether and which internal processes (marketing and supply chain processes) and visible offers interact with retailer performance in a country, thus presenting the following results:

- a) ‘The unchanged transfer of store types, store locations, and store layouts (core elements)’;
- b) ‘The adapted transfer of assortments, prices, and promotions (peripheral elements)’;

- c) 'Retailers treat format transfer hierarchically, meaning that some peripheral elements are allowed to vary across countries in response to local environments, whereas other core elements are more standardized';
- d) 'Remarkably, the results are stable in both the psychically close and distant countries as (Evans, Mavondo, and Bridson 2008; Hang and Godley 2009; O'Grady and Lane 1996) retailers standardize format elements more often than might be expected (Burt *et al.* 2008); only a few elements are greatly adapted.'
- e) 'Although retail firms can be successful in a country as a result of standardization or adaptation, our study emphasizes that the success of most retailers depends on the standardization and adaptation of certain marketing program elements.' (Swoboda and Elsner 2013: 100-102)

Chapter 3 will now consider these issues in examining the success of the Ralph Lauren Corporation in Europe.

Chapter 3 Case Study: The Ralph Lauren move into Europe

The case study examining the internationalization of the Ralph Lauren brand and its successful expansion into Europe will be presented in the light of the theory discussed in Chapter 2. The expansion of the Company will be looked at in terms of Bradley's four process stages in international marketing:

1. International marketing in the global economy;
2. Product and brand strategies;
3. Market entry;
4. Operations and performance.

In following this framework, particular attention will be given to the role of culture when applying the more relevant theories to the journey of the Ralph Lauren Corporation in Europe considering the vast array of cultures which configure European markets.

3.1 Scope of International Marketing in RL Corporation

On May 9th, 2014, the Ralph Lauren Corporation (NYSE:RL) reported on its investor website, <http://investor.ralphlauren.com>, the net income of \$776 million for Fiscal 2014 in comparison to the net income of \$750 million for Fiscal 2013. (The RL Corporation, "News Releases" 2014) The Ralph Lauren Corporation was incorporated in June 1997 under the laws of the State of Delaware, thus reports have to be filed with the US Securities Exchange Commission (USSEC) about the Ralph Lauren Corporation providing valuable inside information. Such information will be utilized in this case study when examining the international operations of the RL Corporation in Europe, drawn specifically from the Form 10-K for the Fiscal year ended March 30, 2013.

The scope of international marketing for the RL Corporation may be defined by observing the Company operate as a global leader in the design, marketing and distribution of premium lifestyle products. The RL Corporation combines 'consumer insight' with the 'design, marketing and imaging skills' looking to offer along with 'licensing alliances', broad lifestyle product collections with a 'unified vision' (USSEC 2013: 7):

- *Apparel* - Products include extensive collections of men's, women's, and children's clothing;
- *Accessories* - Products encompass a broad range, including footwear, eyewear, watches, fine jewelry, hats, belts, and leathersgoods, including handbags and luggage;
- *Home* - Coordinated home products include bedding and bath products, furniture, fabric and wallpaper, lighting, paint, tabletop, and giftware; and

- *Fragrance* - Fragrance products are sold under our Big Pony, Romance, Love, Polo, Lauren, Safari, Ralph, and Black Label brands, among others. (USSEC 2013: 7)

The RL Corporation operates in three distinct but integrated segments:

1. Wholesale;
2. Retail;
3. Licensing.

The Company's Wholesale segment is characterized by sales of RL products to leading upscale and certain mid-tier department stores, specialty stores, and golf and pro shops, both in the U.S. and internationally. The primary product offerings sold through RL's wholesale channels of distribution include menswear, womenswear, childrenswear, accessories, and home furnishings. RL collection brands — Women's Ralph Lauren Collection and Black Label and Men's Purple Label and Black Label — are distributed worldwide through a limited number of premier fashion retailers. (USSEC 2013: 11-12)

In Europe, RL's wholesale sales are characterized by a varying mix of sales to both departments and specialty stores, depending on the country. The Company also distributes its products to certain licensed stores operated by European franchisees. RL's Club Monaco brand is also present in Europe, where the products are distributed through select department stores and specialty stores. (USSEC 2013: 12) Globally, RL's Wholesale business represents approximately 45% of Fiscal 2013 revenues consisting of sales made to major department stores and specialty stores located in North America, Europe, Asia and Latin America. (USSEC 2013: 3)

The Company's Retail segment is characterized by 388 directly-operated freestanding stores worldwide, totaling approximately 3 million square feet, 494 concession-based shop-within-shops, and seven e-commerce websites as of March 30, 2013. (USSEC 2013: 12) The reinforcement of a luxurious image and distinct sensibility of RL brands, featuring exclusive lines that are not sold in department stores, best describe the Ralph Lauren Stores, which are situated in major upscale street locations, as well as, upscale regional malls generally located in large urban markets. The Ralph Lauren Stores feature broad range of Ralph Lauren apparel, accessories, and home product assortments reflecting, once again, the core values of the brand – its distinctiveness and luxury. The seven RL flagship stores, which showcase upper-end luxury styles and products, as well as, RL's most refined merchandising techniques, are also included in the retail segment along with Club Monaco stores, Rugby stores, factory stores, concession-based shops-within-shops in addition to e-commerce websites. (USSEC 2013: 13-14)

In Europe, RL operates 27 stores, 40 factory stores offering selections of menswear, womenswear, childrenswear, accessories, home furnishings, and fragrances located in 12 countries, principally in major outlet centers in addition to the e-commerce Ralph Lauren sites in Europe

servicing Austria, Belgium, France, Germany, Greece, Italy, Luxembourg, the Netherlands, Portugal, Spain, and the United Kingdom. This allows the Company to reach retail customers on a multi-channel basis while reinforcing the luxury image of RL brands. (USSEC 2013: 13-14) Globally, RL's Retail business represents approximately 52% of Fiscal 2013 revenues consisting of sales made directly to consumers through RL retail stores located in North America, Europe, Asia and Latin America. (USSEC 2013: 3)

The Company's Licensing segment is characterized by licensing alliances in creating and building new businesses. The RL Corporation believes international markets offer additional opportunities for the RL quintessential American designs and lifestyle image. In 2013, RL's international licensing partners operated 62 Ralph Lauren stores, 32 Ralph Lauren concession shops, and 64 Club Monaco stores and concession shops. (USSEC 2013: 15) By combining consumer insight, design, and marketing skills with a specific product along with the geographic competencies of the RL's licensing partners, the Company seeks licensing partners 'who are leaders in their respective markets', 'contribute the majority of the product development costs', 'provide the operational infrastructure required to support the business', and 'own the inventory'. (USSEC 2013: 14) In turn, the RL Corporation grants product licensees the right to manufacture and sell at wholesale specified categories of products under one or more of RL trademarks. In international geographic areas, licensing partners are granted exclusive rights to distribute certain brands or classes of RL products and operate retail stores. (USSEC 2013: 14) RL's Licensing business represents approximately 3% of Fiscal 2013 revenues consisting of royalty-based arrangements. Royalty-based arrangements of this nature take place in specified geographical areas for specified periods. Nevertheless RL maintains direct control over most of its brands, products and international markets. (USSEC 2013: 3)

International marketing in the RL Corporation consists of approximately 37% of net revenues being earned in international regions outside of North America in Fiscal 2013. (USSEC 2013: 3)

Figure 6. Net Revenues by Geographic Location of the Reporting Subsidiary Are as Follows: (USSEC 2013: F-47)

	Fiscal Years Ended		
	March 30, 2013	March 31, 2012	April 2, 2011
	(millions)		
Net revenues:			
The Americas	\$ 4,586.1	\$ 4,403.0	\$ 3,819.2
Europe	1,447.0	1,486.5	1,178.6
Asia	911.7	970.0	662.5
Total net revenues	<u>\$ 6,944.8</u>	<u>\$ 6,859.5</u>	<u>\$ 5,660.3</u>

Since the founding of the Company in 1967, the RL Corporation has been controlled by the Lauren family: ‘as of March 30th, 2013, Mr. Ralph Lauren, or entities controlled by the Lauren family, owned approximately 83% of the voting power of the outstanding common stock of the Company’. (USSEC 2013: 4) Through the years, the RL Corporation has maintained strong brand image allowing it to expand through numerous products, price tiers, and markets. Through innovative lifestyle branding, characterized by ‘a distinctive American perspective’, the Company believes it has ‘had a considerable influence on the way people dress and the way fashion is advertised throughout the world’, under the direction of Mr. Lauren’. (USSEC 2013: 7) Just recently, during New York Fashion Week 2014, Mr. Lauren presented his 2015 spring collection with a 4D fashion show staged in New York City’s Central Park. The debut of the womenswear Polo line ‘took fashion to the future’ with a holographic runway show showcasing a futuristic runway experience, as holographs of models walked on water through iconic New York City backdrops, ranging from the Brooklyn Bridge to the High Line. (Fisher 2014) This is not the first time, Mr. Lauren has walked into uncharted advertising territory, on November 10th, 2010, advanced video mapping technology was projected onto the façade of the Ralph Lauren flagship locations in New York and London:

“This global event marked a first for the fashion world and further reinforced the brand’s dedication to innovation by seamlessly combining art, fashion, music and fragrance into a modern 4D moment that had never been seen before. The vibrant world of Ralph Lauren illuminated the evening sky as moving footage of iconic product was brought to life on the façade in a culmination of fashion, art and technology.” (The RL Corporation, “Ralph Lauren 4D: The Ultimate Collision of Fashion, Art & Technology” 2010)

The scope of RL's advertising may be better understood by looking into the approximately \$217 million spent by the Company in Fiscal 2013 in activities related to the advertising, marketing, and promotion of RL products. (USSEC 2013: 16) In order to communicate the themes and images of the RL brand, the Company relies on marketing and advertising programs, the majority of which are created and executed through the RL in-house creative and advertising organization. The Company believes in keeping consistency of presentation with the assistance of marketing experts in geographic regions, which is central to executing RL international strategies. (USSEC 2013: 16)

“Our primary advertising medium is print, with multiple page advertisements appearing regularly in a range of fashion, lifestyle, and general interest magazines. Major print advertising campaigns are conducted during the fall and spring retail seasons, with additions throughout the year to coincide with product deliveries. In addition to print, we utilize television and outdoor media in certain of our marketing programs. We also market our brand through direct-to-consumer marketing, special events, and interactive digital activities. We use our consumer database and consumer knowledge to guide these activities.” (USSEC 2013: 16)

The RL Corporation continues to be the exclusive outfitter for all on-court officials at the Wimbledon tennis tournament and the official outfitter of all on-court officials at the U.S. Open tennis tournament. RL is also the exclusive Official Parade Outfitter for the U.S. Olympic and Paralympic Teams, in addition to being the official apparel outfitter for the USGA and the U.S. Open Championships, as well as, the Official Patron of The Open Championship that is played annually on British links golf courses. (USSEC 2013: 16)

RL's integrated approach to branding also led to the creation of a lifestyle brand through its products and services, a concept that can be experienced as one enters the website and discovers, what Trebay (2007) calls, "planet Ralph": Ralph Lauren for men, women, children, baby, home, gifts ranging in price and gender, sale, a 'definitive guide to Ralph Lauren style' and finally, the world of Ralph Lauren, consisting of the RL Magazine, watches and jewelry by RL, the gift vault (featuring antiques collectibles, found objects and vintage Ralph Lauren clothing), the opportunity to explore the Ralph Lauren car collection and finally, information about RL flagship stores and RL restaurants. (Ralph Lauren Media LLC 2014)

Throughout its history, the Ralph Lauren brand evolved from a small tie business to creating a vast range of products now available online to customers around the globe. Global customers are characterized by wide-ranging financial and cultural backgrounds; thus, the RL brand considers the diverse factors that may influence the process behind purchasing decisions. Within each of the categories men, women, baby and home, the RL brand provides products varying in quality, activity (e.g. sportswear), sizes and styles, even providing the customization of polo shirts by customers' countries flags. (Ralph Lauren Media LLC 2014) Ralph Lauren operates

under numerous different brands and products. The following brands are available online worldwide:

For men:

- Purple Label: “Dedicated to the highest level of quality and craftsmanship, Purple Label is the ultimate expression of luxury for men.”
- Black Label: “With a sharp, urban attitude, Black Label is the essence of sleek and sophisticated dressing for the modern man.”
- Polo Ralph Lauren: “Combining Ivy League style, athletic-inspired classics, rugged sportswear and time-honored English haberdashery, Polo is an iconic symbol of the modern preppy lifestyle.”
- RRL: “With roots in workwear and military-inspired apparel, RRL is dedicated to time honored details that capture an authentic American spirit with a focus on integrity, character and time worn charm.”
- Denim & Supply Ralph Lauren: “Anchored in Ralph Lauren’s authentic American heritage, Denim & Supply offers a fresh approach to denim and sportswear with an unexpected mix of rugged utility and downtown style.”
- Big & Tall: “Authentic and iconic, Big & Tall offers our Polo collection in sizes and styles that are right for you.”
- Golf and Tennis: “Tested and worn by top-ranking golfers, our golf collection combines state-of-the-art performance wear with timeless style.” (Ralph Lauren Media LLC 2014)

For women:

- Ralph Lauren Collection: “The ultimate in glamour and sophistication, Collection reflects Ralph Lauren’s definitive design philosophy through luxurious fabrics, elegant silhouettes and impeccable tailoring.”
- Black Label: “The essence of sleek, modern sophistication, Black Label features luxe fabrics and dramatic proportions.”
- Polo Ralph Lauren: “Polo expresses the spirit of a young, modern woman. She’s a romantic bohemian with a cool sportiness, the all-American girl with a downtown edge.”
- RRL: “With roots in workwear and military-inspired apparel, RRL is dedicated to time honored details that capture an authentic American spirit with a focus on integrity, character and time worn charm.”
- Lauren Ralph Lauren: “Offering timeless essentials with contemporary silhouettes, Lauren remains inherently feminine and thoroughly modern.”

- Denim & Supply Ralph Lauren: “Anchored in Ralph Lauren’s authentic American heritage, Denim & Supply offers a fresh approach to denim and sportswear with an unexpected mix of feminine utility and romantic bohemian style.”
- Golf & Tennis: “Tested and worn by top-ranking professional athletes, our golf and tennis collection combines state-of-the-art performance wear with timeless style.” (Ralph Lauren Media LLC 2014)

For children:

- Childrenswear: “Ralph Lauren Childrenswear is designed to reflect the timeless heritage and modern spirit of Ralph Lauren’s collections for men and women. Signature classics, including iconic polo knit shirts and luxurious cashmere cable sweaters, are interpreted in the most sophisticated and vibrant colors.”
- Baby: “Ralph Lauren Childrenswear is available in a full range of sizes for children, from baby, infant, and toddler to girls size 16 and boys size 20.” (USSEC 2013: 9)

For the home: “As the first American fashion designer to create an all-encompassing collection for the home, Ralph Lauren presents home furnishings and accessories that reflect the enduring style and exquisite craftsmanship synonymous with the name Ralph Lauren.” (USSEC 2013: 11)

- Lauren Home: “Finely crafted and highly accessible for any well-appointed home, Lauren Home offers a wide array of collections that range from classic to modern, including bedding, bath, furniture, tabletop, gifts, decorative accessories, floorcovering, and lighting.”
- Ralph Lauren Paint: “Introduced in 1995, Ralph Lauren Paint offers exceptional quality and beauty in the Ralph Lauren tradition...in addition to a signature palette of over 400 one-of-a-kind colors, Ralph Lauren Paint brings the texture and appearance of some of Ralph Lauren's most celebrated lifestyles to the home with a distinctive collection of faux techniques and unique specialty finishes.” (USSEC 2013: 11)

Accessories: “Ralph Lauren accessories for men and women reflect the distinctive design philosophies known throughout the world of Ralph Lauren and represent a continuous dedication to impeccable craftsmanship and iconic beauty”...from a glamorous handmade alligator Ricky Bag that takes up to 12 hours to craft to weathered canvas saddle bags with authentic equestrian hardware...from vintage luggage-inspired handbags that recall the golden age of travel...(to) iconic and innovative neckties, which launched the Polo brand in 1967, to velvet monogrammed slippers and benchmade dress shoes, (as well as) hand-sewn penny loafers, rugged suede and shearling duck boots” among eyewear, luggage and cuff links complete the RL accessories brand. (USSEC 2013: 7)

Ralph Lauren Watches: “In 2008, Mr. Ralph Lauren launched his premier collection of timepieces in partnership with internationally renowned luxury group Compagnie Financiere Richemont SA (“Richemont”). The three pillar collections — the iconic Ralph Lauren Stirrup, the refined Ralph Lauren Slim Classique, and the Ralph Lauren Sporting, which features classic sport, automotive, and safari inspirations — embody Ralph Lauren’s passion for impeccable quality and exquisite design.” (USSEC 2013: 8)

Ralph Lauren Fine Jewelry: “In 2010, Ralph Lauren Watch & Jewelry Co. introduced the premier collections of Ralph Lauren Fine Jewelry in celebration of Ralph Lauren’s new women’s flagship store in New York City. Inspired by brilliance, movement, and the alluring tradition of fine jewelry, this debut unveiled several collections, including the Ralph Lauren Diamond Link Collection, the Ralph Lauren Equestrian Collection, and the Ralph Lauren Chunky Chains Collection — all capturing the glamour and craftsmanship of Ralph Lauren’s most luxurious designs.” (USSEC 2013: 8)

Fragrances: “In 1978, Mr. Ralph Lauren expanded his lifestyle brand to encompass the world of fragrance, launching Lauren for women and Polo for men. Since then, Ralph Lauren Fragrance has captured the essence of Ralph Lauren’s men’s and women’s brands, from the timeless heritage of Lauren and Polo to the sophisticated beauty of Polo Black for men and Romance for women to the modern, fresh Ralph fragrances for her, designed to appeal to a younger audience.” (USSEC 2013: 10)

Pink Pony: “Established in 2000, Pink Pony is Ralph Lauren’s worldwide initiative in the fight against cancer. Pink Pony supports programs for early diagnosis, education, treatment, and research, and is dedicated to bringing patient navigation and quality cancer care to medically underserved communities. A percentage of sales from all Pink Pony products benefits the Pink Pony Fund of the Polo Ralph Lauren Foundation and other major cancer charities around the world. Pink Pony consists of feminine, slim-fitting women’s sportswear and accessories crafted in luxurious fabrics.” (USSEC 2013: 9)

The Ralph Lauren brands include additional brands such as Ralph Lauren Men’s and Women’s Black Label Denim (offered at select Ralph Lauren stores around the world), Lauren for Men (available at select department stores in North America and Europe), Chaps (offered exclusively by Kohl’s Corporation (“Kohl’s”) in the U.S. at their stores and Kohls.com.), and Club Monaco (Club Monaco is currently available in Europe at select department stores and specialty shops), Ralph Lauren Blue Label, RLX Ralph Lauren, which may be consulted online at Ralph Lauren e-commerce sites, including RalphLauren.com. (USSEC 2013: 8-11)

Regarding the future of the RL brand, the online article provided by the Trefis Team, Trefis.com was founded by MIT engineers and former Wall Street analysts who acknowledged the

necessity in helping people understand companies by extracting insights from annual reports and other filings (Trefis, “The Trefis Story” 2014), reports on RL’s sales throughout the world, confirming that the Americas region is a strong market for the brand, reflecting over 65% of Ralph Lauren’s sales across channels, such as factory stores, wholesale stores, Club Monaco and e-commerce sites. It is believed that strong brand image will continue to bring about growth in the Americas region for the RL brand. Concerning European sales, which account for about 20% of RL’s revenues, sales have encountered opposition due to macroeconomic challenges in Europe although positive growth exists driven by higher retail sales. (Trefis, “Ralph Lauren’s Pre-Earnings: Dressed for Modest Growth” 2013) The major concern with weak macroeconomic conditions in Europe, particularly in Spain, Greece and Italy, is how these conditions may affect Ralph Lauren’s revenues in the future: directly related to Ralph Lauren’s wholesale business is Europe, as it comprises a significant percentage the Company’s total wholesale revenues. (Trefis, “Ralph Lauren Company Overview” 2014) A corporate overview of the Ralph Lauren Corporation is helpful in tracing the growth and the expansion of the Ralph Lauren Corporation in Europe, when direct-to-consumer channel revenues increased from 46% in 2009 to 52% in 2012. In the third quarter of 2013, RL began to provide online sales in Italy, Greece, Spain and Portugal. (Trefis, “Here’s What Matters for Ralph Lauren’s \$187 Valuation” 2013) In addition to the aforementioned countries, RL provides online sales to Austria, Belgium, France, Germany, Japan, Korea, Luxembourg, Netherlands, Monaco and the United Kingdom.

Ralph Lauren's online services are certainly part of the multi-channel and long-term strategy of value creation: the Company is now expanding the reach of its global brand by providing online services in the aforementioned countries, where the brand is still relatively unknown. In providing online sales, RL presents potential consumers around the globe the opportunity to become acquainted with its brand, products and services, in addition to maintaining contact with customers posted abroad. Rowley (2009: 348-369) researched two key aspects of e-commerce, namely online fashion retailing and online branding. Concerning the efficiency of online corporate fashion branding, Rowley (2009: 353) uses Balmer and Gray's (2003) ideas about corporate brands needing to integrate brand, communications and experience strategies. Rowley (2009: 353) also takes Hatch and Schultz's (2001) point that corporate brands have wide potential audiences including customers, retailers, employees, shareholders, government departments, suppliers, amongst others.

3.2 International Marketing in the Global Economy

In demonstrating that the Ralph Lauren Corporation possesses an important dominant position in the European international marketing system, Figure 2. shines light on RL’s set of

dynamic relationships and the specific influences of the current international marketing environment in Europe:

International Marketing environment – European Fashion Retail Market

Company: The Ralph Lauren Corporation - designing, marketing and distribution of premium lifestyle products, including men's, women's and children's apparel, accessories, fragrances and home furnishings in the Americas, Europe and Asia. (MarketLine 2014: 3)

Customers: Europe as 'the single biggest battleground for high-end brands' as residents and tourists buy 34 percent of the world's luxury goods. (Timberlake 2014: 28)

Culture: The European Union - comprised of culturally heterogeneous countries and customers; (e.g.) Hofstede (2001) considers Sweden and Portugal as culturally opposite as Canada and Hong Kong. (Waarts and Everdingen 2006: 645-646)

Economics: Influencing factors - weak macroeconomic factors following 2008 financial crisis (consequent recession and slow recovery) with Europe's luxury goods industry growing just 2 percent last year slowing from a 5 percent rate in 2012. (Timberlake 2014: 27-28) "...there are continuing concerns regarding the increased debt levels of certain countries and their ability to meet future financial obligations, as well as, the overall stability of the Euro currency." (USSEC 2013: 26)

Politics: The European Union - differing levels of institutional maturity among countries; high taxation, lavish government spending, low enforcement of property rights, inefficient local financial sector, price stability, absence of price controls, low inflation, as well as, investment policies indicators. (Benáček *et al.* 2014: 649)

Partners: RL's licensing division - few licensing partners; heavy dependence in generating substantial portion of its revenues; thus limiting the Company's bargaining power. "In FY2013, approximately 44% of the company's licensing revenue was generated from just four licensing partners." (MarketLine 2014: 20)

Suppliers: RL's suppliers - over 700 manufacturers worldwide for apparel, footwear and accessories; finished products and raw materials also procured from outside vendors. "In FY2013, less than 2% of the company's products (by dollar value) were produced in the US, and over 98% were produced outside the US, primarily in Asia, Europe and Latin America." (MarketLine 2014: 20)

Competitors: Numerous designers and manufacturers of apparel and accessories, fragrances and home furnishing products in the US and foreign markets, as well as, on the Internet. "Fashion and consumer product industries are characterized by high degrees of competition. (Competitors such as)...Fifth and Pacific Companies, PVH Corp and Giorgio Armani in the branded apparel market

sector, and Gucci Group, PPR SA and LVMH Moët Hennessy Louis Vuitton in the luxury market sector.” (MarketLine 2014: 22)

With a clearer picture of RL’s position in the current European fashion retail business system, the next section examines the company’s resources and capabilities, which are influential in the development and implementation of its marketing strategies in Europe.

3.3 Company Resources and Capabilities

Over the past five fiscal years, RL sales grew over 38% to \$6.945 billion in Fiscal 2013 from \$5.019 billion in the Fiscal year ended March 28, 2009. (USSEC 2013: 4) Its large dimension, as well as, its strong financial and marketing resources are crucial factors in the success of the RL Lauren Corporation worldwide. The Company attributes such growth to investing approximately \$1.371 billion for acquisitions and capital improvements, as well as, organic growth as the Company has diversified its business by channels of distribution, price point, and target consumer, as well as, by geographic regions. (USSEC 2013: 4) The Company claims its core strengths are:

“...a portfolio of global premium lifestyle brands, a strong and experienced management team, a proven ability to develop and extend our brands distributed through multiple channels in global markets, and a disciplined investment philosophy, which is supported by a strong balance sheet.” (USSEC 2013: 4)

The Company’s long-term strategy includes maintaining growth by continuing to expand its presence internationally, extending its direct-to-consumer reach, expanding its accessories and other product and brand offerings, as well as, investing in the Company’s operational infrastructure. (USSEC 2013: 4) According to Walter Loeb of Forbes magazine (2014), a well-trained staff, an effective advertising and marketing effort, as well as, a disciplined operational management team are among the competitive advantages of the Ralph Lauren Corporation. RL’s Corporate Governance include the following corporate officers:

- Mr. Ralph Lauren as Chairman and Chief Executive Officer;
- Jackwyn L. Nemerov as President and Chief Operating Officer;
- Christopher H. Peterson as Executive Vice President, Chief Administrative Officer and Chief Financial Officer,
- Valérie Hermann as President, Luxury Collections;
- Mitchell A. Kosh as Executive Vice President, Human Resources. (The RL Corporation, “Corporate Governance” 2014)

In addition to the aforementioned corporate officers in the management of the RL Corporation, the Company also possesses a Board of Directors, as well as, an Audit Committee, a Compensation and Organizational Development Committee and a Nominating and Governance

Committee. (The RL Corporation, “Corporate Governance” 2014) In 2013, the RL Corporation had approximately 23,000 employees, made up of 14,000 full-time and 9,000 part-time employees. About 14,000 RL employees are located in the U.S. and 9,000 in foreign countries. (USSEC 2013: 21) In substantiating Bradley’s notion that successful internationalization depends on the resources and managerial capacity of the firm (2005: 61), as well as, the management’s ability to grasp how cultural and social forces shape a person’s managing cognitive style (2005: 52), the RL Corporation elected Jackwyn L. Nemerov as President and Chief Operating Officer, whose responsibilities include global merchandising, manufacturing and supply chain operations, as well as, Ralph Lauren's retail, wholesale and licensing businesses worldwide. (Bloomberg Businessweek 2014) Ms. Nemerov is a 10 year veteran of the Company who succeeds Roger Farah as former President and Chief Operating Officer and Daniel Lalonde’s exit as President of Ralph Lauren International. (Young 2013) Jackwyn Nemerov, also known as Jacki, has more than 30 years in the apparel industry having had various executive capacities at Jones Apparel Group for 17 years, where she was responsible for the design, merchandising and production for its then 23 corporate brands, as well as, being responsible for successful assignments at Allied Stores, Bernard Chaus and Gloria Vanderbilt for Murjani. (Bloomberg Businessweek 2014) There is also Valérie Hermann, President of Ralph Lauren Luxury Collections, who previously served as Chief Executive Officer of Reed Krakoff, as well as, CEO of Yves St Laurent. (Loeb 2014) Both corporate officers are heavily involved in expanding the RL brand in European markets.

Wigley and Moore (2007: 292) identify the importance of product quality, management control and selective distribution for international fashion retailer success; thus providing three essential components which contribute to international success:

1. *Brand* - RL owns a compelling lifestyle brand that is coherently expressed across international markets through unique marketing and imaging skills and substantiated with a broad collection of quality products appealing to customers of varied cultural and financial backgrounds.
2. *Distribution* – RL’s products are distributed with tremendous diversity across distribution channels in accordance with the brand positioning as it reaches customers worldwide while maintaining exclusivity with few and carefully selected licensing alliances.
3. *Retail operations* – RL’s lifestyle brand and its products are represented by freestanding stores, concession shops-within-shops, as well as, Ralph Lauren e-commerce sites reflecting the brand’s aspirational imagery having become one of the world’s most recognized consumer brands. (Wigley and Moore 2007: 292)

According to Wigley and Moore (2007: 293), central control is critical in leading to international retail success. The marketing and advertising programs of the RL Corporation are

built through an in-house creative and advertising organization to ensure consistency of presentation and the showcasing of the Ralph Lauren brand around the globe. (USSEC 2013: 16; The RL Corporation, “Growth Strategies” 2014)

3.4 Analysis of Competitors

The RL Corporation has gone through four decades of transforming its business model ever since the creation of the Company in 1967, the opening of its first European store on New Bond Street in London in 1981, and a significant milestone, when in its 30th year of business, Polo Ralph Lauren became a publicly traded company on the New York Stock Exchange. (The RL Corporation, “Ralph Lauren Citizenship Report 2013”: 6-7) After decades of success, the Company continues to rely on the numerous layers of its organization to navigate fierce competition in the fashion and consumer products industries. Under the direction of internationally renowned designer, Mr. Lauren, the Company relies on experienced Ralph Lauren Corporation Officers, as well as, a visionary Board of Directors to execute aspirational lifestyle branding through reputable wholesale, retail and licensing segments in the Americas, Europe and Asia, in addition to the key role of RL’s employees:

“At the core of our Company and our success are dedicated and talented employees who are passionate about who we are and the special contribution we make to the world of design and fashion. Ralph Lauren” (The RL Corporation, “Ralph Lauren Citizenship Report 2013”: 29)

Operating in the highly competitive industries of fashion and consumer products, the RL Corporation competes ‘primarily on the basis of fashion, quality, value, and service.’ (USSEC 2013: 17) As the numerous designers and manufacturers of apparel, accessories, fragrances, and home furnishing products, with whom the RL Corporation competes, both in the US and foreign markets, often possess greater dimensions, as well as, greater financial and marketing resources available, the RL Corporation must:

- Anticipate and respond to changing consumer demands in a timely manner;
- Create and maintain favorable brand recognition, loyalty, and a reputation for quality;
- Develop and maintain innovative, high-quality products in sizes, colors, and styles that appeal to consumers;
- Appropriately source raw materials at cost-effective prices;
- Appropriately price products;
- Anticipate and maintain proper inventory levels;
- Provide strong and effective marketing support;
- Retain and recruit key employees;

- Create an acceptable value proposition for retail customers;
- Ensure product availability and optimize supply chain and distribution efficiencies with manufacturers and retailers;
- Obtain sufficient retail floor space and effective presentation of our products at retail stores;
- Maintain and grow market share; and
- Protect RL intellectual property. (USSEC 2013: 31)

Very much like Burberry, the RL Corporation has gone through years of changes, which have allowed it to succeed and create numerous competitive factors. Bearing this in mind, the RL Corporation will be looked at in determining five key success factors (Moore and Birtwistle 2004: 421), which have catapulted the RL brand to more than 80 countries worldwide (The RL Corporation, “Ralph Lauren Citizenship Report 2013”: 1):

1. A clearly defined brand positioning: the RL brand communicates a definite set of values and associations, as it stands for fine craftsmanship, quality and a timeless sense of style encompassed in the distribution of premium lifestyle products. (The RL Corporation, “Ralph Lauren Citizenship Report 2013”: 1)
2. A coordinated distribution strategy: RL’s global reach, breadth of product, and multi-channel distribution is accomplished by tremendous diversity in operating three distinct but integrated wholesale, retail and licensing segments thus assuring maximum market coverage. (The RL Corporation, “Ralph Lauren Citizenship Report 2013”: 8)
3. A strong brand identity that extends into adjacent product areas: for more than four decades, the RL brand has acquired a long-standing reputation and distinctive image allowing it to expand into a broad lifestyle product collections by combining internal capability and licensing alliances. (The RL Corporation, “Ralph Lauren Citizenship Report 2013”: 8, 11)
4. A flexible approach to the management of important foreign markets: the RL Corporation acknowledges the talent, dedication and high-performance of the Company’s global teams, as the brand possesses freestanding stores in over 40 countries and its products are sold in more than 80 countries worldwide. (The RL Corporation, “Ralph Lauren Citizenship Report 2013”: 1)
5. The importance of media relations management: RL’s unique marketing and imaging skills are represented by Ralph Lauren Media (initially a joint venture with NBC Universal, the Company gained full ownership when it bought out NBC’s 50% stake for \$175 million in 2007). David Lauren, the son of Ralph Lauren, serving as Executive Vice President of Global Advertising, Marketing and Communications, launched Ralph Lauren’s first e-

commerce site by uniquely blending commerce and content online through the term “merchaintainment” – combining merchandising with entertainment (the “World of Ralph Lauren” is featured along with the Ralph Lauren Magazine, a luxury lifestyle journal featuring art & design, interviews, sports, travel and philanthropy). (Schomer 2011: 76, 79)

A highlight of Ralph Lauren Media came to life through a 4-D light show which took place in celebration of the launch of the Ralph Lauren UK e-commerce site. The 4-D project relied on architectural light-mapping techniques to create an eight-minute holographic video projected on RL’s UK flagship store on New Bond Street; spritzing the scent of Big Pony cologne on the crowd incorporated the fourth dimension. Hours later, the same 4-D light show took place on Ralph Lauren’s New York flagship store to celebrate the 10th anniversary of ralphlauren.com in the United States. Thus it is evident that the Ralph Lauren Corporation relies heavily on the importance of media relations management to sustain its luxury fashion brand reputation. (Moore and Birtwistle 2004: 421; Schomer 2011: 76)

3.5 Culture, Values and Technology

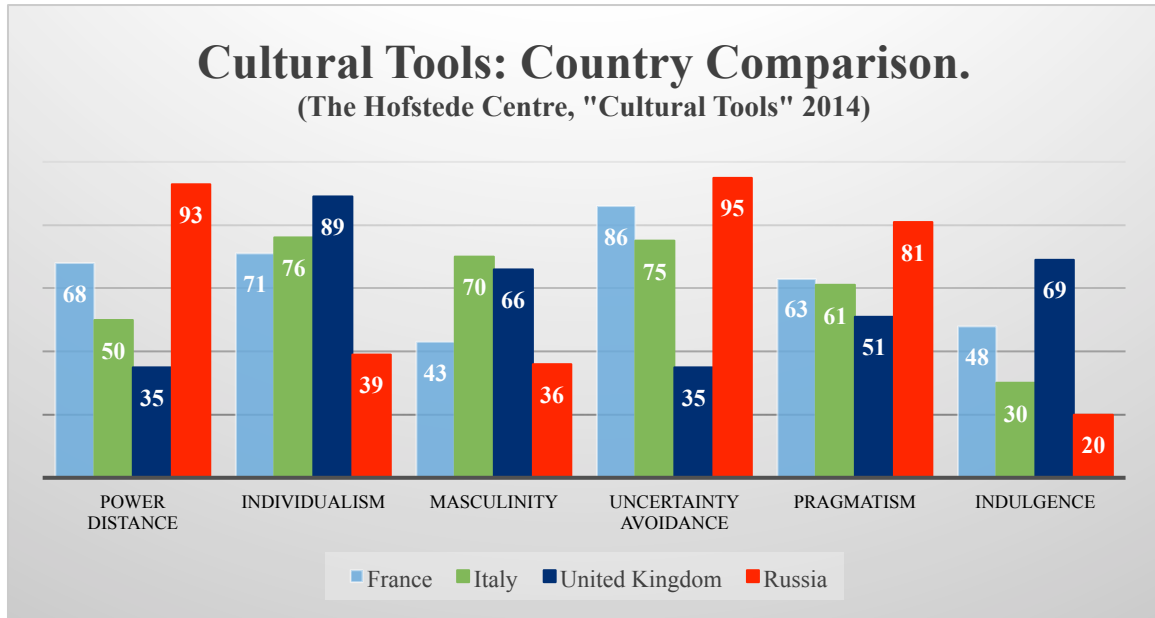
In addressing the journey of the Ralph Lauren brand in European markets, it is pertinent to focus on Hofstede’s dimensions of national culture in explaining consumer behavior patterns. Hofstede’s definition of culture, “...the collective mental programming of the mind distinguishing the members of one group or category of people from others” (The Hofstede Centre, “National Culture” 2014) helps explain Mooij’s belief that people of different countries have different value orientations that cause variation in preferences of products and brands. (2011: 27)

As of 2014, the RL global brand finds itself present in numerous European countries with official presence in European cities, where the brand’s flagship stores are located such as London, No. 1 New Bond Street; Paris, 173 Boulevard Saint Germain; Milan, Via Montenapoleone 4 in addition to Moscow, Tretyakovsky proezd, 1. (The RL Corporation, “Our Global Flagships 2014)

Hofstede’s dimensions of national culture for the aforementioned countries will be analyzed in light of the values communicated by the RL brand. The brand’s main values include: luxury, brand distinctiveness, timeless elegance, American style and aspirational lifestyle. Regarding product design the Company says:

“Our products reflect a timeless and innovative interpretation of American style with a strong international appeal. Our consistent emphasis on new and distinctive design has been an important contributor to the prominence, strength, and reputation of the Ralph Lauren brands. Our Ralph Lauren products are designed by, or under the direction of, Mr. Ralph Lauren and our design staff. We form design teams around our brands and product categories to develop concepts, themes, and products for each brand and category.” (USSEC 2013: 15)

Figure 7. Cultural Tools: Country Comparison: (The Hofstede Centre, "Cultural Tools" 2014)



Although the RL brand encounters great variations among the UK, France, Italy and Russia and the six national dimensions of culture, it is safe to conclude the brand has excelled in all four countries, perhaps most interestingly when related to the varying degrees of the Indulgence versus Restraint dimension in these four countries. Although the UK ranks highest in the Indulgence dimension, followed by France, Italy and Russia, a dramatic drop must be considered when comparing the UK and Russia as opposing value orientations typically cause variations in preferences of products and brands (De Mooij 2011: 27) rendering the British society as indulgent with a high score of 69 compared to Russia’s very low score of 20 showcasing the restrained nature of Russian culture. Indulgent societies are the product of relatively weak control in the individual’s willingness to realize impulses and desires leading to a positive attitude and optimism. Leisure time is important: enjoying life, having fun and spending money to do so is essential to happiness. Restrained societies, on the other hand, are characterized by cynicism and pessimism: leisure time is not given the importance in comparison to an indulgent society and there is strong control in the gratification of desires. Furthermore, social norms restrain an individual’s actions and indulging is considered to be somewhat wrong. (The Hofstede Centre, “Cultural Tools” 2014) The pragmatic dimension between the France and Italy is very similar where the French society holds a score of

63 and Italy holds a score of 61. The pragmatic dimension may be compared between France and Italy for its similarity, where both countries score somewhat in the middle showing that both societies look to the future by means of adapting traditions to changed conditions, as well as, saving and investing in preparation for the future and the achievement of results. (The Hofstede Centre, “Cultural Tools” 2014)

As far as technology is concerned, the RL Corporation continues to cover uncharted ground, following the Official Ralph Lauren 4D Experience, now by unveiling a high-tech shirt at the US open in 2014. The Polo Tech compression shirt offers smart technology as it sends heartbeat, respiration, stress levels and other data to tablets and smartphones. Ralph Lauren teamed with biometrics firm OMSignal to bring biometric technology and fashion together. (Mastroianni 2014) According to David Lauren, Senior Vice President of advertising, marketing and public relations:

“Our goal is to create and reflect the ultimate lifestyle, and we believe that a healthy and active life is an essential part of that, Ralph Lauren is excited to help lead the industry in wearable technology in this ever-evolving, modern world.” (Mastroianni 2014)

Technology is also heavily present in the RL Corporation through its e-commerce channel as part of the Company’s retail segment. As previously mentioned, the Ralph Lauren sites in Europe service Austria, Belgium, France, Germany, Greece, Italy, Luxembourg, the Netherlands, Portugal, Spain, and the United Kingdom. The RL Corporation’s investment on e-commerce sites in Europe (as well as in the US, Canada and Japan) offers the brand’s customers ‘access to a broad array of Ralph Lauren apparel, accessories, and Home products’, allowing the RL Corporation to ‘reach retail customers on a multi-channel basis, and reinforce the luxury image of our brands.’ (USSEC 2013: 14) Ralph Lauren's online services are certainly part of the multi-channel and long-term strategy of value creation. Bradley (2005: 102) states that business distance is greatly reduced by the use of media as a means of communication (as well as increased travel) causing fluidity among markets through the fusion of distinctive and similar cultural characteristics. The marketing and advertising programs of the RL Corporation exemplify this concept, as the Company utilizes media as a means to communicate a distinctive image within the overall Ralph Lauren aesthetic. The RL brand portrays a lifestyle rather than a specific item, perhaps facilitating the intercultural interpretation of the Ralph Lauren lifestyle:

“Our digital advertising programs focus on high impact and innovative digital media outlets, which allow us to convey our key brand messages and lifestyle positioning. We also develop digital editorial initiatives that allow for deeper education and engagement around the Ralph Lauren lifestyle, including the Ralph Lauren magazine, style guides, and brand videos. We deploy these marketing and advertising initiatives through the Internet, mobile platforms, and social media. Our e-commerce sites present the Ralph Lauren lifestyle on the Internet while offering a broad array of our apparel, accessories, and Home product lines.” (USSEC 2013: 16)

In the U.S., the RL Corporation was the first luxury retailer to tap into QR technology. Marc Karimzadeh (2008) speaks of the adoption of QR in the Ralph Lauren Corporation:

“Taking its philosophy of ‘merchaintainment’ to a new level, Polo Ralph Lauren Corp. is breaking into mobile commerce m-commerce incorporating technology that allows shoppers to buy Polo merchandise from their cell phones. To realize this, the company is incorporating Quick Response Technology codes in its ads, mailers and store windows, which potential shoppers can scan and download on their camera phones. Once scanned, the site m.ralphlauren.com allows a mobile phone user to enter the world of Ralph Lauren not just by offering the limited edition 2008 U.S. Open collection, classic polo and oxford shirts, chinos, and even the Ricky bag, but also with exclusive video content and a style guide. (Karimzadeh 2008)

Technology also allows RL to implement consumer preferences in a timely fashion during production processes. In the U.S. and Europe, the RL Corporation utilizes an automated replenishment system allowing basic replenishment orders from the retail segment and wholesale customers, the movement of goods through distribution channels, and the collection of information for planning and forecasting to be done with efficiency. Furthermore, the RL Corporation relies on an automated allocation system both in the U.S. and Europe in facilitating the flow of inventory for the RL Retail segment. As QR relies on sales data, in which the point-of-sale registers in conjunction with other systems in RL stores, it enables the Company to track inventory from store receipt to final sale on a real-time basis. (USSEC 2013: 18) It is likely that the RL Corporation relays the data to textile mills, apparel manufacturers and retailers to make efficient use of this tool. It is also likely that due to the large size of the Company, the RL Corporation adopts a mix of QR systems, which require considerable initial costs, as well as, a longer period of time of return on investment:

“We believe our merchandising and financial systems, coupled with our point-of-sale registers and software programs, allow for stock replenishment, effective merchandise planning, and real-time inventory and sales accounting.” (USSEC 2013: 18)

As purchasing organizations are exposed to risk in their interactions with suppliers, Zsidisin *et al.* (2004: 397-413) find that organizations assess supply risk with techniques that focus on supplier quality issues, improving supplier processes, and reducing the likelihood of supply disruptions. Organizations such as the RL Corporation utilize supply risk assessment tools to obtain and communicate potential supply risk issues with management and suppliers to ensure that adequate resources can be provided for managing that risk. (Zsidisin *et al.* 2004: 409) Such was the case when a shutdown of the USA’s West Coast ports during October 2002, around the time labor contracts were due for renewal. This work slowdown represented a significant risk of supply interruption for the RL Corporation; however, the Company was able to anticipate this risk, and

began re-routing its shipments through the east coast months in advance. (Zsidisin *et al.* 2004: 408-409) The RL Corporation also relies on its global manufacturing division and buying agents headquartered in Asia, the Americas, the Middle East, and Europe in the close supervision of suppliers to ensure efficient distribution of RL products in a timely manner. (USSEC 2003: 17) As competition intensifies and customers' preferences become more fickle and difficult to forecast, essential tools, such as supply risk assessment and concurrent engineering, facilitate the implementation of a new supply chain process, mass customization, which is consumer-focused and sensitive to time-to-market demands. (Kincade *et al.* 2007: 628)

The RL Corporation has frequently demonstrated the power of technology in regard to the Company's strengthening of its operational capabilities, as well as, its customer service and ability to innovate. (Luo *et al.* 2012: 186) In 2006, in a ground breaking use of technology, the RL Corporation launched an interactive window concept with touch-sensory technology that allowed customers to shop for merchandise from a screen on Polo store windows, 24 hours a day. (Karimzadeh 2008) Mr. Lauren speaks of the power of technology in his Company:

"We are always seeking to break ground with innovative ways of interacting with our consumers...this new feature allows us to instantly connect consumers to our brand and products. They could be walking down the street they see our ad and want to buy the shirt the model is wearing, get style advice or read tournament articles. With our mobile site the consumer can shop the U.S. Open collection, watch tennis videos, locate a store and fully experience the brand all in the palm of their hand." (Karimzadeh 2008)

An additional example of the unique role of technology in the RL Corporation is found by observing its ability to design and distribute collections of products and services of consistent quality, that cater to multiple price points while striving to deliver them with little inconvenience or difficulty. (Luo *et al.* 2012: 187) Ralph Lauren's customer service demonstrates how information technology assets have brought about a customer service that is dedicated to understanding markets and giving customers what they desire while successfully infiltrating various market niches. (Luo *et al.* 2012: 187-188) Undertaking innovative IT investments has allowed the Ralph Lauren Corporation to safeguard a leadership position for itself as a premium lifestyle brands being that IT investments facilitate the accumulation of capabilities. (Luo *et al.* 2012: 192) Due to its large size as a firm, the financial resources of the RL Corporation certainly complement IT as the Company acquires increasing organizational capabilities. Because the RL Corporation is a global organization, there is a continued effort to standardize its operating platforms, such as the continued implementation of a global operating and financial reporting information technology system, allowing core areas of the RL business, such as global merchandise procurement, customer order management, and record-to-report, to be transferred to the new system. Still part of the current investment on operational infrastructure, the RL Corporation is focusing on continued

supply chain enhancements in guaranteeing efficiencies in global coordination of RL manufacturing and logistics operations, including product lifecycle management, merchandise alignment and planning. (USSEC 2013: 5)

Lastly, the combination of IT investments, financial resources and organizational capabilities has certainly allowed the Ralph Lauren Corporation to gain unique reputation regarding its customer service (Luo *et al.* 2012: 193), as expressed by Schneider and Bowen (1999: 35-45) when ‘top service firms treat the customer as an important individual, not just as a member of a certain class of consumers’, exemplifying that ‘the cachet of a well-known product - the polo player signifying a Ralph Lauren shirt...- reaffirms a consumer's self-image in some way.’ (Schneider and Bowen 1999: 41)

3.6 Political Economy and Created Advantage

The international competitive environment has undergone changes due to the globalization of business and government and firms policies currently reflect turbulent times both in the global, economic and political environment. Companies operating internationally must be aware and maintain the flexibility to respond to international challenges in addressing sometimes alarming economic and political issues. (Bradley 2005: 121) The RL Corporation is no exception and identifies the following risk factors it currently faces in unstable worldwide economic and political events:

- The impact of global economic conditions, including the ongoing sovereign debt crisis and credit downgrades, on the RL Corporation, its customers, its suppliers, and its vendors and on the Company’s ability and their ability to access sources of liquidity;
- The impact of the challenging state of the global economy on consumer purchases of premium lifestyle products emphasizing the ability to forecast consumer demand;
- The Company’s exposure to domestic and foreign currency fluctuations and risks associated with raw materials, transportation, and labor costs;
- A variety of legal, regulatory, tax, political, and economic risks, including risks related to the importation and exportation of products, tariffs, and other trade barriers, to which the RL’s international operations are subject;
- The impact on the RL Corporation’s business of events of unrest and instability that are currently taking place in certain parts of the world, including any terrorist action, retaliation, and the threat of further action or retaliation. (USSEC 2013: 2-3)

In terms of sustainability and social responsibility, government controls are being put in place to ensure American companies operating on a global scale are held responsible for their actions abroad. Therefore, the RL Corporation must fully engage social issues by providing

solutions regarding ethical work standards in overseas manufacturing facilities, as well as, long-term measures towards global issues such as the environment and sustainability. In response to these requirements, the RL Corporation has introduced a number of measures as it currently collaborates with global teams, whom Mr. Lauren defines as ‘talented, dedicated and high-performing’. (The RL Corporation, “Ralph Lauren Citizenship Report 2013”: 1) The Company has developed a long-term commitment to corporate responsibility as it seeks:

“...to reduce our environmental footprint as we operate our Company—from the supply chain and workplace, to products and packaging, to our environmental partnerships—with an emphasis on sustainability. Ultimately, we try to empower in a very personal way both our employees and our business partners to cultivate a healthy, productive and ethical workplace.” (The RL Corporation, “Ralph Lauren Citizenship Report 2013”: 1)

Social responsibility is also addressed through programs such as the worldwide Pink Pony fund, to support cancer care and prevention, as well as, the Ralph Lauren Center for Cancer Care and Prevention, an outpatient facility serving undeserved populations in Harlem, New York City (The RL Corporation, “Ralph Lauren Citizenship Report 2013”: 46), in addition to the Global Diversity Leadership Group, comprised of seven Diversity Councils from all areas of the Company, who identify and address diversity-related organizational issues such as management training, career development while addressing cultural barriers. Lastly, a recycling program has been put in place at the Company’s main distribution center in Greensboro in the state of North Carolina. (The RL Corporation, “Ralph Lauren Citizenship Report 2013”: 31) Having been named by *Fortune* Magazine among the “World’s Most Admired Companies” in 2013 for the eighth consecutive year, the Ralph Lauren Citizenship Report of 2013 allows the Company to demonstrate its commitment to the environment and social responsibility by focusing on four main areas: Environment, Employees, Responsible Sourcing and Community. (The RL Corporation, “Ralph Lauren Citizenship Report 2013”: 1) In addressing how the Company deals with Political Economy and Created Advantage, the focus remains on:

1. Sourcing practices including manufacturing of RL products;
2. Process of vendor selection, as well as;
3. Product safety and social compliance practices.

Ultimately, the Ralph Lauren Corporation aims to maintain its reputation by ‘continually seeking to conduct business according to high ethical, legal, social and environmental standards’. (The RL Corporation, “Ralph Lauren Citizenship Report 2013”: 15) The Company’s sourcing practices begin by taking into consideration environmentally safe practices of procurement in the selection of products with a reduced environmental impact, such as environmentally-conscious consumer packaging, without sacrificing quality. Selected paper vendors utilize packaging materials that incorporate recycled content, which are then recycled again after use. These are just a

few of the many practices the RL procurement teams adhere to worldwide. (The RL Corporation, “Ralph Lauren Citizenship Report 2013”: 25)

Regarding responsible sourcing, Mr. Lauren says:

“I believe our Company continues to be successful because we care not only about the quality of our products, but first and foremost for the well-being and rights of the people who produce them all over the world.” (The RL Corporation, “Ralph Lauren Citizenship Report 2013”: 37)

Ralph Lauren has vendors and suppliers as business partners as the Company does not own or operate any production facilities; consequently, products are made by independent manufacturers. Over 700 manufacturers spread worldwide produce Ralph Lauren apparel, footwear, accessories and home products. In Fiscal 2014, no one manufacturer provided more than approximately four percent of RL’s total production. Regional Sourcing Distribution is as follows: Americas 9%, EMEA 10% and Asia-Pacific 81%. (The RL Corporation, “Ralph Lauren Citizenship Report 2013”: 38) The RL Corporation possesses Global Sourcing and Manufacturing division offices in the Americas, Europe and Asia and is therefore able to achieve the company’s goal of fine craftsmanship, quality and a timeless sense of style with the ultimate goal of giving back to communities and creating a better world. Beginning with the process of design followed by product development, sourcing, quality assurance, human rights compliance, customs compliance, legal, manufacturing, finance and supply chain compliance. The Company puts in place specifications and regulations, as well as, social and environmental guidelines which all vendors and products must adhere to. (The RL Corporation, “Ralph Lauren Citizenship Report 2013”: 39) Regarding the Ralph Lauren Corporation’s Global Human Rights Compliance Department and its 15th anniversary, it has as its supreme mission:

“...to ensure that our suppliers’ operations throughout the world operate on the basis of principles of ethical business practices and recognition of the dignity of their workers and environmental sustainability. We take our responsibility seriously in ensuring safe, healthy, and ethical working conditions for the people around the world who make our products.” (The RL Corporation, “Ralph Lauren Citizenship Report 2013”: 40)

A four-step process is carefully followed by the Ralph Lauren Corporation initiating at the vendor approval process, auditing and monitoring, training and remediation, as well as, continuous improvement and capacity building. Other social compliance tools utilized by the RL Corporation include the California Transparency in Supply Chains Act, in preventing human trafficking and slave labor in all of the business partners’ facilities around the world, as well as, the Better Work program, which focuses on improving compliance with labor standards and competitiveness in global supply chains. Lastly, affiliations of the Ralph Lauren Corporation also include partnerships with Business for Social Responsibility and the American Apparel and Footwear Association with

the ultimate goal of producing high-quality products responsibly on a global scale. (The RL Corporation, “Ralph Lauren Citizenship Report 2013”: 42)

To the observant eyes of consumers who opt for companies striving to behave well on a global stage, the Ralph Lauren Corporation demonstrates an effort that is pleasing to the more informed members of society automatically meeting the Ralph Lauren demographic for its products.

3.7 Public Policy Risk and Regulation

In Europe, the political-business interface is still dramatically affected by a global recession initiated in 2008 having hit its peak in 2011. The European markets, once viewed as a relatively low risk array of opportunities for expansion and global interaction, now bring a set of unique challenges to firms operating in European markets, due in part to a critical and ever evolving political environment, characterized by high taxation and a continuous effort to coordinate regulation and controls in transnational body EU. In Europe, The Ralph Lauren Corporation has had its own set of challenges while navigating European markets with critical political and economic risk. As the Company is exposed to domestic and foreign currency fluctuations and while it ‘hedges certain exposures to changes in foreign currency exchanges rates arising in the ordinary course of business’, the RL Corporation ‘cannot fully anticipate all of our currency exposures’ fearing that ‘foreign currency fluctuations may have a material adverse impact on our business, financial condition, and results of operations’ (USSEC 2013: 27):

“We generally purchase our products in U.S. Dollars. However, we source most of our products overseas. As a result, the cost of these products may be affected by changes in the value of the relevant currencies. Changes in currency exchange rates may also affect the U.S. Dollar value of the foreign currency denominated prices at which our international businesses sell products. Furthermore, our international sales are primarily derived from sales in foreign currencies, as is a portion of our licensing revenues, which could be materially affected by currency fluctuations. These foreign currencies primarily include the Euro, the Japanese Yen, the Hong Kong Dollar, the South Korean Won, the Canadian Dollar, the Swiss Franc, and the British Pound Sterling. Our international expansion will increase our exposure to foreign currency fluctuations.” (USSEC 2013: 27)

In May of 2012, the Company experienced a pullback as wholesale numbers declined in Europe while it dealt with a debt and currency crisis. Former Executive Vice Chairman Roger Farah addressed the challenges:

“We are concerned about near-term global economic trends, especially the uncertainty in Europe...Geopolitical issues are likely to dominate the consumer psyche for some time.” (Wahba 2012)

The Company navigated declining wholesale and retail sales in Europe during the European debt and currency crisis with concern being that the bulk of its sales derives from the

United States and Western Europe. The Company warned that even high-end shoppers were pulling back on luxury clothing spending. (Wahba 2012) In an attempt to survive and prosper through a colossal global economic crisis, the RL Corporation has continued to expand its business through acquisitions, as well as, extending the reach of its retail operations. (Vault 2014) Looking to rival its European competitors, Ralph Lauren's accessories business does so as a luxury brand through strategic partnerships with licensees including Richemont SA (Ralph Lauren Watch and Jewelry Co.), as well as, Italian eyewear giant Luxottica Group, which designs, manufactures, and distributes Ralph Lauren-branded prescription frames and sunglasses. Hanes (under garments and sleepwear), L'Oreal (fragrance), and Warnaco (Chaps sportswear) are critical licensing partners in surviving and prospering difficult political and economic conditions in Europe. (Vault 2014) The RL Corporation continues to reach European customers through wholesale sales from major departments and specialty shops, direct sales through retail stores, concession-based shops-within-shops, as well as, retail e-commerce channels; the Company also distributes products to licensed stores operated by franchisees in Europe all generating 21% of the Company's sales. (Vault 2014) The RL Corporation reported better-than-expected fourth quarter and full year Fiscal 2014, sales and profits with fourth quarter net revenues increasing 14% to \$1.9 billion singling out wholesale segment sales with double-digit growth in Europe. (The RL Corporation, "News Releases" 2014) The political environment is also characterized by regulation, as governments oversee the cross border flow of products, services, people, money, as well as, assets such as technology transfers. The RL Corporation is subject to numerous legal frameworks which regulate a variety of legal, regulatory, tax, political, and economic risks including risks regarding the importing and exporting of products in addition to tariffs and trade barriers associated with the Company's international operations. (USSEC 2013: 2) The RL Corporation must comply with the central Foreign Corrupt Practices Act:

"The Foreign Corrupt Practices Act of 1977 is the cornerstone of the United States' efforts to combat the involvement of U.S. companies and individuals in corruption abroad. Enforced by both the Securities and Exchange Commission ("SEC") and the Department of Justice ("DOJ"), the Act targets companies and individuals that pay bribes to "foreign officials," a nebulous category of persons that includes everyone from foreign cabinet members to janitors at companies only partially owned by a foreign state." (Muma 2014: 1337)

Furthermore, the Company must also comply with U.S laws and other countries' anti-bribery and corruption laws prohibiting improper payments, such as the U.K. Bribery Act, which prohibits the U.K. and related companies from any form of bribery. (USSEC 2013: 24) Lastly, the RL Corporation must comply with a variety of foreign laws and regulations, which directly regulate tax laws, trade and labor restrictions. (USSEC 2013: 2) The RL Corporation is also subject to general political and economic risks in operating internationally, such as political instability and

terrorist attacks, changes in diplomatic and trade relationships, as well as, general economic fluctuations in specific countries or markets:

“We cannot predict whether quotas, duties, taxes, or other similar restrictions will be imposed by the U.S., the European Union, Asia, or other countries upon the import or export of our products in the future, or what effect any of these actions would have, if any, on our business, financial condition, and results of operations. Changes in regulatory, geopolitical, social, or economic policies and other factors may have a material adverse effect on our business in the future, or may require us to exit a particular market or significantly modify our current business practices.” (USSEC 2013: 24)

All of RL merchandise imported into the Americas, Europe and Asia is subject to duties and safeguard quotas imposed by most countries the Company ships to. These duties and safeguard quotas seek to protect local industries from import surges that create market disruption in addition to preventing particular products from being imported at unfairly traded prices in increased quantities, which could potentially hurt a particular domestic industry (generally known as dumping cases). Secondly, the RL Corporation is also subject to countervailing duties, imposed by the U.S. Government, which may offset subsidies provided by a foreign government to foreign manufacturers, if the importation of such subsidized merchandise injures or threatens to injure a U.S. industry. (USSEC 2013: 20) Lastly, a portion of the RL imported products are eligible for duty-advantaged programs, such as international trade agreements and regulations, including the North American Free Trade Agreement (NAFTA), which ‘created on January 1, 1994, the world's largest free trade area now linking 450 million people producing \$17 trillion worth of goods and services’ (Office of the United States Trade Representative, “(NAFTA)” 2014), the Central American Free Trade Agreement, now called the CAFTA-DR, the Dominican Republic - Central America - United States Free Trade Agreement, ‘a free trade agreement between the United States and Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua which seeks to create new economic opportunities by eliminating tariffs, opening markets, reducing barriers to services, and promote transparency’ (Office of the United States Trade Representative, “CAFTA-DR” 2014), and lastly, the Caribbean Basin Initiative (CBI), a set of trade programs which ‘remain vital elements in U.S. economic relations with neighbors in Central America and in the Caribbean’ (Office of the United States Trade Representative, “(CBI)” 2014). The RL Corporation responds to potential exposure to import related risks by maintaining a program of intensive monitoring of import restrictions and opportunities, as well as, by adjusting product design and fabrication, shifting production among countries and manufacturers in addition to geographically diversifying the RL sources of supply. (USSEC 2013: 21)

As most of the RL products are manufactured by foreign suppliers, the Company is subject to the enactment of new legislation or the administration of current international trade regulations, executive action affecting textile agreements, or changes in sourcing patterns resulting from the

elimination of quotas, all of which could negatively impact the Company. On January 1, 2005, the 148 nations members of the World Trade Organization lifted all quotas on apparel and textiles, which may bring about an overall reduction in the cost of apparel produced abroad and positively impact the international operations of the RL Corporation in these nations. (USSEC 2013: 21) The RL Corporation is also subject to the imposition of sanctions in the form of additional duties, either by the U.S. or its trading partners, to remedy perceived illegal actions by national governments, which once again demonstrates the weight public policy risk and regulations exerts on the RL Corporation and its international operations. (USSEC 2013: 26)

3.8 The Consumer Products Firm

In its expansion to Europe, the RL Corporation received early criticism in transferring to Europe the American clothing aesthetic with inherent European roots, where reigning high-end designers such as Louis Vuitton, Armani and Burberry, among others, already provide Europeans with classic European ensembles. Lauren Goldstein writes:

“Sure, Europeans are happy to wear a polo player by Lauren instead of an alligator by Lacoste when summering in Cannes. But will they want to don his \$3,000 suits for men and \$10,000 beaded dresses for women when they get back to Paris? In fact, Ralph Lauren is no longer interested in simply selling the odd logo shirt, golf jacket or pair of Bermuda shorts. He wants nothing less than to take the European designers head on. What's more, he feels he has to.” (Goldstein 2002)

Being the first American designer to open a freestanding store in Europe, on London’s New Bond Street, in 1981, Ralph Lauren addresses this issue head on by saying:

“I think I had something to say that wasn't being said before. When I first came to London they didn't have what I thought they'd have, there were more Italian clothes than English ones.” (Goldstein 2002)

The author further explains that Lauren found his niche in ‘bringing idealized versions of preppy America or Western America or sporty America to Europe’ in addition to ‘reintroducing idealized versions of European Classics to the very people who invented them.’ (Goldstein 2002) One of the core strengths of the RL Corporation includes a portfolio of global premium lifestyle brands. Having evolved from a ‘mono-brand U.S.-centric menswear wholesaler with a broad array of product and geographic licenses’ to a current portfolio of lifestyle brands characterized by a ‘direct control model’ over most of its brands, products and international territories, the Company views new product development in the international arena as an opportunity to offer its customers ‘a range of products, price points, and channels of distribution’, as well as, due to its size and global operations, taking advantage of ‘synergies in design, sourcing, and distribution.’ (USSEC

2013: 4) Concerning product innovation and brand extension growth, the RL Corporation sees the following opportunities:

- Seasonal innovation in the RL core merchandise categories;
- Further growth and broadening of RL accessories product offerings, including handbags, footwear, small leathersgoods, belts, eyewear, and watches/jewelry, and continued expansion of RL related distribution into new channels and geographies (including continued growth of RL European operations);
- The ongoing development and growth of RL, which recently acquired licensed businesses and the continued transition of RL licensed businesses to wholly-owned arrangements, including the Chaps men's sportswear license acquired from PVH Corp. in April 2013; as well as,
- Continued expansion of RL emerging brands, including Club Monaco, Chaps, and Denim & Supply in addition to Ralph Lauren product assortments across various categories on a global basis. (USSEC 2013: 5)

Caniato *et al.* (2014: 299) identify three variables that influence the integration between new product development and international retail. In the case of the RL Corporation, utilizing the UK as an example, three variables must be considered between new product development and retail in the UK:

1. Country variables:

- Climatic requirements in the UK: temperate maritime climate. (WeatherOnline 2014)
- Season timing of the UK: twelve months of the year with four three-month seasons. (National Physical Laboratory 2014)
- Economic potential of the UK: Aerospace, Creative Industries, Agri-food, Green technology and services, Knowledge intensive business services (Kibs), Automotive and Chemicals and pharmaceuticals. (Confederation of British Industry 2014)
- Religious requirements in the UK: Over 170 religions, UK religious make-up is diverse, complex and multicultural. (Crabtree 2012)
- Stylistic requirements and fitting or size in the UK. (Boden Great British Style 2014)

2. Firm Variables: RL Corporation characterized by a high level of internationalization.

3. Performance: Over the past five fiscal years, RL sales have grown over 38% to \$6.945 billion in Fiscal 2013 from \$5.019 billion in the Fiscal year ended March 28, 2009. (USSEC 2013: 4) For more than 47 years, the RL Corporation has grown into a global brand of premium lifestyle products in four categories: apparel, accessories, home and fragrances.

In identifying three main types of behavior in the integration of new product development (NPD)

and international retail (Caniato *et al.* 2014: 301), the Glocal (a mixture of global and local) approach which “aims to transmit the idea of global orientation (when companies sell products worldwide) with local attention to the requirements of a single country...” is best suited to describe the integration of NPD and international retail in the RL Corporation as the Company possesses a high level of internationalization, as well as, a high turnover from direct stores. Furthermore, the Ralph Lauren Corporation is heavily involved in international retail throughout the entire NPD process and is able to impart unique insights into its numerous collections ranging from the design, marketing and distribution to the final preparations for the market.

“Our Ralph Lauren products are designed by, or under the direction of, Mr. Ralph Lauren and our design staff. We form design teams around our brands and product categories to develop concepts, themes, and products for each brand and category. Through close collaboration with merchandising, sales, and production staff, these teams support all three segments of our business — Wholesale, Retail, and Licensing — in order to gain market and other valuable input.” (USSEC 2013: 15)

3.9 The Industrial Products Firm

Although the RL Corporation does not have any industrial products, it has welcomed the crucial role of technology in its apparel activities since it allows the Company to gather information and make consumer preferences a priority. The RL Corporation relies on facilities and systems, as well as, on those of its third-party providers as it continuously works to improve the efficiency of the RL distribution systems and its global information technology systems. (USSEC 2013: 2) The RL Management Information Systems are a crucial part of the Company’s global operations as the areas of design, marketing, manufacturing, importing, and distribution of RL products are controlled by such systems on a global basis. More specifically, the RL Management Information Systems provide the Company with:

- Comprehensive order processing;
- Production and design information;
- Accounting information; and
- An enterprise view of information for the RL design, marketing, manufacturing, importing, and distribution functions. (USSEC 2013: 18)

3.10 The Use of Services Firm

While the RL Corporation does not own or operate any production facilities, the Company contracts over 700 different manufacturers worldwide for the production of RL apparel, footwear, accessories, and home products. For the total production of the RL Corporation during Fiscal 2013, no one manufacturer provided more than approximately 4%. (USSEC 2013: 16) Finished products and raw materials are sourced by the RL Corporation, raw materials include fabric, buttons and other trim and finished products, which are manufactured and fully assembled products are then

ready for shipment to RL customers. In Fiscal 2013, less than 2% of RL products (by dollar value) were produced in the U.S., as 98% of RL products (again by dollar value) were produced outside the U.S. - production of RL products takes place primarily in Asia, Europe, and Latin America. (USSEC 2013: 16)

Although the RL Corporation subcontracts manufacturing, it certainly seeks to grow its global manufacturing capabilities with the objective of decreasing the tremendous risk associated with importing goods, such as possible increases in prices of raw materials or the manufacturer's inability to produce products according to the Company's specifications. (USSEC 2013: 17) For this reason, the RL Corporation has created a global manufacturing division along with buying agents located in Asia, the Americas, the Middle East and in Europe to closely supervise production and quality control in supplier facilities in order to correct problems prior to shipment of RL products. Furthermore, for quality assurance, the RL Corporation has implemented procedures under its vendor certification and compliance programs. (USSEC 2013: 17)

By closely supervising manufacturing for production and quality assurance, the RL Corporation is able to tailor the use of manufacturing plants ensuing timely shipment, with minimal interruption and quality control. Beyond the subcontracting of manufacturers, the RL Corporation relies on a number of owned and independently operated distribution facilities around the world, which handle logistic services. (USSEC 2013: 29)

“...our ability to meet the needs of our customers depends on the proper operation of our distribution centers. If any of our distribution centers were closed or were to become inoperable for any reason, we could experience a substantial loss of inventory, disruption of deliveries to our customers and our retail stores, increased costs, and longer lead times associated with the distribution of products during the period that would be required to reopen or replace the facility.” (USSEC 2013: 29)

The tailoring of the use of services firms by the RL Corporation demonstrates that the Company deploys service activities effectively and is ultimately able to create added value, while fully aware of the risk factors associated with the use of services firms and the potential adverse consequences on the RL business, financial condition and results of operations, in the eventual disruption of such services.

3.11 Building the Global Brand

With extensive global reach, the RL brand possesses a distinctive brand image with a key lifestyle positioning. Key RL brand messages include: Elegance; Quality; Comfort.

The Company's exhaustive marketing and advertising programs communicate through RL products 'a timeless and innovative interpretation of American style with a strong international appeal.' (USSEC 2013: 15) Drawing on sophistication, glamour, English haberdashery, sartorial craftsmanship, impeccable tailoring, iconic beauty, luxury and rugged fabrics, innovative

treatments, vintage Ivy League prep, equestrian heritage, All-American sporting looks, time-worn charms with effortless style, the RL Lauren brands have encountered success with customers on global platforms.

In the implementation of standardized marketing and advertising programs, the RL Corporation has found a balance between branding scale economies and niche strategies by possessing a ‘broader and better diversified portfolio mix’ which allows the Company to offer its customers ‘a range of products, price points, and channels of distribution’. (USSEC 2013: 4) The RL Corporation features an extensive portfolio of global premium lifestyle brands distinguishing the Company and giving it competitive advantage in the markets where it competes. Although the Company offers numerous brands, it has been able to find harmony in its brand strategies by maintaining a cohesive brand image.

Although competitor activity is intense in the fashion and consumer products industries, strong brand management has decidedly helped the RL Corporation retain the value and reputation of its brands. In 2007, the RL Corporation formed a new group, Global Brand Concepts, which developed new lifestyle brands for specialty and department stores with products ranging from apparel to home furnishings. Global Brand Concepts provided a ‘one-stop shop’ structure for companies seeking niche opportunities to meet customer’s demands. (Home Textiles Today 2007: 8) According to Mr. Lauren:

“There is a strong need in the marketplace for individuality to drive traffic into stores. We will meet that need by partnering throughout the process on quality design, operations, marketing, merchandising, and advertising. We can be all of that for stores looking for new, specialized brands.” (Home Textiles Today 2007: 8)

The Company believes the success of its business depends on retaining the value of the RL brands and its ability to develop products that will continue to please existing customers, in addition to the development of products that will attract new customers, which is especially applicable to customers in international markets, as the Company continues to expand:

“Our success depends on the value of our brands and our ability to consistently anticipate and respond to customers' demands, preferences, and fashion trends in the design, pricing, and production of our products. Any failure on our part to anticipate, identify, and respond effectively to these consumer demands, preferences, and trends could adversely affect acceptance of our products.” (USSEC 2013: 25)

Furthermore, the RL Corporation identifies opportunities concerning product innovation and brand extension growth, such as:

1. Seasonal innovation in RL core merchandise categories;

2. Further growth and broadening of RL accessories product offerings, including handbags, footwear, small leathersgoods, belts, eyewear, and watches/jewelry, as well as, continued expansion of RL related distribution into new channels and geographies. (USSEC 2013: 5)

Working closely with RL licensing partners, the Company strives to develop, market, and distribute RL products to reach the intended market opportunity by ensuring that the RL products are ‘presented consistently to consumers across product categories and international markets to convey the distinctive identity and lifestyle associated with our brands.’ (USSEC 2013: 14) The Company is adamant about closely supervising all aspects of the design, production quality, packaging, merchandising, distribution, advertising, and promotion of Ralph Lauren products; as such, all activities are subject to prior approval and continuing oversight by the RL Corporation.

The RL brand believes its trademarks, intellectual property, and other proprietary rights are also fundamental to the Company’s success and competitive position; as such, the RL Corporation has had to protect itself against counterfeiting of RL products by investing substantial resources to the establishment and protection of RL trademarks and anti-counterfeiting activities worldwide:

“Significant counterfeiting of our products continues, however, and in the course of our international expansion we have experienced conflicts with various third parties that have acquired or claimed ownership rights to some trademarks that include Polo and/or a representation of a polo player astride a horse, or otherwise have contested our rights to our trademarks. We have in the past resolved certain of these conflicts through both legal action and negotiated settlements...” (USSEC 2013: 29)

On building its global brand, the RL Corporation has worked toward building a brand with unique ‘global reach, breadth of product offerings, and multi-channel distribution...among luxury and apparel companies.’ (USSEC 2013: 3)

3.12 Selecting International Markets

International market selection usually takes place as the firm becomes aware of opportunities in international markets: the RL Corporation’s internationalization process was no exception. The Company’s U.S. business was booming - in a period of 14 years, Ralph Lauren went from:

1. Selling wide neckties designed by himself in 1967; to
2. Possessing the first in-store boutique for men in Manhattan's Bloomingdale's; to
3. Being the first American designer with his own store, on Rodeo Drive in Beverly Hills; to
4. Having complete collections for men, women and boys, as well as, his own accessories and fragrances. (Goldstein 2002)

In 1981, Ralph Lauren was the first American designer to open a freestanding store in Europe, on London's New Bond Street. Although the designer began pushing hard to expand in Europe, the focus remained on continuing to grow his domestic business by introducing a collection of designer sheets and towels and other furnishings for the home in 1983, followed by the opening of a \$14 million New York City flagship in 1986 in the Rhinelander mansion on Madison Avenue, filled with pricey antiques, as well as, the opening of an RL flagship store in Paris (Goldstein 2002; The RL Corporation, "Ralph Lauren Citizenship Report 2013": 6).

Meanwhile in Europe, RL's business continued to expand by opening stores in Germany, Greece, France and the Netherlands; these stores, however, were owned by European licensees, while sublicensees also made the clothes. Lauren Goldstein suggests that perhaps 'with so much going on in the U.S., it made sense for Lauren to leave Europe largely to the Europeans.' (2002) As firms become aware of opportunities in international markets, they begin to strategically structure those markets. Goldstein (2002) suggests that the Company's strategy shifted as Mr. Lauren embarked on a 1997 promotion for the about-to-go-public company, Polo Ralph Lauren. Initially, the offering added \$230 million to the Company's capital and \$440 million to the designer's own fortunes and despite a few quarterly losses, 'the company has almost doubled earnings since going public'. In 1998, the Company spent \$200 million buying back a key licensee, as a result of its corporate strategy in increasing its global presence, Poloco SAS of Paris, after the licensee managed to only increase sales in the single digits. In the summer of 2001, The Company also bought out its Italian partner, PRL Fashions of Europe, for \$22 million, both buy outs allowed for greater integration of its European wholesale operations, in addition to relocating a key Polo lieutenant to London, Lance Isham, to oversee the Company's international development, as well as, Italian born, Gian Luigi Longinotti-Buitoni, former CEO of Ferrari North America, who was now managing day-to-day operations in Europe. (Goldstein 2002) In 2000, the Company signed Spanish actress Penelope Cruz to be the face of the 'All-American' brand and in its next bold move, Lauren took his men's fashion show from New York to Milan. The international press had a field day 'playing up the competition between Lauren and the European king of menswear, Giorgio Armani.' (Goldstein 2002) The Company's strategic shift towards Europe began to pay off when the comparison is made between Fiscal 2002, which ended March 31st, when only 9.8% of Polo Ralph Lauren's wholesale revenues came from Europe although sales grew more than 30% later that year, though from a very small base. In 2004, the RL European corporate headquarters was established in Geneva, Switzerland. (The RL Corporation, "Ralph Lauren Citizenship Report 2013": 7)

In accordance to the market selection process larger firms often select, the RL Corporation's move to Europe was based on systematic selection, but not because the Company

depended on international markets for a large proportion of its revenues (since its domestic business was very successful); rather, the Company's goals to expand internationally motivated a systematic market selection in Europe and allowed the RL Corporation to concentrate on a limited number of options in Europe in addition to Mr. Lauren's belief that Europeans would respond to his designs:

"Some Europeans know me very well,' Lauren says. 'But they know me for sport. Having the classy clothes is new to them.' Lauren is encouraged in his mission by both the reviews and by what he sees as the nature of the European shopper. 'It's a culture that understands quality and taste,' he says. 'They understand my clothes more than Americans. They're hungry for it. Armani and Zegna? They don't look like me.'" (Goldstein 2002)

Having been met by a considerable degree of skepticism on whether Mr. Lauren, the icon of American style, would be able to convince 'the Continentals, particularly the conservative European male, weaned on a diet of Italian cashmere and French tailoring' (Goldstein 2002) to buy his top-of-the line collections, Mr. Lauren is clear on the fact he doesn't understand the European psyche: he doesn't know Europe very well, he speaks English only, he doesn't shop the stores in Milan while admitting that he is not a "kiss-kiss fashion kind of guy" (Goldstein 2002). Mr. Lauren answers the skepticism by referencing his own upbringing, as a working-class boy from the Bronx, whose clothes now embody the American upper class psyche, the kind of psyche a working-class boy from the Bronx could never comprehend. He goes on further by saying that:

"The idea that there is a correlation between where you come from and what you make is ridiculous...I have a taste level that people respond to." (Goldstein 2002)

The RL Corporation has grown by utilizing brand extension and globalization, having chosen a differentiation marketing strategy in Europe, as the Company possesses business segments in Europe that include apparel, accessories, home and fragrance. 'A differentiating strategy requires a firm to create something about its product or service that is perceived as unique throughout the industry.' (Thomas 2014). The RL Corporation has been able to supply its customers with a high quality product with an excellent name in the luxury industry:

"Ralph Lauren, founder and CEO, has been the guiding light behind his company's success. Part of the firm's success has been the public's association of Lauren with the brand. Ralph Lauren leads a high-profile lifestyle of preppy elegance. His appearance in his own commercials, his Manhattan duplex, his Colorado ranch, his vintage car collection, and private jet have all contributed to the public's fascination with the man and his brand name. This image has allowed the firm to market everything from suits and ties to golf balls. Through licensing of the name, the Lauren name also appears on sofas, soccer balls, towels, table-ware, and much more." (Thomas 2014)

The RL Corporation's geographic approach, the brand possesses extensive geographic coverage beyond Europe with subsidiaries in the Americas, as well as, Asia, was first followed by a market sequence characterized by market concentration, where the focus of the Company remained

on few markets in Europe with gradual expansion and initial allocation of resources in a small number of European markets.

Concerning Hassan and Craft's (2012: 344-356) study, which examines the links between segmentation bases and brand positioning strategies, the authors believe that segmentation decisions are of extreme importance since they can enhance the strategic position of the brand, by leveraging brand equity and achieving economies of scale, and in fostering efficiency and good performance for firms operating in globalized markets. In addressing geographical segmentation, the authors closely analyzed the behavioral and lifestyle dimensions of segmentation on the premises that 'the appeal of similar brand benefits, similar patterns of purchase and consumption behavior, and specific shared values should be the focus of strategic response to market segments that transcend the geographical boundaries globally' (Hassan and Craft 2012: 347). Thus of the four strategic brand positioning strategies suggested by the authors, it is likely that the RL Corporation adopted either a "global strategy" or the "multinational strategy", which are 'more likely to give the firm significant competitive advantage since associated with strategies is unified brand image that can be leveraged across markets, also giving the brand a perceived reputation as well as coherence in image, which is internationally reinforced'. (Hassan and Craft 2012: 351) In recommending four different strategic approaches for global brand positioning, 'targeting different segments in different countries with the same brand appeal' best describes the RL's strategic approach in its global brand positioning, including Europe. (Hassan and Craft 2012: 352)

3.13 Market Entry

3.13.1 Exporting

Although exporting is the simplest and quickest mode of entry into foreign markets, since it requires a relatively low level of investment of managerial and financial resources, as well as, a low level of corporate commitment and risk, the RL Corporation opted for strategic alliances, as well as, acquisitions and direct investment in European markets, as the means of market entry in Europe. Although the RL Corporation is neither a firm entering exportation for the first time or an incumbent exporter entering new destination markets, as referred by Fabling and Sanderson (2013: 422-431), the Company does adhere to a rigorous vendor evaluation and approval process, in which high-quality and efficient manufacturing expertise is just as critical as high-quality workplace conditions and safety practices. Firms with characteristics such as successful input and productivity dynamics may attract potential business being that the authors discovered a productivity gap between exporting and non-exporting firms. (Fabling and Sanderson 2013: 422) The international operations of the RL Corporation involve the importation and exportation of RL products as most of RL products, including textile and apparel, are manufactured and exported from the European

Union, Asia and Latin America. (USSEC 2013: 16) The RL Corporation possesses a vast network of vendors, suppliers, factories and subcontractors using over 700 manufacturers to assemble their products worldwide, none of which performed more than 4% of total production in Fiscal 2013. (USSEC 2013: 16) These arrangements naturally cause many importing and exporting activities amongst the RL network, although specifics on exportation are not disclosed in official documents regarding the Company's international operations. It is likely that export activities occur as geographic licensees source products from the RL Corporation, RL product licensing partners, as well, as independent sources. (USSEC 2013: 14)

3.13.2 Strategic Alliances

In continuing to examine the RL Corporation's market entry in Europe, strategic alliances must be considered in the evolution of the Company's European journey. Of the four different forms of strategic alliances: marketing partnership agreements, licensing, franchising and joint ventures, the RL Corporation has opted for all four forms of strategic alliances in Europe. As forms of alliance vary by product or marketing situation, the fashion and consumer product industries, characterized by intense competition and a fast moving pace, have driven the Company to form numerous forms of strategic alliances in order to have the current global reach, breadth of product offerings and multi-channel distribution it currently offers. From a cross-cultural standpoint, it is important to note that all four different forms of strategic alliances have in common the need to work closely with firms located in different markets and cultures. The RL Corporation addresses cultural challenges by counting on the supervision of a global manufacturing division and buying agents headquartered in Asia, the Americas, the Middle East, and Europe, as well as, the RL Global Diversity Leadership Group, comprised of seven Diversity Councils. Each Council represents the 'voice of their respective division, function, and/or geography' seeking to improve the workplace by 'having the greatest impact on diversity...in management training, career development, communication, representation (as well as) addressing cultural barriers.' (USSEC 2013: 17; The RL Corporation, "Ralph Lauren Citizenship Report 2013": 31)

Regarding marketing partnership agreements, the RL Corporation possesses strategic alliances with marketing experts in using marketing and advertising strategies to 'elevate brand perception and positioning in the region.' (USSEC 2013: 5) Although the majority of the RL advertising program is created and executed on a centralized basis, marketing experts in each region help execute the RL international strategies. (USSEC 2013: 16)

Licensing alliances are perhaps the most important of all four strategic alliances, as licensing is one of the three segments under which the Company operates, with the objective of reaching the intended market opportunity and presenting consistently to consumers across product

categories and international markets, the distinctive identity and lifestyle associated with RL brands. Through RL's licensing alliances, the Company seeks to combine RL consumer insight, design, and marketing skills with the specific product or geographic competencies of RL licensing partners in creating and building new businesses. The Company generally looks to partner with licensees who are leaders in their respective markets, able to contribute to the majority of product development costs, as well as, possessing the operational infrastructure in carrying out the business in addition to owning their inventory. In return, RL product licensees are granted the right to manufacture and sell at wholesale specified categories of RL products under one or more of RL trademarks. International geographic area licensing partners are granted exclusive rights in the distribution of certain RL brands or classes of RL products, in addition to operating retail stores in specific international territories. Licensees operate under a royalty based arrangement in which product licensees pay the RL Corporation royalties based upon sales of RL products. This arrangement includes a minimum royalty requirement for the right to use RL trademarks and design services, the allocation of a portion of their revenues to the advertising of RL products, as well as, sharing in the creative costs associated with RL products particularly in the launch of new RL products or in new territories. The Company's four largest licensing partners include: PVH Corp. (successor to The Warnaco Group, Inc.), Luxottica Group, S.p.A., Peerless, Inc., and L'Oreal S.A. earning approximately 44% of the RL licensing revenue for Fiscal 2013. (USSEC 2013: 14-15) Lastly, the licensing agreements grant the RL licensees rights to use the Company's various trademarks in manufacturing and selling designated RL products in specified geographical areas for specified periods. (USSEC 2013: F-45)

Regarding franchising, the third form of strategic alliance utilized by the RL Corporation, the Company operates franchised retail stores in the U.S., as well as, in Europe and Asia in the distribution of RL products to licensed stores.

Lastly, among the Company's investments is a joint venture named the Ralph Lauren Watch and Jewelry Company, S.A.R.L. (the "RL Watch Company"). This joint venture was formed with Compagnie Financiere Richemont SA ("Richemont"), the Swiss Luxury Goods Group, in March 2007. (USSEC 2013: F-11) It consists of a Swiss corporation which designs, develops, manufactures, sells and distributes luxury watches and fine jewelry through Ralph Lauren stores, in addition to distributing through fine independent jewelry and luxury watch retailers around the world. The RL Corporation:

"...accounts for its 50% interest in the RL Watch Company under the equity method of accounting, and such investment is recorded at carrying value within other non-current assets in the consolidated balance sheets. Royalty payments due to the Company under the related license agreement for use of certain of its trademarks are reflected as licensing revenue within the consolidated statements of income." (USSEC 2013: F-11)

Chan and Makino's study (1999: G1-G6), which explores the determinants of global alliance survival, taking into account the strategic, cultural and social aspects of partnerships formed by firms from different contexts, identifies interdependence between partners as having more pivotal impacts on the global strategic alliance survival than cultural congruence and social connectedness (1999: G4). The authors suggest that a strategic alliance is more likely to survive when partners depend upon one another for complementary resources and capabilities, alluding to motives of the RL Corporation for forming global alliances, which grant the Company the intended market opportunity, the skills to consistently present to consumers across product categories and international markets the RL brand, as well as, achieving the multi-channel distribution the RL Corporation is recognized for.

3.13.3 Acquisition and Direct Investment

Foreign direct investment is a prevalent feature in the international operations of the RL Corporation. The Company may be experiencing some of the advantages of foreign direct investment such as reduced costs, effective marketing and greater control over manufacturing and marketing when in 2013, the RL Corporation 'brought several licensing arrangements in-house', considered by the Company to be 'strategic acquisitions of selected licenses in successfully integrating the acquired businesses.' (Vault 2014; USSEC 2013: 2) In April of 2013, the Company acquired the Chaps Menswear Business:

"...in connection with the transition of the North American Chaps-branded men's sportswear business from a licensed to a wholly-owned operation, we entered into an agreement with The Warnaco Group, Inc. ("Warnaco"), a subsidiary of PVH Corp. ("PVH"), to acquire certain net assets (including inventory, a finite-lived intangible asset, and certain customer liabilities), in exchange for an aggregate payment of approximately \$18 million (the "Chaps Menswear License Acquisition")...we entered into a transition services agreement with PVH for the provision of certain support services related to sourcing, distribution, customer service, finance, and information systems through June 30, 2013." (USSEC 2013: 6)

In a similar manner, in July of 2013, the Company bought the Australia and New Zealand licensed operations from its licensee for about \$15 million, which as of June 2013 became a wholly-owned operation. (Vault 2014; USSEC 2013: 2) Regarding Asia, the RL Corporation has been in pursuit of "more control of its operations as it has been buying out its licensees." (Vault 2014) Back in 2011, the apparel maker acquired its South Korean wholesale and retail distribution operation from licensee Doosan Corp. for about \$47 million. It bought out its licensing partner Dickson Concepts in a deal valued at about \$37 million in 2009. Dickson was RL's licensee for the Polo brand China, Hong Kong, Indonesia, Malaysia, the Philippines, Singapore, Taiwan, and Thailand. The RL Corporation also acquired the children's wear and golf apparel inventory of former licensee, Naigai Co. Ltd., based in Japan. (Vault 2014) Lastly, the Company acquired the

previously licensed business in South Korea as it became a wholly-owned operation on January 1, 2011, as well as, RL's assumption of control, on May 1, 2011, over the distribution of RL's previously licensed bedding and bath business. (USSEC 2013: 39) The RL Corporation is currently in the process of repositioning and upgrading its existing distribution network in the Asia-Pacific region. (USSEC 2013: 23) Buying out licensees could also prove to be a special strategy of the RL Corporation: the Company allows licensees to start up and achieve success in the local market and then acquires these licensees as it looks to integrate business with greater control in the specific geographic areas. The Company reports sales growth over the past five fiscal years at 38% to \$6.945 billion in Fiscal 2013 from \$5.019 billion in the Fiscal year ended March 28, 2009 in mentioning that this growth is attributable to both RL acquisitions and organic growth. The Company has invested approximately \$1.371 billion for acquisitions and capital improvements in the past five fiscal years. (USSEC 2013: 4)

Culture and its derivatives, as well as, perceptions and values have not been overlooked by the RL Corporation, as demonstrated by the calculated progression of RL's direct investment: first made in the U.K., perhaps due to the language advantage, as well as, geography (as it sits on the edge of Europe), followed by France, as a close neighbor and part of Europe, and on to Italy and Russia. The RL Corporation must have strategically considered stereotypes in its European journey, as a source of information regarding the quality of a country and its potential as an investment location, in terms of exemplary work ethic to efficient public administration, which could make it or not an attractive location for investment. From the consumer standpoint, stereotypes are also very important to international corporations such as RL, as stereotypes may be an important factor if consumers' purchasing decisions take into account stereotypes about the country origin of a product. (Kalamova and Konrad 2010: 401) It is reasonable to assume that the RL Corporation, known for its long-term investment in international marketing strategy, considered economic factors, as well as, intangible factors in its size and direction flow of FDI in Europe and worldwide.

3.13.4 Strategic Approach

By adopting the market penetration strategy, the RL Corporation concentrated on a select number of markets in Europe: beginning with the UK, followed by France and many other European countries, including most recently, Spain and Portugal. The RL Corporation's market strategy may be defined as high control, greater resource commitments abroad, higher investment risk, greater power over foreign operations and higher financial returns. By integrating this series of approaches into its market strategy, the Company is able to make an optimum choice in devising its entry strategy in Europe, which consists of: strategic alliances, acquisition and direct investment

through major department stores, specialty stores, retail stores, concession-based shop-within-shops, retail e-commerce channel and royalty-based arrangements, under which RL licenses the right to third parties to use RL's various trademarks. (USSEC 2013: 3)

According to Kim and Mauborgne (1999: 83-93), the explanation of RL's market strategy lies in Company's ability to create new market space by taking a systematic approach to value innovation in creating products or services for which there are no direct competitors thus allowing it to break free of direct competition. The authors state that the RL Corporation created 'an entirely new and paradoxical market in clothing: high fashion with no fashion.' (Kim and Mauborgne 1999: 86) In 1999, the Company counted over \$5 billion in worldwide retail sales and Mr. Lauren as the first American design house to successfully take the RL brand worldwide. Fashion industry experts criticized the Company by accusing it of having no fashion, lacking creativity in design and yet charging very high prices for its clothes. Soon it became clear that the people who were criticizing the Company, as well as, affluent people, were buying RL clothing:

"Lauren's lack of fashion was its greatest strength. Ralph Lauren built on the decisive advantages of the two strategic groups that dominated the high-end clothing market - designer haute couture and the higher-volume, but lower-priced, classical lines of Burberry's, Brooks Brothers, Aquascutum, and the like." (Kim and Mauborgne 1999: 87)

Explaining the motives that encourage customers to trade either up or down between haute couture and the classic lines, Kim and Mauborgne (1999: 87) identify the lack of desire customers possess in trading up to haute couture to get a "want" not a "need" type of garment, which will be quickly outdated, as well as, the lack of desire to pay a rather large sum of money for a basic garment such as a T-shirt. The authors state (1999: 87) that customers buy haute couture for motives such as the emotional value that comes along with wearing an exclusive designer's name, in addition to the appreciation of luxurious materials and the fine craftsmanship of the garments. High-end customers may choose to trade down to the classic lines because they may not possess the sophistication or body to wear rather original clothing or simply because they are looking 'to buy garments of lasting quality that justifies high prices.' (Kim and Mauborgne 1999: 87) The authors believe this is where Ralph Lauren has built its brand - in the space between the two strategic groups, the haute couture and classic lines, and not just by simply taking the average of the groups' differences:

"Instead, Lauren captured the advantages of trading both up and down. Its designer name, the elegance of its stores, and the luxury of its materials capture what most customers value in haute couture; its updated classical look and price capture the best of the classical lines. By combining the most attractive factors of both groups, and eliminating or reducing everything else, Polo Ralph Lauren not only captured share from both segments but also drew many new customers into the market." (Kim and Mauborgne 1999: 87)

Furthermore, the emergence of Masstige brands, as researched by Truong, McColl and Kitchen (2009: 375-382), additionally identifies the RL luxury brand as a masstige brand. Although affordable, the RL brand still enjoys a reasonable level of prestige, differentiating it from middle-range products, by selling its products only slightly above those of comparable middle-range products thus reaching a broader target compared to the niches of traditional luxury brands. (Truong *et al.* 2009: 376)

“A masstige positioning strategy is viewed by the authors as being very innovative and effective because it combines a successful prestige positioning with a broad appeal but with little or no brand dilution. Such a strategy has made some of the new luxury brand owners the largest firms in their industry in terms of revenues.” (Truong *et al.* 2009: 376-377)

Regarding the appropriate level of entry mode for fashion retailers, as researched by Lu, Fiore and Karpova (2011: 58-75), to be successful in a foreign market a fashion retailer with high brand equity should choose a higher control entry mode (2011: 65). The RL brand exemplifies this, as Mr. Lauren was the first American designer to open a freestanding store, with control over his brand, in Europe on London’s New Bond Street in 1981. Today, the RL’s market strategy still consists of high control and greater power over foreign operations, due in part to the balance it must possess in maintaining high brand equity.

3.14 Channels of International Distribution

RL’s distribution network is characterized by multi-channel distribution with extensive global reach. Ralph Lauren-branded merchandise is available through the Company’s wholesale distribution channels at approximately 11,000 retail locations worldwide. (USSEC 2013: 4) The Company relies on a number of owned and independently operated distribution facilities around the world whose function is to warehouse and ship RL products to RL customers and perform other related logistic services. (USSEC 2013: 29)

The Company’s wholesale segment possesses wholesale distribution channels for the primary product offerings: menswear, womenswear, childrenswear, accessories, and home furnishings. As of March 30, 2013, Ralph Lauren-branded products were sold at a number of 4,504 doors to consumers in RL’s primary channels of distribution in Europe: department stores, specialty stores and licensed stores. A critical element of RL’s distribution to department stores includes shop-within-shops to enhance brand recognition, allowing more complete merchandising of RL lines, as well as, differentiation in the presentation of RL products. (USSEC 2013: 12)

The Company’s retail segment is characterized by Ralph Lauren Stores, Club Monaco Stores, Rugby Stores and most relevant to the RL distribution network is factory stores, as they serve as secondary distribution channels for the majority of excess and out-of-season products

obtained from suppliers, RL product licensing partners, retail stores and e-commerce operations. (USSEC 2013: 14)

The Company's licensing segment is characterized by licensing alliances in which the RL distribution network is characterized by close supervision of the RL Corporation in assuring prior approval and continued oversight, as exemplified by the Company, when it assumed control over product distribution in Latin America. (USSEC 2013: 10)

The RL Corporation possesses a network of distribution centers around the world to facilitate global distribution. Products are shipped from manufacturers to distribution centers worldwide for inspection, sorting, packing, and delivery to retail and wholesale customers. Europe's primary distribution center, owned by a third-party, is located in Parma, Italy. Europe's distribution facility performs customer order fulfillment for our European businesses, including RL's e-commerce operations in Europe. (USSEC 2013: 18)

Part of the implementation of RL's growth strategy involves the continuation and expansion of the RL retail distribution network on a global basis, including the extension of RL e-commerce operations. In Europe, specifically, the RL Corporation lacks the large wholesale distribution channels possessed by the Company in the U.S. causing the Corporation to 'have difficulty in developing and maintaining successful distribution strategies and alliances in certain of the major European countries.' (USSEC 2013: 23-24) In Europe, the Company utilizes an automated replenishment system to facilitate the processing of basic replenishment orders from the RL Retail segment and wholesale customers, the movement of goods through distribution channels, and the collection of information for planning and forecasting. (USSEC 2013: 18)

Some of the risks associated with the RL's multi-channel global distribution network include: the disruption or termination of the Company's computer systems and websites (USSEC 2013: 25); the occurrence of natural disasters in locations where distribution operations take place (USSEC 2013: 28), as well as, the need to replace distribution centers. (USSEC 2013: 29) In demonstrating the importance of the Company's distribution network, the RL Corporation expresses the following:

“...our ability to meet the needs of our customers depends on the proper operation of our distribution centers. If any of our distribution centers were closed or were to become inoperable for any reason, we could experience a substantial loss of inventory, disruption of deliveries to our customers and our retail stores, increased costs, and longer lead times associated with the distribution of products during the period that would be required to reopen or replace the facility. These disruptions could have a material adverse effect on our business, financial condition, and results of operations.” (USSEC 2013: 29)

Ultimately, the Company's efforts in implementing its growth strategy require investment in new capabilities, distribution channels, and technologies worldwide. (USSEC 2013: 24) In the article, *Managing International Distribution Channel Partners: A Cross-Cultural Approach* (Mehta

et al. 2010: 89-117), the authors examine whether the relationship between leadership style and conflict in international distribution channels is moderated by national culture, as well as, the impact of manifest conflict on international channel partner performance, which they find to be culturally specific. The authors therefore recommend the use of leadership styles, in managing disagreements among international channel partners, based on Hofstede's 2001 dimensions of national culture. In operating its distribution network on a global scale, the RL Corporation may encounter international countries possessing unique cultural characteristics that may vary from the U.S., which may pose challenges to the execution and success of its distributing operations. For this reason, Mehta *et al.* (2010: 90) recommended proactive conflict management techniques as an effective strategy to manage conflict in international distribution channels. In the case of the RL Corporation, Mehta *et al.* (2010: 105) suggest the analysis of the country's culture in light of Hofstede's 2001 cultural dimensions, so the appropriate leadership style may be adopted in minimizing the impact of channel conflict. In acknowledging cross-cultural channel conflict, the RL Corporation ultimately tries "to empower in a very personal way both our employees and our business partners to cultivate a healthy, productive and ethical workplace." (The RL Corporation "Ralph Lauren Citizenship Report 2013": 1) Being that the RL Corporation possesses a global team as an integral part of all its international operations, it is reasonable to assume that local leaders, although trained by the Company, are aware of the unique characteristics of their culture and are therefore able to bridge any cultural gaps in conjunction with systems such as the Ralph Lauren Learning Portal, which:

"...provides employees around the world access to classroom-based or online learning activities in such areas as Cultural Learning, Brand & Product, Professional Development, Business, and Systems & Technology. Courses are tailored to an employee's journey—with some courses directed at an employee's first two weeks with the Company, others within the first 90 days, and many throughout their career with the Company. A sample of available training to all employees includes: team management skills, presentation skills, emotional intelligence, communication, business writing, situational leadership, as well as product training tools and learning an additional language." (The RL Corporation, "Ralph Lauren Citizenship Report 2013": 34)

3.15 International Markets

3.15.1 Pricing

The RL Corporation competes in the international markets of consumer products and fashion industries, which are characterized by intense competition and fast-paced change. In forward-looking statements, the Company has acknowledged the impact changes in the competitive marketplace may have upon its business, such as the introduction of new products or pricing changes performed by the Company's competitors, any consolidations, liquidations, restructurings, as well as, ownership changes in the retail industry, as many of the factors which may limit the amount of price discretion for the RL Corporation. (USSEC 2013: 2) If any of these factors, along

with pressure from retailers to reduce costs of products, exert enough pressure, the Company may be forced to reduce sales prices to retailers and consumers, naturally causing the Company's gross margins to decline, if it is not able to properly manage inventory levels, and/or 'otherwise offset price reductions with comparable reductions in our operating costs'. (USSEC 2013: 27) In exploring further the pricing strategies of the Company, the importation of RL products, as well as, any possible increase in the price of raw materials, freight, or labor or a manufacturer's inability to produce RL goods on time and to the Company's specifications, are relevant factors in considering RL's pricing strategies. The company takes on a set of pricing actions to offset the fluctuation or price increase of raw materials, used in the manufacturing of RL products, as well as, the increase of the cost of labor at many of the RL's third-party manufacturers. The cost of labor is likely to increase with the growth of middle classes in developing countries, as well as, the current increase of the cost of transportation, which is likely to continue as oil prices continue to rise as a consequence of the unrest in the Middle East. (USSEC 2013: 26-27) The ability to increase the amount of price discretion available to the Company allows it gain room to maneuver the success of the business by attempting to retain the value of the RL brand in anticipating and responding to customers' demands, preferences and fashion trends, along with the design, pricing and production of its products. (USSEC 2013: 25) Furthermore, international firms often use market prices as the common method of transferring prices followed by standard full unit cost with fixed mark-up added. In determining and evaluating fair value measurements, the RL Corporation uses a pricing model, which is primarily based on market observable external inputs, including forward and spot exchange rates for foreign currencies, while considering the impact of the RL credit risk, if any. In dealing with fluctuating exchange rates, as well as, price volatility, the RL Corporation records its Euro Debt as carrying value in RL consolidated balance sheets: it is then adjusted for foreign currency fluctuations, any unamortized discount, and changes in fair value are hedged by a related interest rate swap as applicable, which may differ from its fair value:

"The fair value of our Euro Debt is estimated based on external pricing data, including available quoted market prices of the Euro Debt and of comparable European debt instruments with similar interest rates, credit ratings, and trading frequency, among other factors. When quoted market prices are unobservable, fair value is estimated based on a number of known factors and external pricing data, including known maturity dates, the coupon rate based upon the most recent reset market clearing rate, the price/yield representing the average rate of recent successfully traded securities, and the total principal balance of each security." (USSEC 2013: 63, F-30)

In the article, "Pricing trends in Europe's fashion industry" Ian Yeoman (2007: 287-290) addresses the pricing pressures in Europe's fashion industry by looking into whether it is value shopping or indulgence that is driving such pressures. The author emphasizes that reliability and quality are no longer sufficient in creating brand loyalty. Today's consumer is savvier and more

demanding, as cash is readily available and consumers are more educated and encounter endless options; thus the desire to own a product no longer has as its sole aim the consumption of the product, it now goes beyond consumption to fulfill the consumers' needs, as well as, product delivery preferences. The author highlights that this phenomenon is exacerbated by the fast paced and intensely competitive fashion industry in which companies must gain knowledge of consuming patterns to successfully respond to consumers' needs and preferences (Yeoman 2007: 287), as clearly expressed by the RL Corporation in the Company's 10-K Form. (USSEC 2013: 25) Yeoman's (2007: 289) description of the change occurring in the European fashion landscape as the 'democratization of luxury', where consumers 'trade up or trade down' on levels of quality depending on taste in the markets they are interested in goes hand in hand with Kim and Mauborgne's "Creating New Market Space" (1999: 83-93) in which the authors identify the motives that encourage customers to trade either up or down between haute couture and the classic lines. Through its pricing strategies, the RL Corporation's wide range of products, price points and channels of distribution, allows the company to target customers from a couture, high-end perspective through a limited number of premier fashion retailers, to premier, top-tier and mid-tier department stores, E-commerce websites which offer a broad array of RL products at different price points ending at lower-end retail factory stores.

3.15.2 Selling and Negotiating

As far as marketing exchanges in the international marketing of the RL Corporation is concerned, most exchanges take place as the Company seeks the successful implementation of its growth strategy by opening more of its own stores, as well as, acquiring or integrating select businesses previously held by RL licensees. The RL growth strategy involves the continued expansion of its business involving selling and negotiating exchanges, as the Company expands to new geographic areas while increasing direct management of its brands. (USSEC 2013: 23) Perhaps the best example of selling and negotiation exchanges regarding the RL Corporation deals directly with procuring, purchasing, or leasing freestanding or department store locations, as well as, maintaining existing freestanding store leases and department store locations, or securing replacement locations. Utilizing words such as 'desirable', 'acceptable terms', 'secure', and 'suitable' indicates the complex and uncertain dynamic of the selling and negotiating processes the Company engages in while expanding internationally. (USSEC 2013: 23) The difficulty of these marketing exchanges is exacerbated as the RL Corporation pursues global expansion thus dealing with differing cultures and languages, as well as, selling and negotiating in unfamiliar international contexts. Furthermore, selling and negotiating exchanges occur in the RL's international operations, as the Company contracts over 700 manufacturers worldwide to produce its apparel,

footwear, accessories and home products. As previously mentioned, the RL Corporation counts on executive officers with principal business experience in global operations, such as Mr. Lauren, as Chairman and Chief Executive Officer, who has provided the RL brand with leadership in all areas, including international operations, Ms. Jackwyn L. Nemerov, as President and Chief Operating Officer, who is responsible for global merchandising, manufacturing and supply chain operations, as well as, Ralph Lauren's retail, wholesale and licensing businesses worldwide, In addition to Mr. Christopher H. Peterson, as Chief Financial Officer and Executive Vice President, who has 25 years of broad-based financial and operational experience, primarily in the global consumers industry. (Bloomberg Businessweek 2014)

“I [Mr. Lauren] chose Jacki and Chris to work alongside me because their outstanding leadership skills, unrelenting focus on performance and broad, global experience will improve our ability to take advantage of the tremendous opportunities ahead.” (MRketplace Staff 2013)

The RL Corporation also counts with its global manufacturing division and buying agents in supervising suppliers in selling and negotiating exchanges. (USSEC 2013: 17) Although differences in national culture influence selling and negotiation in international markets has been extensively researched and universally acknowledged, Pressey and Selassie (2003: 354-368) look at the seven key dimensions of Hofstede's indices of culture to shine light on the degree of the impact cultural differences exert on international buyer-seller relationships, in showing that culture is not all-pervading on buyer-seller relationships. According to Pressey and Selassie (2003) there may be multiple reasons as to why culture appears to exert little influence on international relationships, perhaps the most striking is directly related to the factors mentioned above making these barriers 'so germane to operating in a number of global markets that cultural differences may even seem relatively insignificant in comparison' (2003: 366). Relevant to the RL Corporation is the sample size of the present study in which most of the countries used in the survey are from Europe. This could have led to the smaller differences perceived by the managers in explaining the results obtained. Additionally, the USA and Britain appear to have been represented more than the other countries in Pressey and Selassie's (2003) study and it can be argued that these two countries share historical bonds and practices, such as time, law, work ethic, religion and so on, making the results unreliable for finding cultural differences. Most importantly, it is perhaps due to this USA-UK connection that the Ralph Lauren Corporation initiated its European journey in London.

3.15.3 Operations and Performance

When firms work on aligning their international marketing performance, they focus on planning their strategy on implementation and control. Successful firms are known to install control

systems that complement and support planning. According to the RL Corporation, the Company seeks to:

“While balancing our key long-term strategic objectives with our near-term priorities to manage through the various risks associated with the current global economic environment, we intend to continue to pursue select opportunities for growth during the course of Fiscal 2014 and beyond.” (USSEC 2013: 4)

Concerning the implementation in growth opportunities and continued investment initiatives, the RL Corporation addresses the following: an investment in operational infrastructure such as further system enhancements and implementations to standardize RL operating platforms in meeting the needs of the RL global organization. In particular, such enhancements mean ‘the continued implementation of a global operating and financial reporting information technology system as part of a multi-year global initiative’. (USSEC 2013: 5) The RL Corporation sees the need to migrate certain core areas of its business to this new system, such as global merchandise procurement, customer order management and record-to-report for its North American wholesale operations.

As previously explored, as the RL business:

“...has grown, our portfolio mix and brand control has evolved from primarily that of a mono-brand U.S.-centric menswear wholesaler with a broad array of product and geographic licenses, to that of a portfolio of lifestyle brands with a “direct control” model over most of our brands, products, and international territories.” (USSEC 2013: 4)

As its global presence continues to expand continues, the Company acknowledges the many factors that lie beyond its control, as addressed throughout this case-study, in the planning of implementation and control strategies, as it continually seeks to align its international marketing performance; however, the RL Corporation has assumed control over the wholesale business, Chaps Sportswear, in April 2013, as well as, assuming control over product distribution in Latin America following the expiration of the licensing agreement with P.R.L. Enterprises, S.A. in June 2012, in addition to having assumed control of product distribution in Australia, New Zealand and Chile as the licensing agreements with Oroton Group/PRL Australia and Commercial Madison, S.A. respectively terminated in June 2013. (USSEC 2013: 15) As far as sourcing, production and quality, the RL Corporation puts in place a control system by relying on production and quality staff in Asia, the Americas, the Middles East, and Europe as means to monitor manufacturing at supplier facilities. (USSEC 2013: 17) Furthermore, to facilitate process control and inventory management, all of the RL distribution facilities are designed to allow for high-density cube storage and value-added services, as well as, in utilizing unit and carton tracking technology. (USSEC 2013: 18) As far as wholesale credit control, the RL Corporation manages its own credit function by monitoring credit levels and the financial condition of its wholesale customers to

minimize credit risk. (USSEC 2013: 19) One very important means of control in the RL Corporation is the fact that voting shares of the Company's stock are concentrated in one majority stockholder:

“As of March 30, 2013, Mr. Ralph Lauren, or entities controlled by the Lauren family, owned approximately 83% of the voting power of the outstanding common stock of our Company...As a result of his stock ownership and position in our Company, Mr. Lauren has the ability to exercise significant control over our business, including, without limitation, (i) the election of our Class B common stock directors, voting separately as a class, and (ii) any action requiring the approval of our stockholders, including the adoption of amendments to our certificate of incorporation and the approval of mergers or sales of all or substantially all of our assets.” (USSEC 2013: 30)

The following table summarizes our results of operations and expresses the percentage relationship to net revenues of certain financial statement captions.

Figure 8. Results of Operations - Fiscal 2013 Compared to Fiscal 2012: (USSEC 2013: 42)

	Fiscal Years Ended		\$	% / bps
	March 30, 2013	March 31, 2012		
	(millions, except per share data)			
Net revenues	\$ 6,944.8	\$ 6,859.5	\$ 85.3	1.2%
Cost of goods sold ^(a)	(2,789.0)	(2,861.4)	72.4	(2.5%)
Gross profit	4,155.8	3,998.1	157.7	3.9%
<i>Gross profit as % of net revenues</i>	59.8%	58.3%		150 bps
Selling, general, and administrative expenses ^(a)	(2,971.6)	(2,915.2)	(56.4)	1.9%
<i>SG&A expenses as % of net revenues</i>	42.8%	42.5%		30 bps
Amortization of intangible assets	(26.8)	(28.9)	2.1	(7.3%)
Impairment of assets	(19.0)	(2.2)	(16.8)	NM
Restructuring charges	(11.7)	(12.4)	0.7	(5.6%)
Operating income	1,126.7	1,039.4	87.3	8.4%
<i>Operating income as % of net revenues</i>	16.2%	15.2%		100 bps
Foreign currency losses	(11.5)	(1.5)	(10.0)	NM
Interest expense	(22.1)	(24.5)	2.4	(9.8%)
Interest and other income, net	5.7	11.0	(5.3)	(48.2%)
Equity in losses of equity-method investees	(9.5)	(9.3)	(0.20)	2.2%
Income before provision for income taxes	1,089.3	1,015.1	74.2	7.3%
Provision for income taxes	(339.3)	(334.1)	(5.2)	1.6%
Effective tax rate ^(b)	31.1%	32.9%		(180 bps)
Net income	\$ 750.0	\$ 681.0	\$ 69.0	10.1%

Net income per common share:						
Basic	\$	8.21	\$	7.35	\$ 0.86	11.7%
Diluted	\$	8.00	\$	7.13	\$ 0.87	12.2%

Net revenues increased by \$85.3 million, or 1.2%, to \$6.945 billion in Fiscal 2013 from \$6.860 billion in Fiscal 2012. The increase was primarily due to higher revenues from the RL retail businesses, which were partially offset by lower revenues from the RL wholesale businesses and net unfavorable foreign currency effects. Excluding the effect of foreign currency, net revenues increased by \$183.4 million, or 2.7%. (USSEC 2013: 42)

The strategic controls the RL Corporation has applied to its international operations touching on factors related to marketing, customers and competitors has naturally distinguished the Company as shown by the published end of year account, 2013, demonstrating higher profits, as well as, strong market growth worldwide. The effective implementation of strategy in the RL Corporation has been thoroughly analyzed throughout this case study showing it to be in harmony with Swoboda and Elsner's study (2013: 81-109) which looks into 'how strongly a retail format's standardized or adapted elements affect performance in a foreign country' (2013: 81). The RL Corporation has successfully transferred its retail format by building on the unchanged parts of their know-how while combining the more standardized core elements.

Standardized core elements:

1. RL retail brand;
2. Store type;
3. Procedures of market and trend analysis;
4. Customer relationship management, as well as
5. Relationships with key suppliers.

Adapted peripheral elements:

1. Assortment and price;
 2. Cost and price calculation procedures;
 3. Processes of sales planning and monitoring;
 4. Distribution logistics for stores;
 5. Warehouse management and personnel recruitment processes, among many others.
- (Swoboda and Elsner 2013: 84)

Chapter 4 Discussion of Findings

In light of the successful expansion of the RL Corporation into Europe, the findings of this case study demonstrate that the Company used the standard marketing model practice as illustrated by Bradley's (2005: 3) process model. The following results identify, in a concise manner, the marketing strategies applied by the RL Corporation in Europe.

Stage 1:

International Marketing in the Global Economy – the RL Corporation operates as a leader in the design, marketing and distribution of premium lifestyle products in the European fashion retail business system, as demonstrated by net revenues of (millions) \$1,447.0 in Europe in Fiscal 2013 (USSEC 2013: F-47) in addition to the 27 stores, 40 factory stores located in 12 European countries and the e-commerce Ralph Lauren sites in Europe servicing Austria, Belgium, France, Germany, Greece, Italy, Luxembourg, the Netherlands, Portugal, Spain and the United Kingdom. (USSEC 2013: 13-14)

Company Capabilities – the RL Corporation is of large dimension, possessing strong financial and marketing resources, as demonstrated by the growth of the Company over the past five fiscal years: RL sales grew over 38% to \$6.945 billion in Fiscal 2013 from \$5.019 billion in the Fiscal year ended March 28, 2009. (USSEC 2013: 4) Among its capabilities and resources, the Company has approximately 9,000 employees in foreign countries and possesses a strong and experienced management team featuring corporate officers Jackwyn L. Nemerov and Valérie Hermmann who possess extensive experience in international markets, contributing to the Company's continued ability to successfully extend RL brands through multiple channels in global markets. (The RL Corporation, "Corporate Governance" 2014)

Analyzing Competitors – The RL Corporation competes with numerous designers and manufacturers of apparel and accessories, fragrances and home furnishing products in Europe. Among these, the Company competes directly with Giorgio Armani in the branded apparel market sector and the Gucci Group in the luxury market sector (Marketline 2014: 22). In response to fierce and fast paced competition in the European fashion retail business system, the RL Corporation relies heavily on the numerous layers of its organizational structure, beginning with the founder of the Ralph Lauren Corporation, Mr. Ralph Lauren, an internationally renowned designer, moving through the Ralph Lauren Corporation Officers, Board of Directors and the key role of RL's employees spread throughout the world (The RL Corporation, "Ralph Lauren Citizenship Report 2013": 29). In Europe and else where, the RL Corporation primarily competes on the basis of fashion, quality, value and service. (USSEC 2013: 17)

Environment – the journey of the RL Corporation in European markets is characterized by multiple national cultures in configuring consumer behavior patterns, which directly concern the Company, as it competes in the fashion and consumer products industries. The brand’s European flagship stores in London, Paris, Milan and Moscow are just one example illustrating the Company’s ability to transmit, through the RL designs, values which are universally understood: elegance, quality and comfort. Central to the success of the RL brand in Europe is the innovative use of technology by the Company, including the Official Ralph Lauren 4D Experience, the Polo Tech compression shirt and ultimately, the use of media by the Company as means to communicate a distinctive image (The RL Corporation, “Ralph Lauren 4D: The Ultimate Collision of Fashion, Art & Technology” 2010; Mastroianni 2014). The RL brand communicates within the overall Ralph Lauren aesthetic, while portraying a lifestyle rather than a specific item, which may facilitate the intercultural interpretation of the RL lifestyle. (USSEC 2013: 16)

Stage 2:

Product and Brand Strategies – the RL Corporation relies on strong brand image through innovative lifestyle branding having allowed the Company to expand through numerous products, price tiers and markets. The Company’s extensive brand portfolio is characterized by broad lifestyle product collections including men’s, women’s and children’s clothing. (USSEC 2013: 7) In keeping consistency of presentation, the RL Corporation relies on the assistance of marketing experts located in European regions, as well as, a global sourcing and manufacturing division in addition to buying agents, also present in Europe, which oversee production and quality control. (USSEC 2013: 16; The RL Corporation, “Ralph Lauren Citizenship Report 2013”: 39)

Stage 3:

Market Entry – the RL Corporation’s European market entry took place in 1981, when Mr. Lauren became the first American designer to open a freestanding store in Europe located on London’s New Bond Street, the RL flagship store in Paris soon followed, as well as, stores in Germany, Greece, France and the Netherlands owned by European licensees, while sublicensees also made the clothes. (Goldstein 2002) Wanting to regain control of European operations, the Company eventually transitioned to buying back European licensees now operating in Europe through strategic alliances, such as marketing partnership agreements, licensing, franchising and joint ventures, as well as, acquisitions and direct investment. (USSEC 2013: 16, 14, 12, 47, 4)

Stage 4:

Operations and Performance – the marketing strategies of the RL Corporation in Europe are characterized by control systems that complement and support planning. The Company continues to invest in operational infrastructure in Europe including system enhancements and implementations to standardize RL operating platforms, in order to meet the needs of the RL

Corporation in Europe. (USSEC 2013: 5) Regarding the Company's overall performance, the strategic controls applied to its international operations touching on factors related to marketing, customers and competitors have distinguished the Company, as demonstrated by the published end of year account, 2013, confirming higher profits, as well as, market growth worldwide. (USSEC 2013: 43)

Chapter 5 Conclusion

Carrying out this study has brought together many of the subjects studied on the Masters in Languages and Business Management. By furthering competencies in languages, management, marketing, as well as, information and communication technologies, it becomes evident that the business world is a complex set of elements that intertwine beginning with communication, which of itself lies at the very core of human interaction: communication shaped by languages, languages shaped by cultural backgrounds, followed by the key role of culture in configuring management and cognitive styles in fields such as international marketing, particularly complex to work through considering the mingling of numerous cultures and languages. These are just some of the core aspects of communication, though able to demonstrate the complexity and depth of all elements involved in business communication.

Although RL is a global brand, this study has only examined its expansion into Europe considering its success in European markets. The cultural implications involved in successfully expanding to Europe are the basis of this study having culminated in an invigorating and complex year-long research process. Although closely associated with the American aesthetic, the RL brand is able to bridge cultural gaps by transmitting values which are universally understood: elegance, quality and comfort. Mr. Lauren, once a boy from the Bronx, set out to simply sell according to his personal taste, which tended to reflect classic, timeless looks. Influenced by figures such as cowboys, his university professors and even iconic film actors, Mr. Lauren, the now internationally renowned designer, had always been aware of the European roots of the clothing he loved. It was only a matter of time before the designer expanded into Europe offering Europeans a mix of the American aesthetic with European flair drawing on English haberdashery, as well as, timeless and classic pieces. The aspirational lifestyle of the RL brand is embedded in selling a dream and a vision rather than placing importance on a single item, perhaps facilitating the intercultural interpretation of the Ralph Lauren lifestyle.

The dynamic management practices of the RL brand in European markets have led to a world-class example of a global brand. The successful development and implementation of international marketing strategies by the RL Corporation is brought to life by investing in clever and knowledgeable marketing, merchandising and distribution strategies, which have been crucial to the brand's international appeal and success. By combining an integrated approach to branding along with innovative marketing, the RL Corporation reaches customers around the world on a multi-channel basis allowing the Company to successfully develop and apply a long-term strategy of value creation. Today, the Ralph Lauren brand is a lifestyle brand whose products and services promote a lifestyle of quality and luxury to consumers around the globe.

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Appendices

Appendix I – Ralph Lauren Logo

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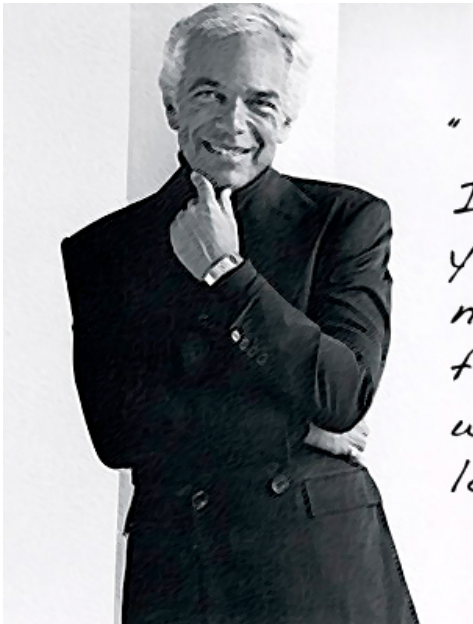


eurbanista

Brand Strategy, Sustainability & the Digital Revolution in Fashion, Luxury & Media

Ralph Lauren: American Classic

16 July 2009



"What I do is about living. It's about living the best life you can and enjoying the fullness of the life around you - from what you wear, to the way you live, to the way you love."

-Ralph Lauren

Ralph Lauren became the single most profound industry-transformer of the past century by maneuvering his product offering, brand extension and marketing to evolve from a neckwear designer into a brand ambassador for an entire lifestyle, thus creating the "Lifestyle Industry". Throughout the past forty years, although the company has experienced financial ups and downs, acclaim and criticism alike, it has remained one of the most successful fashion businesses in the world.

The following is my effort to capture the story of the Polo Ralph Lauren company, moving from the history of the man behind the brand to the structure of the business.

Ralph Lauren: The Man



Ralph Lifschitz was born into a working-class family in the Bronx, New York City in 1939. Coming from a long line of Orthodox Jews, Ralph's late mother is rumored to have wanted her youngest son to become a rabbi. However, young Ralph's father was a house painter, and Ralph himself had ambitions of becoming a millionaire- according to his high school yearbook.

Young Ralph was apparently driven to become the ideal "self-made man" from an early age. Throughout his youth, he worked summers in the Catskills, where he observed the wealthy American lifestyle that would capture his imagination. Later, Ralph worked in New York department stores and spent his savings on expensive clothes, becoming the best dressed of his classmates by the age of 12.

By 16, he and his brother Jerry had both changed their names from Lifschitz to Lauren. The idea of dressing for the position (or lifestyle) you hope to attain has served as a mantra for Ralph Lauren's subsequent success, as he has enabled millions to do just that.

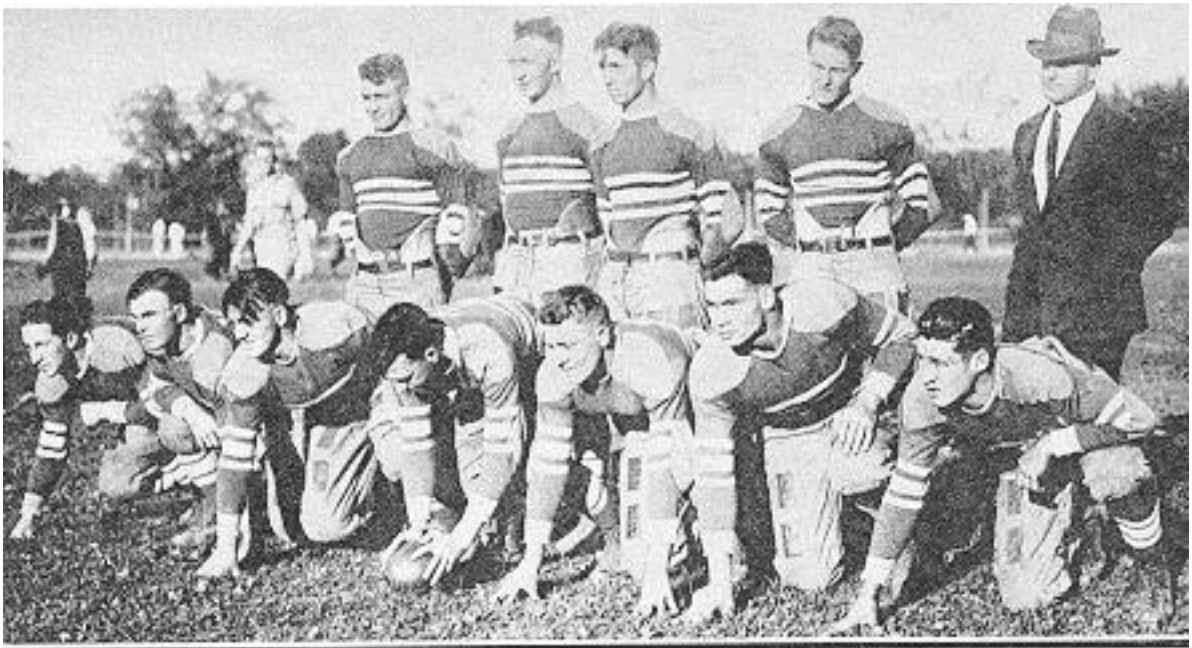
People ask, 'How can a Jewish kid from the Bronx do preppy clothes?' Does it have to do with class or money? It has to do with dreams. Ralph Lauren



After serving in the US Army for two years (1962-64), Lauren was discharged and quickly married Ricky Lauren. They have three children together.

While selling ties at Brooks Brothers, Lauren attended night school in business at City College in NYC. While working in the "preppy" world of Brooks Brothers and observing other like-minded companies, Lauren realized there was a largely unserved market for people like himself, who wanted to dress within a certain "blue-blood" lifestyle, without appearing stuffy or breaking the bank. He began to tap into this market by veering away from the popular "skinny tie" to create wide, colorful neckwear.

A tie was the way a man expressed himself. I believed that men were ready for something new and different. They didn't want to look as if they worked for IBM. A beautiful tie was an expression of quality, taste, style. Ralph Lauren



CENTRE TEAM OF 1920 THAT PLAYED GALLANTLY BUT IN VAIN AGAINST HARVARD. Except for center Red Weaver, coach Uncle Charlie Moran's club returned intact the following year to avenge the Harvard defeat.

Ralph Lauren took inspiration from the yearbooks of Princeton, Harvard and Yale, and from old photographs of prominent Americans, as well as his own personal idea of the images that represent the classic American heritage and the “sporting gentleman.” He went on to develop the largest lifestyle company in the world.

In 1987, after the removal of a benign brain tumor, Lauren began a long term commitment to philanthropy. The Polo Ralph Lauren Foundation was created for the purpose of providing support for philanthropic programs including education, healthcare in medically under-served communities, the arts and community-based initiatives. His family and company have supported historic preservation activities and numerous cancer research initiatives, including the Pink Pony campaign for breast cancer. In addition, Lauren founded the Ralph Lauren Center for Cancer Care and Prevention in 2001.

Lauren's company was floated on the stock market in 1997, and Forbes now lists him as one of the world's billionaires. He and his wife, Ricky, have five homes, each filling in a chapter of Lauren's ideal American existence. There is the apartment in Manhattan and two houses not far away: a beach house in Montauk, at the tip of Long Island, and an estate in Bedford (see *Architectural Digest*, November 2004), an hour north of New York City. There are also two more distant places: a ranch in Colorado (see *Architectural Digest*, November 2002) and a two-house retreat in the posh Round Hill resort, near Montego Bay on Jamaica (see *Architectural Digest*, November 2007).

It seems that Lauren's childhood dreams have been dwarfed by his larger-than-life reality.

The best thing you can do is go away from this saying, 'I can do this too,' because it's all possible, and I'm living proof. Ralph Lauren

Below is a one-hour interview from 1993 where Ralph Lauren speaks with Charlie Rose about his life, his inspirations, and his business. (*You may have to drag the scroll bar to get this ancient video going.*)

The History of Polo Ralph Lauren

1939: A Star is Born

Ralph Lifschitz was born in the Bronx, & later changed his name to Lauren.

1960s: Chasing the Dream



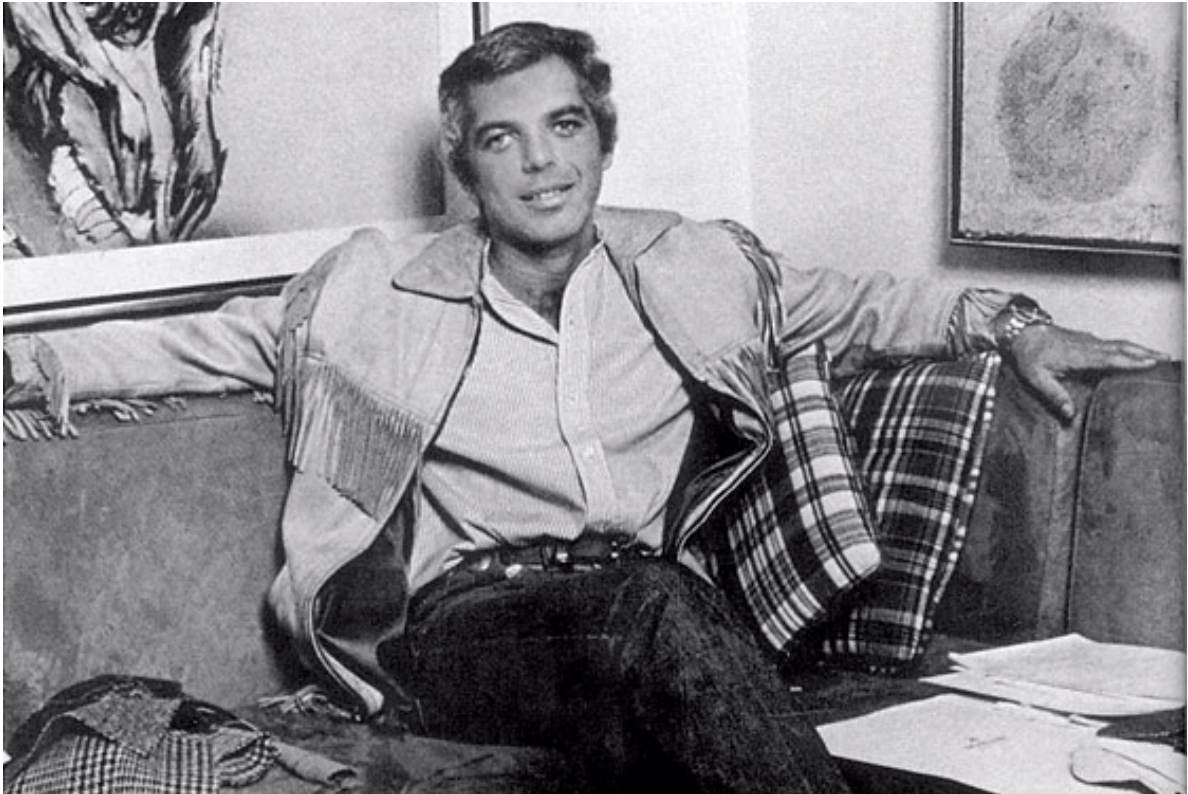
Lauren studied business at City College in Manhattan while working as a glove salesman. He later began working for tie-manufacturer A. Rivetz & Co, who refused to produce his wide-tie design in the era of skinny-ties. Lauren dropped out of school just before graduation, and convinced clothier Beau Brummel to manufacture his Polo line of neckwear. Within a year, Lauren took out a \$50,000 private loan from clothier Norman Hilton and founded the Polo Fashions, Inc. business with his brother, Jerry (the name would become the Polo/Ralph Lauren Corporation - PRL- in 1987).

The ties were first sold in small menswear shops and later in fashionable department stores. Bloomingdales originally refused to sell the ties unless Lauren agreed to remove his label in order to reduce the tie-width. Lauren refused, and Bloomingdales had only to look at the success of his sales figures to understand that they were mistaken. Lauren's colorful wide ties found a niche – even at Bloomies, and the brand was expanded to include men's business attire and sportswear. The company designed, manufactured and distributed the entire

Polo collection.

From the beginning, Lauren established clear stylistic codes that embraced the myth of the American aristocracy by merging classic American style with the refinement, tailoring and sensibility of European fashion.

1970s: Branded Genius



Lauren won the Coty Award for menswear, and immediately produced a line of men's dress shirts cut for women, in addition to the now infamous Polo shirt with the breast logo. Both lines were a huge success, but by 1972 the company was almost bankrupt. The young entrepreneur had proven himself a genius at establishing a strong brand identity with lightning-speed, but had difficulty managing the finances and logistics of a fashion business.

Lauren invested \$100,000 of his own savings into the company and recruited Peter Strom from his post at Norman Hilton to become his business partner. Lauren then owned 90% of the company, while Strom owned 10%.

Strom and Lauren proved themselves a dynamic working team. As Strom reported to the *New York Times*:

We divide the work this way: I do everything Ralph doesn't want to do; and I don't do anything he likes to do. He designs, he does advertising, public relations; I do the rest.

In this spirit of doing what you like and what you're good at (not bad advice, by the way), Strom and the Lauren brothers scrutinized their business structure and adapted it to what they did best: design and marketing. Manufacturing of the women's line was licensed out to experienced producer Stuart Kreisler, who was enthusiastic about building the Lauren brand.

Under the licensing agreement, Lauren would design, and Stuart Kreisler would manufacture and distribute the line while sharing advertising costs, with Lauren earning 5-8% of the wholesale revenues. The structure of this agreement would serve as the model for future PRL licensing efforts.

In addition to this agreement, Strom insisted that all retailers carrying Polo products would be required to sell the entire line, including the most expensive suit (which cost \$350). While this initially eliminated 2/3 of the retailers carrying Polo, the retailers who remained developed a loyal working relationship with Lauren.



By the end of the decade, Lauren had moved the company from the brink of failure into an emerging powerhouse. He also created a smash-hit Westernwear collection in addition to fragrances for men and women. He designed the wardrobes for *The Great Gatsby* (1973) and *Annie Hall* (1978), influencing the way millions dressed -although without the product placement that would bring Armani fame in *American Gigolo* in the 80s. He had also won the American Fashion Award, and was elected into the Coty Hall of Fame for *both* menswear and womenswear.

With the company finances back in order, Lauren returned to building his brand image and began to invest in extensive advertising spreads that used powerful imagery to tell the story of the Polo Ralph Lauren lifestyle. A movement that went beyond clothing was born.

1980s: Building the Lifestyle Empire



Lauren continued his brand expansion to include childrenswear, eyewear, underwear, jeanswear, shoes, accessories, housewares, furs, luggage, and a range of other products. However, unlike most companies who suffered brand image dilution from rapid expansion using licensees, the image of Polo was only strengthened. There were several reasons for this anomaly, but the main ones were that Lauren designed everything himself or held final design approval, and retail imaging was carefully controlled by the brand through franchises or shop-in-shops.

Only two product categories gave the brand substantial problems: fragrances and the home collection. The fragrance sales were lacking until Lauren found the right licensing partner in Cosmair, Inc. who was willing to help develop and promote the products. Sales in Polo, Polo Sport, Lauren and Safari fragrances skyrocketed.

The home collection, on the other hand, received widespread praise for brilliant comprehensive design, but suffered at the hands of the licensee. It was originally licensed for production and distribution to the J.P. Stevens Company, who had difficulties getting the products to retailers on time and demonstrated poor quality control. In addition, they required that retailers construct specific free-standing boutiques within their stores to display the items- at a cost of \$250,000 each! Retailers obviously balked at this figure. *The result:* low-quality home goods and expensive requirements for stores = unhappy customers and retail partners. It took the company years to recover the home collection.





Nevertheless, all Polo products embraced an idealized aspect of the American cultural experience, and this concept was reflected in the store design and advertising. The Santa-Fe collection was added to the brand in 1981, providing Navajo-inspired designs that were a global success. To produce the ultimate in-store brand experience, the company went through an elaborate process of historic restoration to create the first flagship store in the 1890s Rhinelander mansion on Madison Avenue, opened in 1986. This would be followed by the development of a London flagship on Bond Street and the brand's largest international store in Paris.

The company now has stores in more than 31 countries, and controls more than 50 brand outlets at a significant distance from regular retailers to prevent inter-brand competition while controlling the brand image.

1990s: New Frontiers



Difficulties did not allude the brand. The recession of the early 90s saw cutbacks in Polo's retail operations. According to retailers and various news sources, many manufacturers had begun copying Lauren's designs and selling them at lower prices.



However, PRL continued to roll in the cash with the introduction of the Polo Sport and Double RL Jeans lines, and Lauren received the CFDA Lifetime Achievement Award in addition to awards for best menswear, womenswear and retailer.

The company's continued success positioned them for the profitable sale of 28% of the company to a Goldman Sachs & Co. investment fund for \$135 million in 1994. The company then went public in 1997 on the NYSE when Lauren sold 18 million of his personal shares for \$465.4 million. He still retained 90% of company voting rights, enabling himself to maintain control over the direction of the brand.



Throughout the 90s, the company continued with brand expansion projects, and shifted several of its licensing agreements in an effort to provide high-quality products at several price points, thus embracing the full lifestyle offering. By the end of the 1990s, nearly 300 licensing agreements were in place. Of the brand's 200+ retail outlets, about half were operated through licenses, and yet the brand image remained intact.

As the new century approached, the company continued to grow while maintaining a strong image rooted in the idealized dream of American culture. Ralph Lauren further diversified the brand through the development of the Purple Label (tailored menswear) in 94 and the opening of the RL restaurant in Chicago in 99. He also began to demonstrate the philanthropic nature of the company before it became fashionable, spearheading efforts in historic preservation in the States and the fight against cancer.

In the late 90s, the company acquired Club Monaco to get a handle on the younger market which competitor Tommy Hilfiger had captured, yet had remained allusive to Ralph Lauren. The RALPH line was then created to target the “daughter of the Lauren market”.

2000s: Media Master



Ralph Lauren had grown from a tie-designer into a lifestyle mogul in just 30 years, creating the industry path to success that others would scramble to follow. However, the company’s spirit of innovation didn’t stop with the 90s.

In 2000 the company formed a multimedia marketing joint venture with NBC and affiliates, and ValueVision (operator of the Home Shopping Network). With the new media capabilities this partnership enabled, the company began to explode with cutting-edge communications strategies that would leave the rest of the industry years behind. PRL’s first television campaigns began immediately. Polo.com was developed in 2000, providing one of the first mono-brand e-commerce sites in fashion history.

It was followed in 2001 by the online magazine outlining all things celebrity, sport, art and culture that would appeal to the ideal American persona that Lauren had built. That same year, Runway.Polo.com was launched, providing fashion fans with a look behind the scenes in collection-development and fashion shows, while offering style and beauty tips. Just one year later, the Home site was launched, exploring every item in the collection and offering decorating tips to readers.



By 2003 the International Website had launched, providing a glimpse into the Ralph Lauren lifestyle for the first time for many new markets around the world. The Create-Your-Own project also debuted online, enabling users to interactively “design” their own Polo shirts by selecting from available color combinations and graphics. The venture proved very successful and was repeated in subsequent years.

The technological integration continued with the creation of the Virtual Window Shop, a touch-screen monitor on the window of the Madison Avenue store that allowed customers to shop “online” anytime, even after the store’s closing hours. More than increasing the number of virtual shoppers at the store site, the window really served to generate hype and publicity for the brand. The window piece was featured in most fashion publications worldwide, in addition to business news and technology publications. The window, in effect, became a tourist destination.



In 2008, consumers with SmartPhones were enabled to shop from the pages of their favorite magazines by scanning Quick Response (QR) codes in PRL ads with their mobile phones. Several iPhone applications were also launched to attract brand fans to interact from anywhere they could get a signal.

In the never-ending brand battle to win the hearts of the next generation, PRL launched the Rugby line in 2004 (yes, that’s before Gossip Girl) in an effort to attract the “burgeoning college” market. The Rugby line provides aspirational lifestyle products in a preppy, youthful style through a vertical retail format (meaning the PRL controls logistics, distribution and retail). Rugby.com was worked over in 2008 to provide e-commerce, mobile commerce, media content, and the make-your-own features that had proven so popular with Polo.

OFFICIAL SPONSOR OF THE US OPEN

POLO

RALPH LAUREN

RL-QR

HOW TO SHOP FROM YOUR PHONE

VISIT
M.RALPHLAUREN.COM
ON YOUR PHONE'S BROWSER
OR SCAN THE CODE ABOVE:

1. TEXT RLQR1 TO 33000 OR VISIT M.RALPHLAUREN.COM
2. DOWNLOAD THE READER TO YOUR PHONE
3. SCAN ANY RL-QR CODE TO SHOP INSTANTLY

INTRODUCING A NEW ERA IN MOBILE TECHNOLOGY

RALPH LAUREN PRESENTS SHOPPING RIGHT FROM YOUR PHONE
VISIT M.RALPHLAUREN.COM OR SCAN OUR RL-QR CODE TO SHOP
THE US OPEN COLLECTIONS, READ RL MAGAZINE STORIES
AND WATCH RLTV VIDEOS

US OPEN
2008

By 2007, its 40th year in business, Polo Ralph Lauren was a \$4.3 billion enterprise with a presence in 80 countries. Offerings at nearly every price point — from value to luxury — covered men's and women's apparel, home goods including paint, accessories, fragrances and eyewear at the time of the brand's anniversary celebration and commemorative book release.


Lauren himself has been awarded the CFDA's American Fashion Legend Award and the first-ever Voter's Choice Award, and continues to lead and support numerous philanthropic endeavors.

Appendix III – Ralph Lauren Quotes

<<http://global.ralphlauren.com/en-us/Style/Men/Pages/quotes.aspx?>>.

RALPH LAUREN QUOTES

< DESIGN >



“
*I've never wanted to be in fashion.
Because if you're in fashion, you're
going to be out of fashion.*
”

RALPH LAUREN QUOTES



AMERICANA



“

I know I have a signature. I know there's a New England sensibility. I know there's a cowboy sensibility. I think there's a sports sensibility. They're all mixed. But they all come from non-fashion. They all have an origin of being natural, timeless, real—comfortable sensibilities.

”

RALPH LAUREN QUOTES



MOVIES



“

When I create a collection, I approach it with a cinematic point of view—I am not designing clothes, I'm creating a world.

”

RALPH LAUREN QUOTES



STYLE



“

I like romance, I like glamour and I like realism. I think that's a great combination.

”

RALPH LAUREN QUOTES



HEROINES



“

My point of view is I'm designing for the person who buys the clothes, and I'm filling their world, and I'm not making a dress, I'm making a dress for them.

”

RALPH LAUREN QUOTES



DESIGN



“

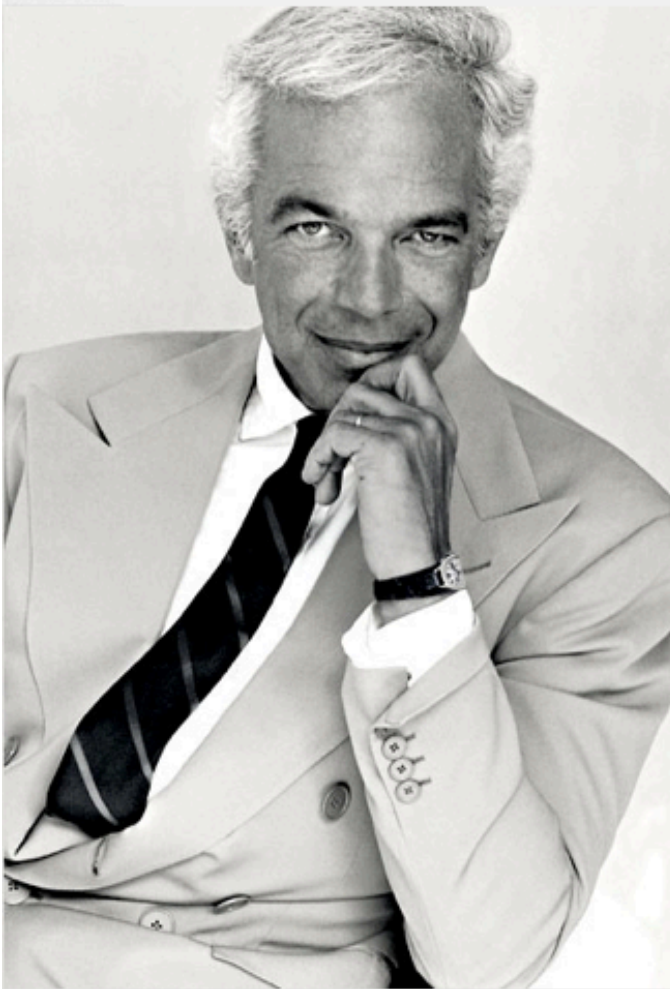
Classic, to me, is something that's timeless, enduring. The things that never go out of style. Polo, the kinds of clothes I design are the kinds of things I believe in, the kinds of things that last forever. I love things that stay.

”

RALPH LAUREN QUOTES



STYLE



“

Style is very personal. It has nothing to do with fashion. Fashion is over quickly. Style is forever.

”

RALPH LAUREN QUOTES



STYLE



“

I think I've always loved England because it was non-fashion. It was timeless. It was not about what was the latest new sleekness. It was about weathering and those things that get better with age.

”

Appendix IV – The Ralph Lauren Website

<<http://global.ralphlauren.com/en-us/about/pages/default.aspx>>.



RALPH LAUREN

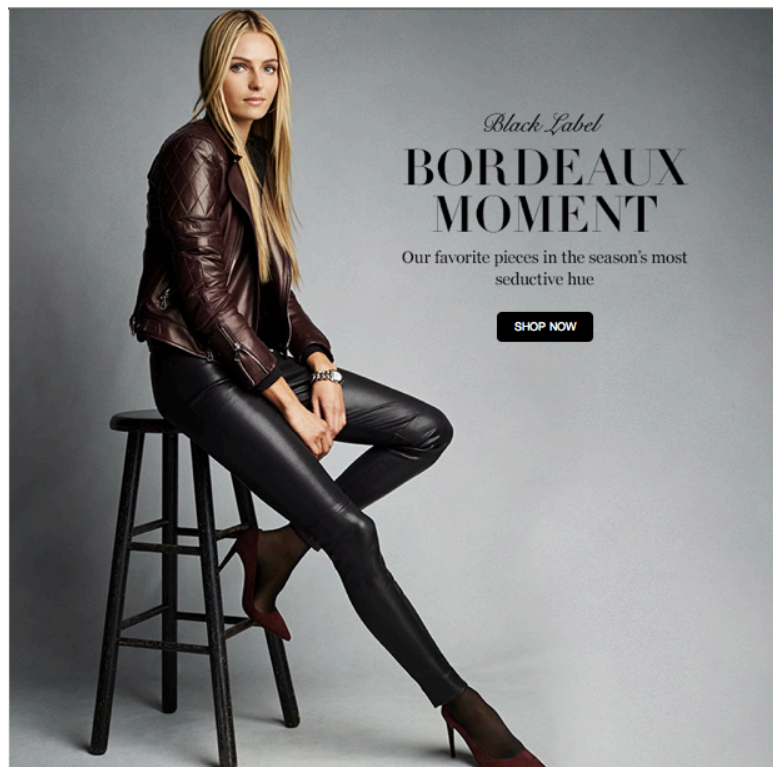
*W*hat began 40 years ago with a collection of ties has grown into an entire world, redefining American style. Ralph Lauren has always stood for providing quality products, creating worlds and inviting people to take part in our dream. We were the innovators of lifestyle advertisements that tell a story and the first to create stores that encourage customers to participate in that lifestyle.

RalphLauren.com takes this participation to a new level as a rich and exciting interactive destination. When you're transported into the world of Ralph Lauren online, you can shop for great products for yourself and your home, learn about adventure, style and culture in *RL Magazine* and on RL TV, find one-of-a-kind vintage pieces and exquisite gifts and much, much more. Back when all this started, I felt sure that there were no boundaries. I'm even more sure of that today.

Ralph Lauren

Appendix V – Men’s Purple Label and Women’s Black Label

<http://www.ralphlauren.com/shop/index.jsp?categoryId=2885938&ab=global_men_purplelabel&cp=2885938>.
<http://www.ralphlauren.com/shop/index.jsp?categoryId=1766615&ab=global_women_blacklabel&cp=1766615>.



Appendix VI – Women’s Collection Fall 2014 – Runway Show

<http://www.ralphlauren.com/shop/index.jsp?categoryId=32956236&cp=2184048&ab=global_women_collection>.



FALL 2014
RALPH LAUREN
Collection
RUNWAY SHOW

“My collection for Fall 2014 is about a pure kind of luxury, a sophisticated ease inspired by architectural shapes in soft, shimmering hues—a nonchalance that redefines glamour for the modern woman.”

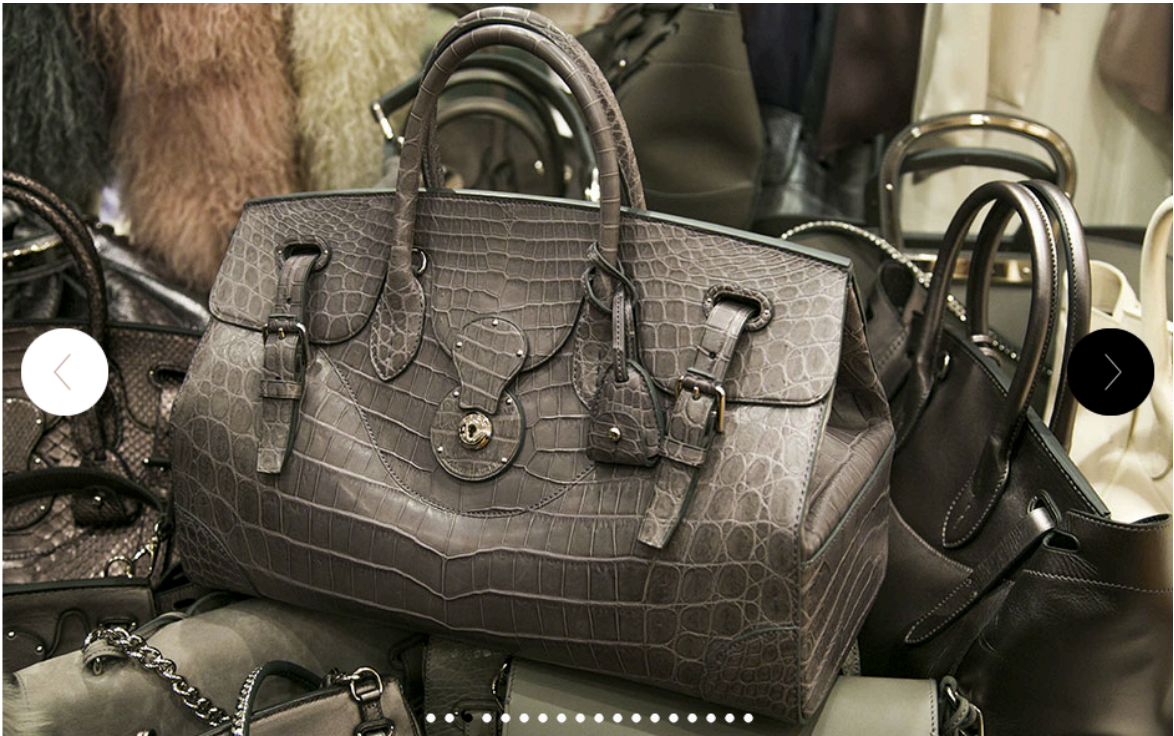
Ralph Lauren

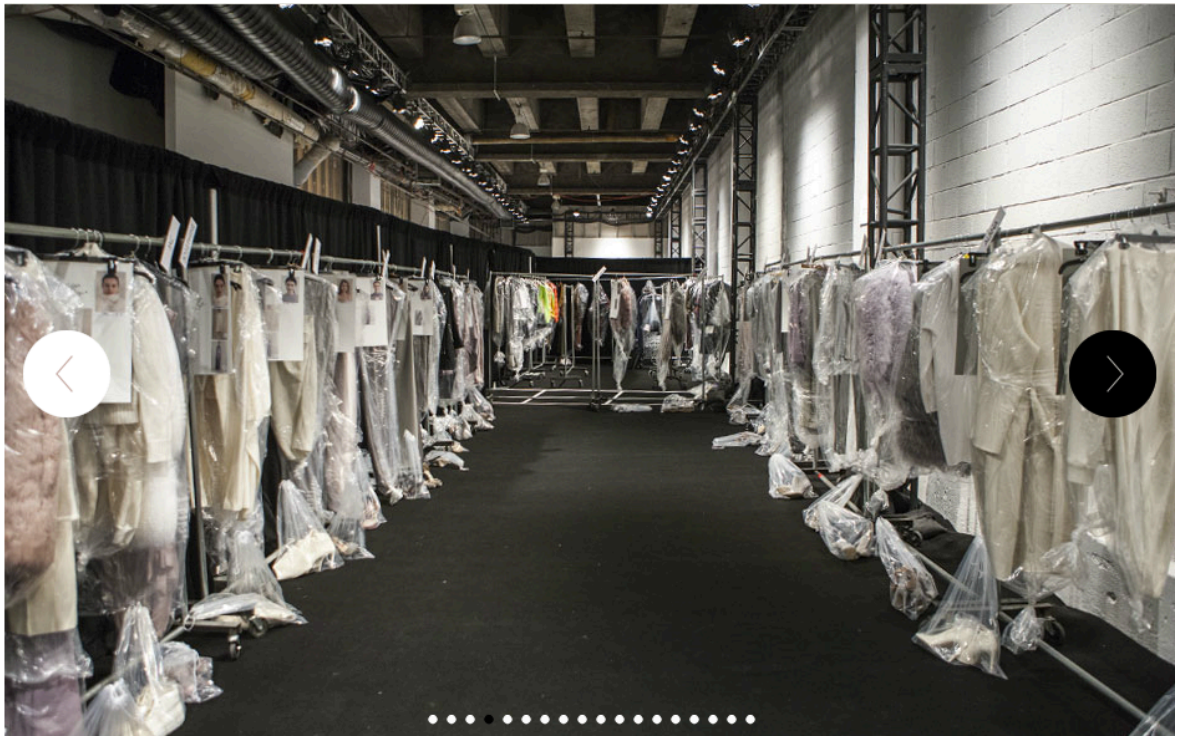
SHOP ALL

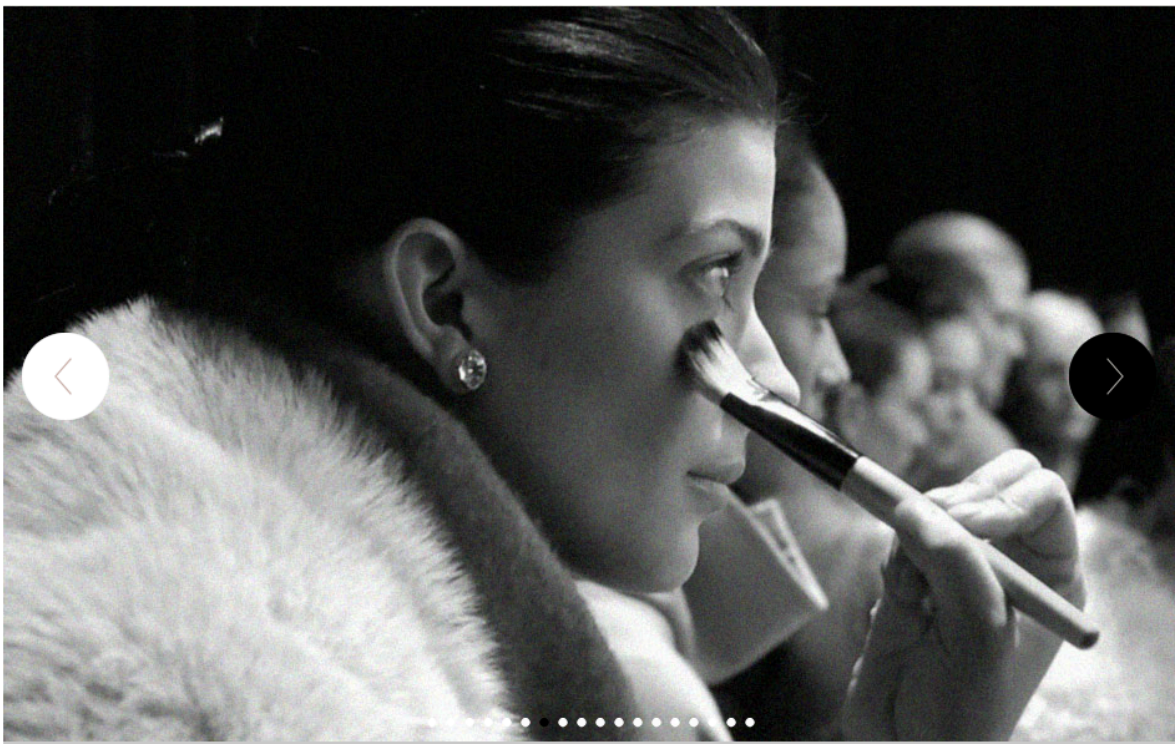
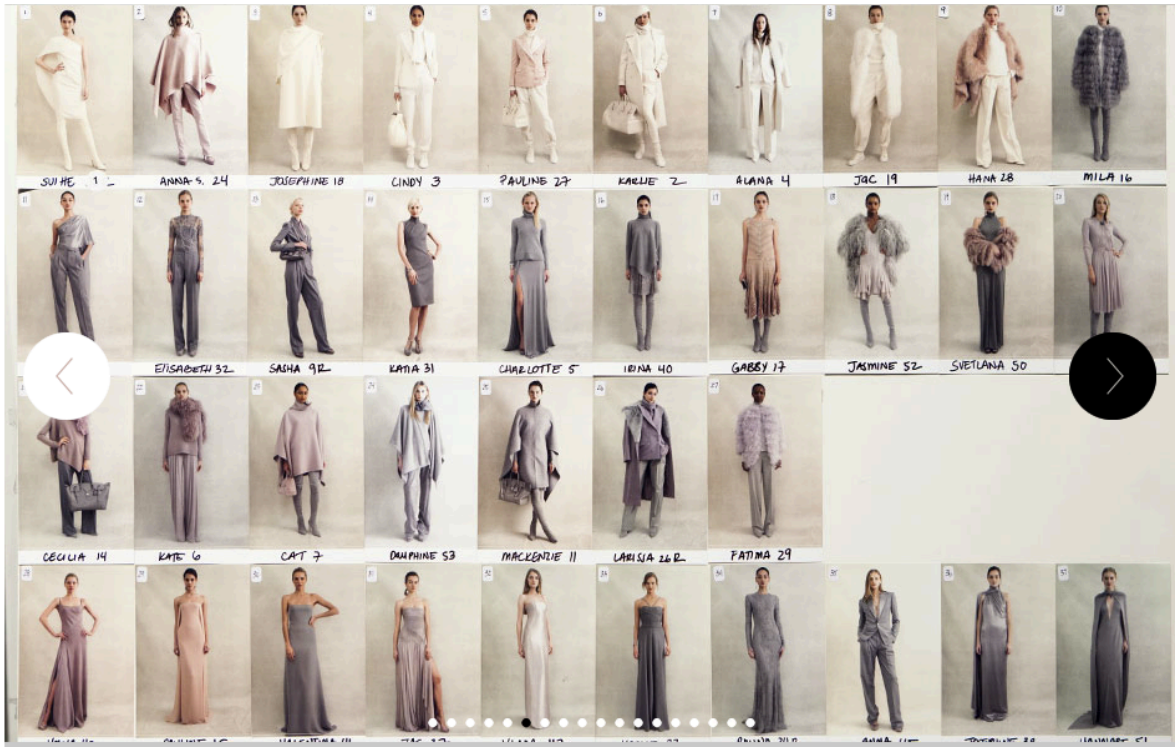


**BACKSTAGE
PASS**

A photographic journey behind the scenes, from the inspiration to the realization of the Fall 2014 Collection







Appendix VII – Ralph Lauren Flagship Stores

<http://flagships.ralphlauren.com/?ab=SLLP_Banner_Explore>.



NEW YORK
THE MADISON AVENUE MANSIONS

867 MADISON AVE
A RARE WORLD FOR MEN

A rare world of luxury and unparalleled service, the Ralph Lauren Mansion at 867 Madison Avenue provides the ultimate backdrop for our signature Men's collections—Purple Label, Black Label, RRL and Polo Ralph Lauren—as well as a comprehensive array of Made to Measure services.

[▶ EXPLORE THE STORE](#)

[MAP & DIRECTIONS](#)



NEW YORK
THE MADISON AVENUE MANSIONS

888 MADISON AVE
THE GLAMOUR OF WOMEN'S & HOME

An elegant reflection of its beaux arts-inspired brother across Madison Avenue, our grand, four-story flagship is devoted to our iconic Women's and Home collections and offers a world of timeless glamour and exceptional service.

[▶ EXPLORE THE STORE](#)

[MAP & DIRECTIONS](#)



Now Open
THE FIRST-EVER
POLO
RALPH LAUREN
FLAGSHIP STORE
NEW YORK
711 FIFTH AVE.

Our newest flagship is home to the Men's and Women's Polo collections, as well as Ralph's Coffee and, opening later this fall, the Polo Bar & Restaurant.

[▶ EXPLORE THE STORE](#)

[▶ WATCH THE VIDEO](#)

[▶ EXPLORE RALPH'S COFFEE](#)

[MAP & DIRECTIONS](#)

173 Boulevard Saint Germain

PARIS

Ralph Lauren has opened a grand, new flagship store in the renowned Latin Quarter of Paris. We invite you to join us in savoring a moment that has been years in the making through exclusive behind-the-scenes videos, interviews with Ralph Lauren, photos, stories and more.

[▶ EXPLORE THE STORE](#)

[MAP & DIRECTIONS](#)



Via Montenapoleone 4

MILAN

Located at Via Montenapoleone 4, home to some of the world's most prestigious shops, our extraordinary 16,000-square-foot Milan flagship is fashioned in the Italian neoclassical style and evokes all the grandeur of a 19th-century palazzo.

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[MAP & DIRECTIONS](#)



No. 1 New Bond Street

LONDON

Inspired by the great luxury ocean liners of the 1920s, the London flagship blends Art Deco architecture with the robust opulence of an English gentleman's club to create a luxurious environment for Ralph Lauren's premier collections.

[▶ EXPLORE THE STORE](#)

[MAP & DIRECTIONS](#)



Tretyakovsky proezd, 1

MOSCOW

Situated at the heart of Moscow's Tretyakovsky shopping district in a historic building, our Moscow flagship's sculpted brick facade is reminiscent of many classic turn-of-the-century Russian buildings, including the country's famous Kremlin Palace.

[▶ EXPLORE THE STORE](#)

[MAP & DIRECTIONS](#)



Appendix VIII – Ralph Lauren as National Sponsor of PBS’s Masterpieces Series

<<http://global.ralphlauren.com/en-us/rlmagazine/editorial/fal12/Pages/DowntonStyle.aspx?>>.

<<http://www.thevine.com.au/entertainment/tv/ralph-lauren-to-sponsor-downton-abbey-20120911-253310.>>



DOWNTON STYLE

BY ALISON BAENEN

From *Masterpiece Classic* to fashion week, *Downton Abbey*'s creator and costume designer discuss the series that helped inspire the collections of fall 2012

It's earned an entry in *Guinness World Records*, generated a Tumblr site dedicated solely to its lamps (<http://downtonabbeylamps.tumblr.com/>), garnered a slew of Emmys, and turned millions of Americans into knowledgeable experts on turn-of-the-century British property law. *Downton Abbey* is the most unexpected entertainment coup of 2012 - when was the last time a *Masterpiece Classic* series made it to the top of your DVR queue? - and was a staple of designers' mood boards and collection references for fall.

Stylewise, the Edwardian era of *Downton Abbey*'s first two seasons may not be the most obvious choice for fashion's latest obsession. In terms of trends, it was the end of an obsolete epoch, the same period that inspired rule breakers like Madeleine Vionnet and Paul Poiret to chart the course for the way we dress now. Women exited the second decade of the 20th century by busting out of their corsets and sashaying out of their hobble skirts—straight into the anything-goes '20s, the setting for the show's hotly anticipated third season.



(left) Countess Cora sporting a feminine Edwardian era ensemble (right) Violet Crawley epitomizing a stately British aristocrat

Still, the fantastically glamorous Belle Epoque is easy to fall for. Handsome footmen, punctilious butlers, and discreet lady's maids turned the requisite and frequent outfit changes (often as many as three a day) into

ritualistic pampering sessions. Fabrics were dreamy, fur was de rigueur, and hats looked incomplete without a bouquet of flowers on the brim. In short, the life of an English aristocrat was deliciously over the top, and Lady Cora and her three daughters dress the part with aplomb. “There’s an element of performance. They were all performing a role that had been decreed for them. For an aristocrat to be convincing, he must look like an aristocrat,” series creator Julian Fellowes says of his characters in the glossy coffee-table tome *The World of Downton Abbey* (St. Martin’s Press, 2011). Credit goes to award-winning costume designer Susannah Buxton—“a kind of sculptress-in-cloth,” according to Fellowes—who oversees the production of each episode’s looks, many of which are meticulously reconstructed originals.



Downton Abbey proved to be the main source of inspiration for a staple of designers’ collections this fall

While the show’s slim satin gloves and subtly tulip-shaped evening dresses have garnered their share of swoons, it was turn-of-the-century equestrian chic that emerged as one of fall’s most compelling runway trends. Designers put their urbane twist on classic foxhunting essentials, from impeccably tailored cutaway coats and proper tweeds to what could just be the season’s sleeper accessory—the top hat. *Downton* watchers know that one of the show’s more salacious plot points (an amorous foreigner’s late-night pursuit of Lady Mary) emerged on horseback; while love was in the air as the hunt began, it was hard to tear your eyes from the riders in crisp white stock ties and black tailcoats.

But as a costumer designer, Buxton is more satisfied when an outfit doesn’t leave an impression. “Some of the costumes I’m most proud of are the ones you wouldn’t necessarily think about because the clothes naturally belong to the character. They don’t look like actors in costumes. They look like real people,” she told *Time*. That the show’s

perfectly appointed backdrop is part of its appeal is undeniable, but it’s the fashion zinger moments—like when Lady Sybil arrives dressed for dinner in a pair of Poirret-inspired turquoise harem pants—that do what great clothes do best: reveal an essential truth about the nature of the wearer. (Those pants, it’s worth pointing out, now have their own Twitter account: <http://twitter.com/sybilharempants>.)

It should come as no surprise that Buxton checks Coco Chanel as a style influencer for Lady Mary. While more decorous than her youngest sister when it comes to clothes, Mary is, like Chanel, a true iconoclast. Fiercely independent and resolutely romantic, Mary is the show’s emotional core—free-spirited and restrained all at once. “I always feel the women of that era personify a kind of oxymoron,” Fellowes told *Vogue*. “They presented themselves as physically helpless and delicate, while they were in fact brought up to be very tough with themselves as much as anyone else. So they would cultivate that creamy skin and those doe eyes, but if the moment called for it, they could take a five-bar gate without flinching.” Something to keep in mind as the *Downton*-inspired fall collections roll into stores. *Demure* does not mean *dull*.

“They don't look like actors in costumes. They look like real people.”

Susannah Buxton, costume designer, *Downton Abbey*

Alison Baenen is a freelance writer living in Brooklyn. She covers the New York fashion shows for Style.com and writes for Harper's Bazaar.

- © PBS/Photofest
- (left) © PBS/Photofest (right) photo Nick Briggs © Carnival Films for Masterpiece/PBS/Courtesy Everett Collection
- Courtesy of Ralph Lauren

Appendix IX – Ralph Lauren Philanthropic Initiatives

<http://global.ralphlauren.com/en-fr/About/Philanthropy/Pages/pink_pony.aspx?utm_source=redirect&utm_medium=redirect&utm_campaign=PinkPony_redirect>.
 <http://www.ralphlauren.fr/home/index.jsp?locale=en_FR&ab=global_cs_france_US>.



PINK PONY FUND

FOR CANCER CARE AND PREVENTION

Pink Pony is Ralph Lauren's worldwide initiative in the fight against cancer. Our mission is to reduce disparities in cancer care in medically underserved communities and ensure that treatment is available at an earlier, more curable stage. In the United States, 25 percent of the purchase price of Pink Pony products benefits the Pink Pony Fund of the Polo Ralph Lauren Foundation to support programs for screening, early diagnosis, treatment, research and patient navigation. Internationally, a network of local charities benefits from the sales of Pink Pony products.

- CANCER INFORMATION AND RESOURCES
- US AND INTERNATIONAL PINK PONY GRANT RECIPIENTS
- LEARN MORE ABOUT THE RALPH LAUREN CENTER FOR CANCER CARE AND PREVENTION
- MEET DR. GINA VILLANI, MEDICAL DIRECTOR OF THE RALPH LAUREN CENTER FOR CANCER CARE AND PREVENTION
- #PINKPONYPROMISE

If you are interested in making a donation to the Pink Pony Fund, please [click here](#).

"Breast cancer is not just a woman's issue—it affects all of us: the brothers, husbands, fathers, children and friends. Pink Pony is our effort in the fight against cancer." *Ralph Lauren*

For more information about the Pink Pony Fund of the Polo Ralph Lauren Foundation, please write to Pink Pony Fund, 625 Madison Avenue, 5th Floor, New York, NY



#PINKPONYPROMISE

Help The Polo Ralph Lauren Foundation support cancer research and treatment. From October 1-31, 2014, for every photo posted to Instagram, Twitter and RalphLauren.com/PinkPonyPromise with the hashtag #PinkPonyPromise, the Pink Pony Fund of The Polo Ralph Lauren Foundation will donate \$10 to cancer-related causes. Plus, tag up to five friends and the Pink Pony Fund will donate an additional \$1 for each tag (up to a \$1 MILLION total donation).

THREE STEPS TO GIVING BACK

1

PROMISE.
Write down how you will support the fight against cancer.

2

SNAP.
Take a picture of yourself with your promise.

3

SHARE & TAG.
Post it using #PinkPonyPromise.

TERMS & CONDITIONS

Appendix X – British Actress, Kate Winslet, Wearing Ralph Lauren in NYC

<<http://www.harpersbazaar.com/fashion/fashion-designers/ralph-lauren-harpers-bazaar-editorials#slide-10>>.

