Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economics

Bachelor Thesis

Analysis of co-branding strategies in the fashion industry
The case of H&M group

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BACHELOR THESIS ASSIGNMENT

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Analysis of co-branding strategies in the fashion industry – The case of H&M group

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Objectives of thesis

The Bachelor Thesis follows the aim of complex analysis of 'co-branding' concept in the frames of fashion industry, particularly, mass-market segment. It examines the effects of cooperation between brands influencing a brand positioning and customer attitudes.

1. Define the concept of 'fast fashion'.
2. Identify the modern position of fast fashion industry in the economy.
3. Define the concept of 'co-branding', its forms and aims.
4. Identify the features of co-branding strategy implemented by H&M group.
5. Evaluate the effectiveness of H&M's co-branding actions.

Methodology

The Bachelor Thesis used analytical approach in the construction of decisions and claims. It is based on qualitative research methods. Descriptive methods were used to visualize the outcomes of the company activities throughout the years. Comparative methods were used to receive conclusion from the graphs and tables. The practical part is mostly based on the information from the direct sources of the H&M group and Inditex company. Those were official web-pages. The information on supply chain management and assortment policy provided further was based on the latest performance reports of the companies and personal exploration. With a purpose of collecting statistically significant data base, the questionnaire was conducted as a concluding part of the work.

The proposed extent of the thesis

40 – 60 pages

Keywords

Co-branding, fast fashion, H&M case study, collaborate marketing, Inditex company, H&M collaborations.

Recommended information sources

Grieco, C., & Lasevoli, G. (2017). Co-marketing alliances: definitions and approaches. Insights from a literature review. Management Research Review, 40(9), 971-989.

Okonkwo, U. (2007). Luxury Fashion Branding: Trends, Tactics, Techniques. New York: Palgrave Macmillan.

Rao, A., & Ruekert, R. (1994). Brand Alliances as Signals of Product Quality. Sloan Management Review, 36(1), 87-97.

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Declaration

I declare that I have worked on my bachelor thesis titled "Analysis of co-branding strategies in the fashion industry. The case of H&M group" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break copyrights of any their person.

In Prague on ____________________________

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I would lid to thank Ing. Oldřich Výlupek, MSc., Ph.D. who was my thesis consultant and my supervisor Assoc. Prof. Ing. Mansoor Maitah, Ph.D. et Ph.D. for their advice and support during my work on this thesis.

Analýza strategií co-brandingu v módním průmyslu
Případ skupiny H&M

Souhrn

Bakalářská práce poskytuje komplexní pohled na popularizovanou marketingovou strategii jako co-branding v rámci módního průmyslu. Obsahuje popis módního fenoménu, charakteristiku módního průmyslu a jeho moderní globalizované verze jakou je rychlá móda. V praktické části je za vrcholného představitele rychlého módního průmyslu považována skupina H&M. Je zde poskytnut pohled na klíčové aspekty struktury společnosti v rámci segmentu masového trhu. Výzkum zkoumá účinnost strategie co-brandingu implementované značkou H&M. Skupina H&M je porovnána s hlavním konkurentem v průmyslu, společností Inditex. Za účelem dosažení výsledků závěrečná část práce sestává z průzkumu, jež zahrnuje 228 nezávislých respondentů, kteří vyjadřovali postoje a názory vůči zástupcům segmentu masového trhu. Analyzovaná data z dotazníku umožňují zhodnotit účinnost koncepce co-brandingu v módním průmyslu.

Klíčová slova: co-branding, rychlá móda, případová studie H&M, spolupráce s marketingem, společnost Inditex, spolupráce H&M.

Analysis of co-branding strategies in the fashion industry

The case of H&M group

Summary

The Bachelor Thesis provides complex look on the popularized marketing strategy as co-branding within the boundaries of fashion industry. It contains the descriptions of the fashion phenomenon as it is, the fashion industry and its modern globalised version as fast fashion. The practical part considers vibrant representative of fast fashion industry as H&M group. The key aspects of the company structure in the frame of mass-market segment are given. The research examines the co-branding strategy implemented by H&M brand. The H&M group is compared with the main competitor in the industry, Inditex company. With a purpose of reaching final objectives, the survey becomes the concluding part of the results. It involved 228 independent respondents, who express attitudes and opinions towards the mass-market segment representatives. The analysed data from the questionnaire allows to evaluate the effectiveness of co-branding concept in fashion industry.

Keywords: co-branding, fast fashion, H&M case study, collaborate marketing, Inditex company, H&M collaborations.

Table of Contents

Table of Figures

1 Introduction

Historically, the formation and development of the concept "brand" are contributed by the fashion industry. The fashion is not only the hint to the buyer, but also the strong personality of the one who creates, advances and sells the product.

The further work explores the processes happening in the fashion industry nowadays. It contains the descriptions of the fashion phenomenon and its modern globalised version as fast fashion. It will clarify the structure and features of the fast fashion business model. The Literature Review defines those core topics of the research by using diversity of scientific papers, articles and reference books.

Development of the modern economy characterized by fast and sometimes unpredictable and contradictory changes, it relates to technological transformations, evolution of the markets, rapid change of preferences, tastes and fashion. In these conditions, the companies face with totally new calls demanding from them non-standard decisions to promote the products in the market. Corporations begin to understand the importance of alliance for acquisition and support of own competitive advantages.

The work gives the insights to the co-branding concept, its base and forms. The practical part considers vibrant representative of fast fashion industry as H&M group. It has been applying the unique co-branding strategy throughout many years. The research examines effectiveness of the co-branding strategy implemented by H&M company in a comparison with Inditex company, which has totally opposite marketing strategy. The questionnaire becomes the concluding part of the results. It involves 228 independent respondents, who express their attitudes towards the mass-market segment representatives. The analysed data from the questionnaire will define the essence of ‘co-branding’ concept in the fashion industry.

2 Objectives and Methodology

2.1 Objectives

The Bachelor Thesis follows the aim of complex analysis of ‘co-branding’ concept in the frames of fashion industry, particularly, mass-market segment. It examines the effects of cooperation between brands influencing a brand positioning and customer attitudes.

1. Define the concept of 'fast fashion'.
2. Identify the modern position of fast fashion industry in the economy.
3. Define the concept of ‘co-branding’, its forms and aims.
4. Identify the features of co-branding strategy implemented by H&M group.
5. Evaluate the effectiveness of H&M’s co-branding actions.

2.2 Methodology

The Bachelor Thesis used analytical approach in the construction of decisions and claims. It is based on qualitative research methods. The work contains descriptive and comparative methods. Descriptive methods were used to visualize the outcomes of the company activities throughout the years. Comparative methods were used to receive conclusion from the graphs and tables.

The practical part is mostly based on the information from the direct sources of the H&M group and Inditex company. Those were official web-pages. The documentation such as annual financial reports, supply chain sustainability statements were examined as well. The information on supply chain management and assortment policy provided further was based on the latest performance reports of the companies and personal exploration. With a purpose of collecting statistically significant data base, the questionnaire was conducted as a concluding part of the work.

3 Literature Review

Today, branding became the most widespread instrument of competition, its formation and development include all communications. The brand is not just the trademark. It is a difficult complex which creation demands significant funds and long-term actions.

Historically, the formation and development of the concept "brand" are contributed by the fashion industry. It distinguishes the product from a general series of similar things. "Hipness" of a product is the strongest argument in fight for the buyer. It does not only provoke emergence of a favourable impression, but also literally push him to an acquisition of these goods. The fashion is not only the hint to the buyer, but also the strong personality of the one who create, advances and sells the product.

The literature review contains the descriptions of the fashion phenomenon as it is, the fashion industry and its modern globalised version as fast fashion. It gives the insights to the co-branding concept, its base and forms.

Nowadays, fashion industry is multibillion-dollar global enterprise devoted to the production and sale of clothing. Some observers distinguish between the fashion industry (which is oriented to “high fashion”) and the apparel industry (which produces ordinary clothes or “mass fashion”). However, the boundaries between them almost disappeared by the 1970s.

Fashion is best defined simply as the styles of clothing and accessories worn at any given time by groups of people. It seems there are differences between the expensive designer fashions shown on the runways and the mass-produced sportswear and street styles sold in markets and shopping malls around the world. However, the fashion industry encompasses the design, manufacturing, distribution, marketing, retailing, advertising, and promotion of all types of apparel from the most rarefied and expensive designer fashions to ordinary everyday clothing.

3.1 Global Fast Fashion

Fashion as a social institute performs several functions, cultural and economic, globalization acts as one of them. The fashion system as an institute of cultural domination and imposing of consumption standards, served as one of the bases for globalization process, one of the infrastructures which provide the movement of global streams, structures and relations (Mikhalyova, 2012). The major characteristic of fashion globalisation process is its focus on "the international integration", which assumes formation of the uniform fashion space based on the global industry of mass culture. From the point when the fashion becomes mass, globalization process overcomes the situation, as a result fashion is available for each personality.

Globalization is characterized by the development of a production line, formation and functioning of the world market which subjects the largest transnational industrial corporations. Those make the same production by levelling ethnocultural differences. The tendencies stated in fashion editions form the certain style which is not emphasizing ethno-regional distinctions and accepted as standards in different countries of the world. Concerning a paradigm of further development of the fashion-industry, its birth is promoted by unity of opinions of textile producers, producers of clothing and accessories, producers of cosmetics and furniture, editors of fashion magazines and purchasers of fashion boutiques. They place their choices based on the data provided by the international trend agencies developing urgent life style of the present.

Globalization of the beginning of the XXI century appears as interaction of two opposite tendencies: on the right-hand side, the cultural universalism levelling ethnic specifics and homogenizing society, on the left-hand side, the local ethnic originality placing emphasis on cultural differences and regional features.

The postmodern period is characterized by identity search, dissimilarity positioning, identity designing. An escape from comprehensive globalization tendencies finds reflection in creation of appearance by means of ethnic, vintage and subcultural components. Postmodernism assumes coexistence of various styles and the directions in culture. The practices of identity designing are traced in fashion-space of the globalized society.

There is a gradual formation of mankind culture to the uniform space which consists of various national components. The term "glocalisation" is incorporated dialectic unity of two beginnings: the emphasis on local aspect of global and global nuance of local

(Robertson, 1995) . H. Hondker defines this process as coexistence of macro localization and micro globalization, J. Naisbitt give the notion, "global paradox". Combination of integration and fragmentation, globalization and regionalization, universalism and diversity allow to understand the essence of the changes happening today in the fashion-industry.

In the line with conditions of globalization, there is a process of a total westernisation, appearance unification of a consumer based on the euro-American aesthetic standards. Practically, it is possible to find the same luxury (YSL, Versace, Dior, Chanel, etc.) and mass (H&M, TopShop, Zara, Mango, etc.) brands in any country. The mass brands promote active distribution of the "global fast fashion" by copying the spread-around fashionable trends of Paris and New York podiums and providing it at less expensive prices.

The phenomenon of "fast fashion" during an era of globalization succeeds class and mass fashion of last historical periods. It is based on fast copying and the fashion poignancy of things coming to the market. In the meantime, the term of relevance of the acquired item of clothing is sharply reduced, and the distribution speed of innovations increases. The researcher of sociological aspects of fashion-industry development notes, that fast fashion is based on the way to fashion as to the global industry with labour division. It assumes that the production and distribution of goods is a destiny of developing countries, while marketing and consumption is carried out generally in the capitalist countries (Gurova, 2008) Production of goods in China, India, Vietnam, Indonesia is not only reducing the costs. It creates conditions for wide circulation of real-time tendencies in the world, which called "democratization of luxury", as well as, for fast moral obsolescence of models and frequent change of consumers' clothes during an era of "disposable clothing" (Lebsak-Kleymans, 2012).

Thus, the fashion-industry controls spheres of production and consumption of goods on a global scale by making the defining impact on structure of global economies. The globalization processes are resulted in gradual disappearance of ethnic specifics in various cultural groups, downgrade of national fashion, loss of traditional systems of signs within separate ethnises and mankind.

3.2 Fashion communication

Bureaus of style arose in Europe in the second half of the XX century with the purpose of helping mass producers, so they could be adequately guided in the fashion market by reducing expenses and increasing competitiveness. Books-forecasts (trend-books) of the leading trend agencies, such as London "Kjaer Global" of A. - L-K'er, "The Future Laboratory" of M. Reymond and K. Sanders, or Parisian "Studio Edelkoort" and "Trend Union" L. Edelkort, "Nelly Rodi" N. Rodi, "Promostyl" F. Vincent, "Martine Leherpeur Conseil" M. Leerpyor, "Style-Vision" Zh. Flaven, define the strategy of further development of the fashion industry *(Appendix 1)*.

Online agencies of forecasts promote instant data transfer in scales of the global market. "TrendStop" and "WGSN" ("Worth Global Style Network") are the most influential of them. They provide an instant access to the most urgent tendencies of the next seasons and analytics in the field of apparel, architecture, the industry of a healthy lifestyle, food and cars. Forecasters (trend hunters) encourage reduction of chaos in postmodern society of a fragmentariness, bring structure and an order to the global economy, allowing large corporations to avoid risks. The world leaders of fashion (LVMH and Kering) and small design companies follow the tendencies developed by them.

They unify information about new world trends, thereby creating conditions for emergence of similar colour and stylistic schemes in collections of different Fashion Houses. The described tendencies bring to the globalization of production communications and formation of the general fashionable standards of the world market.

An international information openness creates conditions for fast transfer and data exchange through any destinations, by means of the latest network forms in information distribution and fashion-production. Seasonal fashion shows in such megalopolises as Paris, New York, Milan, London, articles in glossy magazines, TV advertising, round-the-clock broadcasting Fashion TV, the Internet portals of the leading trend bureaus, online stores, information and innovative websites. All above-mentioned parties are translators of the developed norms and rules in the field of the fashion industry.

3.3 Collaborate Marketing insights

Development of the modern economy characterized by fast and sometimes unpredictable and contradictory changes, it relates to technological transformations, evolution of the markets, rapid change of preferences, tastes and fashion. In these conditions, the companies face with totally new calls demanding from them non-standard decisions to promote the products in the market. Regarding to this some companies more often use co-marketing or intercompany marketing alliances in their practices.

From attempts to win alone the companies apply formation of partner networks. Corporations begin to understand importance of alliance for acquisition and support of own competitive advantages.

Modern marketing passes from traditional "vertical" interaction to lateral "horizontal" cooperation (Kotler & Bes, Lateral Marketing: Technology of Search of Revolutionary Ideas, 2010). From the concept of lateral marketing, vertical (logical) thinking is imposes control or development of conceptual samples and schemes, while lateral (creative) thinking is connected to reorganization of these schemes and creation of new behaviour samples. Main difference of lateral marketing from traditional (vertical) is its basic aim: creation of goods and services out of existing markets. Because of widely used lateral type of thinking by companies, we see co-marketing or joint marketing which represents joint management of creation of goods and services and also mechanisms of their realization in the market. In narrower sense co-marketing is considered as formal communication between two or more business structures which are cooperatively realizing goods and services in the market (Boone & Kurtz, 2007). Understanding that success of each company partially depends on activities of the partner forms a conceptual basis for creation of co-marketing alliances (Narus & Anderson, 1990).

In scientific literature, there is no standard classification of co-marketing forms. However, the following forms of the cooperation are described: dual branding, cross-marketing, coalition loyalty program, co-branding (Grieco & Lasevoli, 2017).

Figure 1 Forms of co-marketing

	The level of marketing interaction			
The depth of marketing interaction	**Dual-branding**	**Cross-marketing**	**Coalition Loyalty program**	**Co-branding**
				The common product
			Common brand	Common brand
		Common promotion	Common promotion	Common promotion
	Common sales	Common sales	Common sales	Common sales

Source: (Grieco & Lasevoli, 2017)

3.4 The concept of "Co-branding"

Co-branding or joint branding is rather new phenomenon in marketing coming from a phrase "brand cooperation". In a broad sense co-branding means any cooperation of two or more brands in any marketing actions (Grossman, 1997). In narrower understanding co-branding is association of two or more brands with the purpose of creation of uniform unique product or service (Kotler, Marketing Management, 1998). According to K.L. Keller, co-branding arises when two or more brands unite for creation of the general product or for its joint advance on mutually advantageous conditions (Keller, 2005). A. Rao and R. Rukert define co-branding alliance of brands, as short-term or long-term association or a combination of two or more individual brands, products and/or other assets of the companies, where products can be presented "physically" (association of several products in one "package"), or "symbolically" (joint advertising of products) (Rao & Ruekert, 1994).

J.-N. Kapferer considers that co-branding assumes usage of brands in the market by two various companies for achievement of the strategic marketing objectives (Kapferer, 2007). A. Sherman emphasizes that joint branding is association of two known brands for creation of a product or service with higher value added (Sherman, 1999). M.Lindstrom claims that the companies form the unions between the brands in case if it association is necessary for the development and release of a new product or service (Lindstrom, 2006).

3.5 Classification of Co-branding

In scientific literature, there are different approaches to classification of types of joint branding. Depending on the pursued marketing tasks, M. Lindstrom allocates the functional and symbolical unions of brands (Lindstrom, 2006). The functional unions create a new product from the components presented by different brands. The symbolical union represents joint promotion of own products of the partners combining efforts in the sphere of their sales and marketing communications.

There is the special form of the brand's union called in-branding which means promotion by the company of the product representing a component of some ready solution proposed by other firm (Kotler & Pfoertsch, Ingredient Branding: Making the Invisible Visible, 2010).

Co-branding interactions are also classified by type and level of co-branding (Chang, 2009). The type of co-branding fixes such administrative situations as company merger or creation of joint enterprises. The level of co-branding indicates structural unit where interactions are carried out. Here, co-branding is differentiated as coalition, coordination, collaboration and cooperation.

The other classification is based on the level of creation of consumer value, durability of co-branding and risks for the partner companies. It includes promotional sponsorship, value chain co-branding, innovation-based co-branded unions and ingredient co-branding (Nunes, Dull, & Lynch, 2007). Promotional sponsorship means creation of associations of an event or action by one or several brands. Value chain co-branding represents merging of producers of similar goods or unions of producers and retail dealers. Innovation-based co-branding unions are engaged in creation of new products or services. Ingredient or component co-branding relates to creation of a brand for materials and details which other products contain.

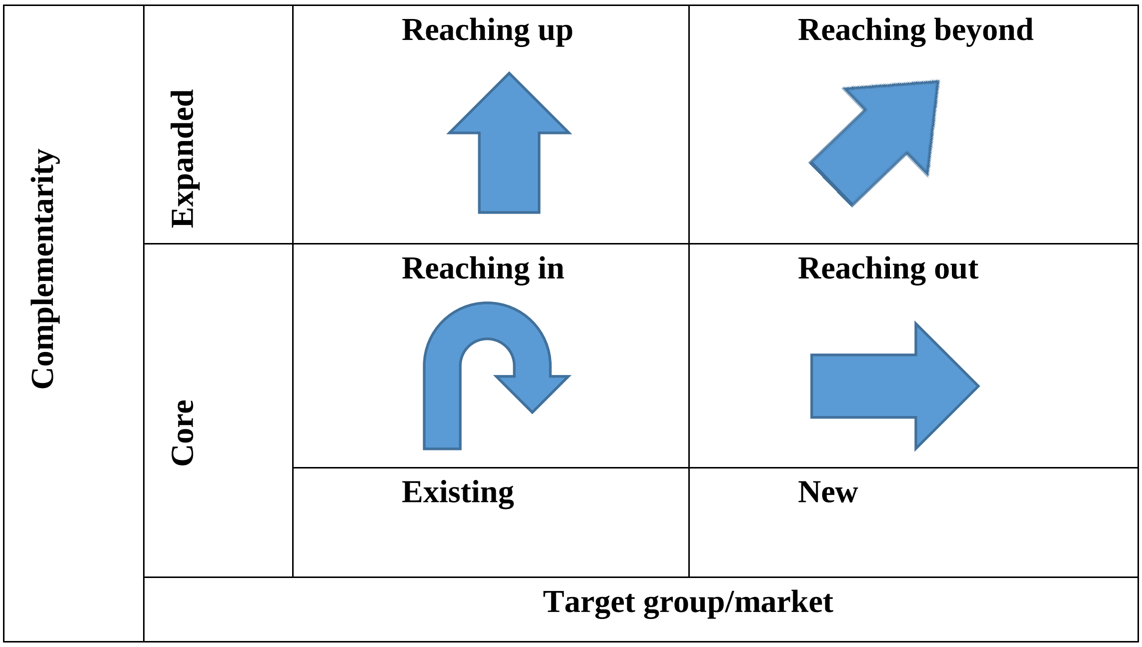
Depending on the purposes co-branding can be tactical and strategic. The essence of tactical co-branding consists that within the single action one brand is advertised, and the second – acts as the supplier of prizes (rewards). Tactical co-branding is used for a growth in sales volumes of the advertised brand. Thanks to a new combination of brands it stirs consumer interest and creates confidence that the brand develops and getting popular. The second brand once again appears in advertising and receives benefit in the form of growth of awareness of the brand name among consumers. This type of joint branding is effective in the dynamic markets where actions of sales promotion work. Strategic co-branding is more complicated and rare in use. But it is the instrument of development of a brand and it is directed to a long-term work with the consumer. Creating strategic alliances, the companies, as a rule, solve such problems as loyalty strengthening of the existing target group, its expansion and involvement of new consumer groups.

3.6 Co-branding strategies

Co-branding strategy is a process of formation and realization of an algorithm of the co-branding program actions. It considers main objectives of the brands participating in creation of a uniform and unique product or services. There was developed a matrix which is the analytical tool for identification of the strategy followed by co-branding program (Leuthesser, Kohli, & Suri, 2003). This matrix represents the field formed by two axes – horizontal axis "target group /market" which is subdivided into existing and new group of consumers or market, and vertical axis "product complementarity" which is in turn subdivided into the core and expanded (Figure 2). The core complementarity of brands means that both brands make the significant contribution to the creation of a co-branded product and its attributes. The extended complementarity of brands means that a good reputation of one of the brands in the co-branding program will serve as an incentive for a product to enter the market (in this case, the second brand is weaker than the first). This matrix helps to define advantages and shortcomings of the joint branding program. The joint branding is effective when both brands receive benefit from the cooperation.

The strategy of ‘'Reaching in" means that two brands equally participate in creation of goods or services. Such strategy will allow to reach larger penetration to already existing market. According to it, the company can choose such a partner brand which will be able to make the significant contribution to the improvement of product attributes by means of co-branding. Ingredient co-branding can explain essence of a Reaching-in strategy. For example, producer of personal computers chose for co-branding with the Intel company, because consumers give preferences to its microprocessors which differ in high efficiency and reliability. In that case, consumer value of the personal computer with Intel microprocessors is formed due to the Intel reputation.

Figure 2 Matrix of co-branding strategies



Source: (Leuthesser, Kohli, & Suri, 2003)

Risk of co-branding strategy Reaching-in is the fact that the partner company can become a competitor. When company IBM cooperated with Microsoft in development of the DOS operating system for the personal computers, the Microsoft company occupied stronger position in the market in development of operating systems, even although the value of a brand of Microsoft initially was much less than the IBM company's value.

In Reaching-out strategy, the brand needs such a partner who will be able to strengthen the main attributes of a joint product, thereby, to expand client base of the partner or to help to enter a new market. Usually, this type of co-branding means that one of the brand-partners is a retail dealer. The cooperation of Apple with the mobile operator Orange offering a package of services on granting mobile communication. As a result, it is possible to buy an expensive iPhone for a symbolical payment. This offer is available only within the chain of Orange services and in respect with the terms of the contract on granting mobile communication.

The strategy of Reaching-up is aimed to find a partner brand which has to promote positive perception of the co-branding product, as well as to improve image of a brand in general, thereby to increase share of the existing market. As an example, there was a co-branding union of the Ford company with premium class clothes designer brand Eddie Bauer. The Ford company sold more than one million cars Eddie Bauer Edition Ford Explorer thanks to the exclusive limited offer. The further examples of the Reaching-up strategy are the production of the Eggo cookies in the form of typical blocks of the toy in cooperation with the Lego company; a tracker device for measurement of distance and rate of walk or run, Nike + IPod Sport Kit, which is created by Apple in cooperation with Nike company.

The strategy of Reaching-beyond is directed to the choice of a partner-brand which will be able to create a positive image as well as open access to new target groups for both brands. The most vivid example is the co-branded cash card. For example, JSC Alfa-Bank in agreement with Aeroflot airlines, offer the cash card of Master Card payment service provider (Aeroflot – MasterCard – Alfa-Bank), which allows to accumulate miles of the Aeroflot Bonus program, by paying goods and services with use of that definite cash card. Furthermore, it is possible even to exchange the saved-up miles for the bonus air ticket, the air ticket for the first class or service provided by Aeroflot Bonus program.

3.7 Cooperation of Luxury and Mass segments

Co-branding arises when two brands combine the efforts for creation and advances of a uniform unique product. In a segment of luxury goods, cooperation of brands used to appear extremely rare due to the high level of the competition and securities of brands.

However, nowadays co-branding is used even more often with participation of luxury brands and brands of the mass-market. That type of cooperation become one of the most popular (Okonkwo, 2007).

In 1959, the fashion brand Pierre Cardin presented the pret-a-porter collection in Printemps Department Store. It is found as the first attempt of cooperation between a luxury and mass brand. In 1987, the Japanese designer Yohji Yamamoto developed a collection of Y-3 clothes for a brand of sport goods, Adidas. This partnership is substantially expanded the range of clothes, footwear and accessories of Adidas. The legendary designer, Karl Lagerfeld created the limited collection for Swedish mass brand H&M in fall of 2004. Karl Lagerfeld's desire to bring haute couture into masses was the reason for participation in such a program of cooperation. His project was innovative. Most of the models of a collection were sold out within several hours after the openings. At the same time H&M's turnover increased by 12% in the first month after launch of the collection.

A cooperation of luxury brands with brands which activity is cardinally different from the activity of the partner is possible as well. Here combination of both luxury brands, or luxury and mass brands can be presented. For example, in 2004 British designer Ozwald Boateng carried out rebranding of Coutts bank's payment cards. Alexander McQueen created the new version of the exclusive credit card American Express Centurion in honor of its fifth anniversary in 2004. In 2004, the designer Emilio Pucci together with brand of elite Veuve Cliquot vintage wine created package design for vintage Cliquot's La Grande Dame wine 1996. Moët & Chandon released the champagne bottles decorated with Swarovski crystals in 2004. In cooperation with Versace the TAG Aviation airline changed interior design of the planes.

The market of luxury goods underwent some changes recently. In 2003, the concept of "new luxury" was offered. Changes in the luxury market were caused by growth of personal income and change of consumer paradigm among highly profitable sectors of the society. In the research of Boston Consulting Group, the market of luxury was divided into two big segment: goods of "old luxury" and goods of "new luxury" . The concept of "new luxury" is based on the fact, that the growing income makes luxury goods available to wider groups of consumers. Consumers are objectively ready to pay more for the modified options of habitual things or for totally new grocery or service offers. The concept contains three types of goods in the market of "new luxury": accessible super premium, old-luxury brand extensions and masstige goods, presented in Figure 3 (Stern & Deimler, 2012).

Figure 3 Types of "new luxury" goods

Category	Content
Available super premium	Price for the good comes nearer or it is equal to the highest in the category and considerably exceeds the price of ordinary goods. However, the good remain available to buyers of the middle class because originally belong to rather inexpensive category.
Expansions of "old luxury" brands	The reduced-price options of the goods created by the brands traditionally available only to the audience with high income
Masstige goods	The goods taking an intermediate position between goods of the mass market and prestige goods, at the price much surpassing ordinary goods. At the same time, they do not considerably concede to the goods holding the top places of price rating or relating to "old luxury"

Source: (Stern & Deimler, 2012)

With the emergence of "new luxury" the culture of luxury goods consumption had changed. Consumers began to appreciate more individual approach. "New luxury" represents not only high quality, the price or brand's popularity. It arises when there is a minimum quantity of intermediaries between the producer and the consumer, and the idea of a good or service reaches without distortions.

The same values are important for consumers of developed and developing countries. Money, stability, family, environment and convenience, but at the same time the status and luxury have almost equivalent value with the specified categories. The geography of the luxury markets changes as well. China became one of the main epicentres of consumption of luxury goods. Luxury brands and retailers use new business models, such, as widely spreading co-branding.

4 Practical part

The Practical part evaluates the effectiveness of co-branding partnership in the practice of mass-market segment representative. The research is finalized by the self-administered survey questionnaire employed vie Internet channels.

4.1 Case Study: H&M company

Co-branding is deemed as an effective strategy of brand development and has been largely adopted by fast fashion brands such as H&M. A collaboration of a fast fashion brand with a luxury designer fashion brand is recognized as “fast fashion co-branding.”

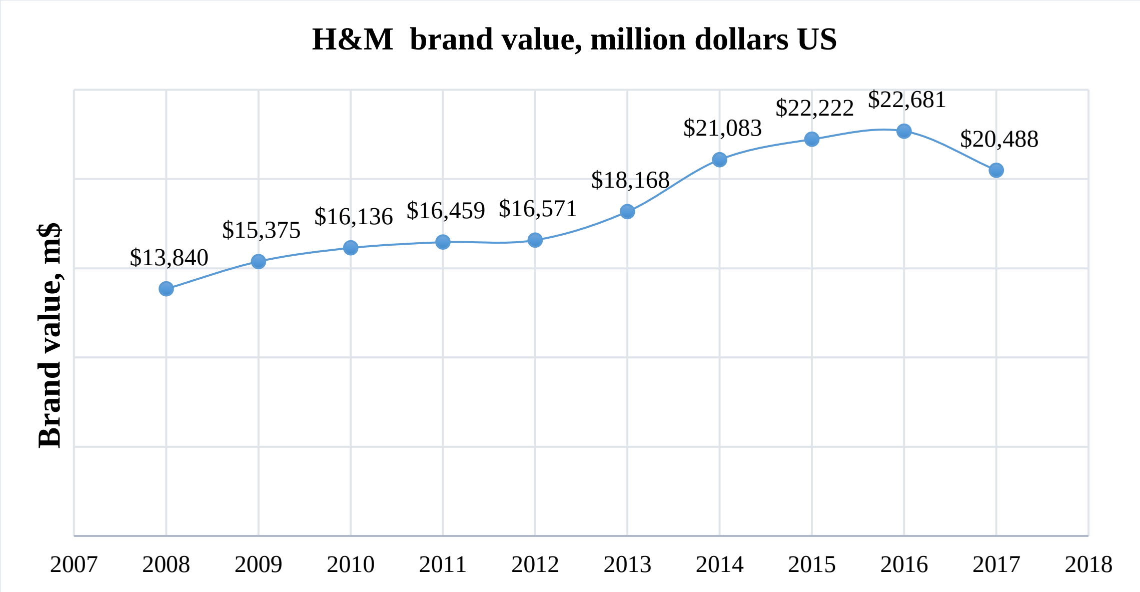
4.1.1 General characteristic of the H&M as a fast fashion retail chain

H&M (Hennes & Mauritz) is the Swedish company, the largest retail chain in Europe. This company was formed in 1947 by Erling Persson. The Hennes women's clothing shop was originally opened (in Swedish. "for her"). Later, in 1968, Persson acquires shop of Mauritz Widforss for hunters and fishers. After addition of a fashion line for men and children, the name of the company changed to Hennes & Mauritz.

H&M is positioned on average price segment (up to 80EUR for piece). The business model of H&M based on offering of fashionable and qualitative clothes, footwear and accessories at optimum price point. It works well due to the fact that H&M makes purchases directly from producers, uses effective logistics and also has own shops and factories in China, Pakistan and Sri Lanka. The H&M company adheres to the concept of "fast fashion", which means updating of the product range at least once in a season, thanks to copying of the leading luxury designers' collections.

The company is in the hundred of the most expensive world businesses. By 2017, H&M took the 20st place in the rating of Interbrand and it was estimated as 22 681 million US dollars (Figure 4).

Figure 4 H&M brand's growth history



Source: (http://interbrand.com/best-brands, 2018)

The company carries out production and trade of clothes. Along with H&M brand, it owns 5 other apparel brands (COS, & Other Stories, Monki, Weekday, ARKET). Except clothes, the company offers to buyers various goods for an interior under the brand H&M Home. Activity of the company is carried out by 4,740 stores in 64 markets (2017).

The company sets as main goals of the activity:

1. Increase in retail commodity turnover.
2. Receiving profit.
3. Expansion of the range.
4. Satisfaction of consumer demand in all segments of the population.
5. Improvement of the service.
6. Training of service personnel with the advanced methods of trade.
7. Introduction of new scientific developments.
8. Granting qualitative production.

The main objective of the H&M company's marketing strategy is involvement of buyers as a result of expansion in range of goods, the population aimed at different profitable levels. In H&M shops the collection is updated every season, and the stock is sold with significant discounts.

The company is known for competitiveness in prices of goods. H&M carries out aggressive international expansion; after the occupation of the European market in the 1980-

1990th the company opened the shops in the USA and Canada and now began penetration to violently emerging market of fashionable clothes of China.

The company expanded the activity mainly by opening of brand shops, however, by requirements of local laws, it had to opened a small amount of shops in the form of franchises. The company actively distributes information on the policy of social responsibility which is shown by its participation in various public and ecological projects. Nevertheless, all goods sold by H&M are made in developing countries with low levels of salary.

The philosophy of H&M personifies creation of qualitative clothes and its realization at optimum cost. An invariable condition of quality for H&M is the fact of production carried out in excellent conditions. The firm bears responsibility for the actions to the environment and the population. Therefore, the numerous team of the enterprise works on creation of "eco-friendly" fashion. The eco-clothes are made in such a way that the level of harmful effects on the environment by its production is minimized. The idea of environmental friendliness covers the whole life cycle of production: from supply of raw materials till utilization of clothes.

The H&M group has seven brands oriented to different target audiences in its catalogue:

1. *H&M* is the flagship brand of the company. It offers fashion and quality at the best price in a sustainable way for women, men, teenagers, children and the home. The brand has 4288 physical locations in 69 markets, 43 online markets. It was founded in 1947 and became the base of the company.
2. *COS* offers reinvented classics and wardrobe essentials for women, men and children claimed to be timeless and beyond the season trends. Founded in London in 2007, it is committed to support the world of art and design through collaboration, COS partners with established and emerging artists, studios and galleries all over the world. The brand has 231 stores in 37 markets, 20 online markets.
3. *Weekday* is a fashion and denim brand, with a distinct style that balances between femininity and masculinity and appeals to urban, conscious and style aware young adults. The brand became a part of the H&M group in 2008. It is available online in 18 markets. The 33 Weekday stores in 9 markets offer a dynamic shopping experience with Storemade printing stations and DJ booths.

4. *Cheap Monday* offers a full range of denim, fashion collections and accessories for men and women. The brand is closely connected to music and popular culture. It is mainly sold through selected retailers worldwide and it also has its own 3 stand-alone stores. Cheap Monday products are presented by 2000 resellers in 35 markets and 18 online markets.The brand has become a part of the H&M group since 2008.
5. *Monki* creates on-trend lifestyle collections for young women. It is differentiated from the other brands with colourful stores and active social media community. Monki has been working as a part the H&M group since 2008. The brand has 119 stores in 14 markets, 19 online markets.
6. *& Other Stories* has great attention to detail and quality and offers everything a woman can wear. The brand was founded in 2013. It has 60 physical locations in 16 markets and 15 online markets.
7. ARKET offers essential products for men, women, children and the home. ARKET stores also include a café based on the New Nordic Food Manifesto. ARKET's strategy is significantly different from the other brands of the company. It promotes democratise quality through widely accessible, well-made, durable products, designed to be used for a long time. It is the youngest brand owned by the H&M group, which was founded in 2017. Today, it has 5 stores in 4 markets and18 online markets.

4.1.2 Assortment and product policy of 'H&M' brand

The company supports the idea of so called Circular economy, which consists of 3 main elements: population, economy and resources. According to the strategy, their aim is creating the loop by reusing textile fibres, suppliers paying their employees a fair living wage and the ambition to increase transparency so customers can make informed choices. The policy is carried out in collaboration within the Sustainable Apparel Coalition. SAC controls the main procedures of building-up the sustainable and transparent fashion industry.

The assortment of the H&M brand is various, the brand takes into account the taste of everyone. The range in stores is updated daily.

The main lines of the brand can be divided into 6 groups:

1. The clothes for women are an extensive range of styles offering full-fledged clothes from classical models with details of haute couture to things with emphasis on current design trends, and sportswear, lines for pregnant women and clothes of the class cutting-edge fashion. These collections consist of outerwear, dresses, skirts, blazers,

vests, trousers and many other objects of clothes. And to each line it is possible to pick up suitable accessories, underwear and footwear.

2. The men's collection is the embodiment of the eternal and timeless classics. Lines include both urgent seasonal models, and clothes of a free cut. Here it is possible to choose various shirts, blazers and suits, cardigans and jumpers, t-shirts and undershirts, etc. The men's H&M collection, as well as women's, includes underwear, footwear, accessories.
3. The children line is divided into collections for new-borns (from 0 to 18 months), for toddlers (from 1,5 to 8 years) and for teenagers of "H&M Young" (from 9 to 14 years). The clothes for the smallest representatives of the population are found to be not only stylish, but also practical, safe, durable and convenient.
4. *The Divided* line. Department of the Swedish brand under the name "Divided" develops fashionable youth collections. The range consists of jeans pieces and objects of street fashion for all vital cases. The collections include both daily, and elegant models.
5. *& denim* is a jeans department, which offers variety of clothes - from traditional and habitual models with 5 pockets to ultrafashionable styles. In 2007, some models of jeans & denim from organic cotton have first appeared on the shelves of H&M shops.
6. *Cosmetics* department consist of various cosmetic products for body and face. The range is constantly replenished with new parfumes.

The H&M clothes are sewed from three types of "eco-friendly" materials - organic, processed and the material "TENCEL®/Lyocell". Organic materials are produced from fibres of plants which were grown up in environmentally friendly conditions (without use of artificial fertilizers and chemical pesticides). The processed materials are rooted from consumer waste and the remains of production. It helps to reduce significantly quantity of the consumed resources: energy, water, chemicals. The material "TENCEL®/Lyocell" is made from cellulose fibres which underwent certification of the Woods Board of trustees.

The environmentally conscious actions of the brand have a focus on four major factors:

1. Overall increase in use of sustainably sourced materials.
2. Usage of cotton from exceptionally sustainable sources.
3. Replacement of solvent-based glues in production of footwear and other accessories.

4. Production of shoes made with vegan, water-based Polyurethane *(Appendix 3)*

One of the main parts of product policy of the H&M brand is Animal Welfare policy. From 2015, the company started its collaboration with Humane Society International, one of the world's largest nonprofit organisations for animal welfare. All the products with animal origin such as fur, wool and leather, conform to strict standards set out by the organisation.

4.1.3 Supply chain management

H&M brand supply chain management system includes over 2,600 employees in 21 production offices around the world. The company preferably works with long-term suppliers. It is mostly strategic partnerships with joint capacity planning up to five years ahead. The supply chain management strategy of the company has a special focus on such fields, as:

- health and safety of the employees,
- fire and building safety,
- excessive overtime,
- wages,
- freedom of association,
- industrial relations,
- use of energy, water and chemicals

The company admits that it faces some challenges in Ethiopia and Myanmar with land rights, in Cambodia with fixed-term working contracts. Particularly, H&M's outsourcing management tries to prevent and eliminate so-called Sumangali schemes. It is a form of forced labour mainly present at Indian spinning mills, which started in 1989 (*Appendix 4*).

Figure 5 The value chain of the H&M group around the world

Values	Focus	Countries
1. Design	Demand evaluation, choice of sources and materials, summarizing of season trends, quality and costs planning	French Guiana, United Kingdom, France, Sweden
2. Raw Materials	Processing of raw material, water and chemical use, recycling, working conditions	USA, Brazil, Mali, Turkey, Mozambique, Ethiopia, Zambia, China, Australia, India, Pakistan, Sri Lanka
3. Fabric Production	Water and chemical use, greenhouse gas emission, processing technology	French Guiana, Portugal, France, Italy, Poland, Turkey, Bulgaria, China, India, Bangladesh, Pakistan, Vietnam, Indonesia, South Korea
4. Garment Production	Fair living wages, working conditions, workplace safety, workforce training	United Kingdom, Portugal, Spain, France, Germany, Sweden, Poland, Italy, Tunisia, Czech Republic, Denmark, Latvia, Netherlands, Greece, Bulgaria, Romania, Turkey, Egypt, Ethiopia, Kenya, China, Pakistan, India, Bangladesh, Sri Lanka, Indonesia, South Korea, Thailand, Cambodia, Vietnam
5.Transport	Greenhouse gas emissions, choice of transport type	The chain includes all the countries of presence

6.Sales	Customer service, advertisement, shopping experience, workforce training, data privacy	USA, Canada, Peru, Chile, Mexico, Europe, French Guiana, South Africa, Morocco, Egypt, Saudi Arabia, Turkey, Oman, Russia, China, South Korea, Japan, Australia, Indonesia, Malaysia, India, Singapore, Thailand
7. Use	Greenhouse emission, recycling	All the countries of sales

Source: (sustainability.hm.com, 2016)

As it can be seen from the table the supply system consists of many channels connecting the farthest parts of the world. With the aim to support the effective productivity of such a sophisticated supply chain, the company started the implementation of renewed supplier sustainability assessment programme SIPP (Sustainable Impact Partnership Programme) in 2015. According to SIPP the company's subcontracting factories are assessed based on the three-levelled approach:

- 1st Level: Compliance with legal requirements and Code of Conduct (Mandatory commitment to enter a business relationship with H&M);
- 2nd Level: Quality of management systems and achievement of performance goals;
- 3rd Level: Compliance with restrictions defined by KPIs (Key Performance Indicator) such as energy reduction and community impacts.

According to the statistical data provided by the company report, around 80% of all supplier factories were audited each year (2013-2015). As it appears approximately 20% of the subcontractors did not path through the standard control. However, opposite to other fast fashion suppliers, H&M performs successfully in primary assessment and auditions of the factories. By the end of 2015, 97% of the subcontracting factories were checked and verified by the commission before an order was placed (*Appendix 2*).

In the business environment, H&M group follows the objective of presenting himself as a fair and reliable business partner. The statistics shows that 84% of suppliers saw H&M as a fair business partner by 2015, which is considerably close to the planned 90 % by the end of 2018.

The H&M group is obliged to publish financial performance reports every month as a transparent business enterprise since 1997 *(Appendix 5)*. However, the report covers the performance of the whole concern, so the numbers 6 separate brands are summed together.

4.1.4 SWOT Analysis of the H&M company

The SWOT analysis of the company reveals internal and external factors of environment in H&M Group.

Strength

- Brand recognition of the H&M company. One of the best global brands in 2017 according to Interbrand agency.
- It is one of the largest global clothing retailer.
- High brand value of the H&M group.
- H&M has a wide range of product offerings including apparels, cosmetics, shoes and accessories at affordable prices for a wide range of customers.
- The H&M collections always include the main fashion tendencies.
- Each of the brands from H&M group's portfolio have a unique identity and diversification depending on the target group preferences.
- Strong reputation of the H&M company in the sphere of ecology and other social programs.
- Stable financial state.
- Co-branding strategy (the brand is associated with celebrities and designers).
- Effective online shopping service (their overall delivery time is very low).

Weaknesses

- Dependence of H&M Group on the flagman H&M brand.
- Dependence on third party suppliers.
- Following trends: H&M pick up after trends from luxury brands. The clothing or fashion is out of date in short period of time.
- Affordable pricing policy affects quality.
- Large volumes of production lead to overstocking and lowering of the product costs.
- The target customer base is highly affected by the changes in macro-economic conditions.

- Considerable capital input for all the diversified types of machines required to produce clothes for each target segment.

Opportunities

- Expand in emerging markets: decline in unemployment in China, Pakistan and Sri Lanka can be an improvement indicator of the labour law in the countries of H&M presence.
- Increase in the involvement of the population in ecological and social programs.
- Increase in purchasing power of consumers.
- E-commerce as a platform: H&M needs to expand in the E-Commerce platform in order to serve to a larger market.

Threats

- Change of acts in the countries of presence.
- Change of consumer demand.
- Increase in labour cost in China, Pakistan and Sri Lanka.
- Increase of material prices.
- Intense competition.
- A risk of foreign exchange fluctuations: The threat of foreign exchange rate with respect to the powerful currencies can affect the profitability.
- Evolving fashion trends**:** Apparel industry is subject to quick changes as trends keep changing quickly.

From the results of SWOT analysis, H&M Group substantially depends on a flagship brand. Only 5% are represented by other brands of the group. Since 2004, the H&M company chose strategy of co-branding and cooperates with representatives of the luxury market for capsular collections. Capsular collections represent the small limited line of clothes and accessorise developed by a brand together with the invited designer or celebrity. Distinctive feature of these cooperation programs is that luxury brands cooperate with brand of a mass-market or "fast fashion" brand.

4.1.5 H&M in co-branding partnerships

Over 10 years, H&M steadily and annually surprises the audience with the loudest collaborations. The line of customers is built long before opening of shops in a launch day of the collection. As the media claim, the secret of success is involvement of the most eminent designers and broadcasting the style at the democratic prices of a mass-market. It is possible to Versace, Balmain, Jimmy Choo and many other brands which name stood near H&M on billboards.

Like clockwork, H&M has released one or two fashion designer collaborations a year since 2004. Most of these collections sell out in hours and hit the secondary market for two or three times the price of the originals. H&M could create an impressive portfolio of collaborations:

1. Karl Lagerfeld x H&M, 2004
2. Stella McCartney x H&M, 2005
3. Viktor & Rolf x H&M, 2006
4. Roberto Cavalli x H&M, 2007
5. Comme des Garçons x H&M, 2008
6. Matthew Williamson x H&M, 2009
7. Jimmy Choo x H&M, 2009
8. Sonia Rykiel x H&M, 2009, 2010
9. Lanvin x H&M, 2010
10. Versace x H&M, 2011, 2012
11. Maison Martin Margiela x H&M, 2012
12. Marni x H&M, 2012
13. Isabel Marant x H&M, 2013
14. Alexander Wang x H&M, 2014
15. Balmain x H&M, 2015
16. Kenzo’s Humberto Leon and Carol Lim, 2016
17. ERDEM x H&M, 2017

The first designer invited to create a democratic fashion line for H&M was Karl Lagerfeld in 2004. News about cooperation of the luxury designer and Swedish mass retailer caused an unknown stir. In 2005, H&M worked with Stella McCartney. In fall of 2006, Viktor Horsting and Rolf Snoeren were the invited designers. The following cooperation with Roberto Cavalli attracted wider audience because of the high popularity of the brand in 2007. Development of the line for H&M by Ray Kavakubo, the designer of brand of Comme des Garcons, attracted the interest of the most different media in 2008. In spring of 2009, H&M announced the joint project with the young designer Mathew Williamson where besides the habitual range, the collection of beachwear was presented.

The Sonia Rykiel collection for H&M was launched in 2010. the same year the H&M company cooperated with a luxury brand of Lanvin. This co-branding project differed in the fact that some models were sold at an auction. The auction was organized by H&M and UNICEF (The United Nations Children's Fund), the proceeds from which were transferred to the account of the charity project "All for Children". Further, H&M presented the exclusive "Versace for H&M" line in 2011. In March of 2012, the joint collection of the Swedish brand and the foundress of Marni Consuelo Castiglioni was presented, followed by collaboration with Maison Martin Margiela in fall of 2012. The choice of this fashion house was unexpected that increased the interest of the audience even more. In November of 2013, the joint program with the French designer Isabelle Maran in 250 H&M shops was presented worldwide, it was also available online. And at last, the H&M company already announced the new program in a luxury segment where this time the invited designer was Alexander Wong, the creative director of Balenciaga.

In line with co-branding activities with luxury brands, H&M launched Conscious Exclusive line in 2011. The production of the line involves recycled and organic materials to create more sustainable fashion looks. The action provides a platform to experiment with sustainable materials with an eye to introducing them more broadly across main product lines. In the frame of the project, H&M cooperating with famous actresses and models, which provoke additional attention of the public. The image of Conscious Exclusive line was associated with:

1. In 2013, Amber Valletta, famous model, TV host and actress. The Conscious collection contained fashion pieces, each made with materials that are sustainable, such as organic cotton, Tencel®, hemp and recycled materials. The line was available in 150 selected H&M stores worldwide, as well as online.
2. In 2015, Olivia Wilde, famous actress and activist in the sphere of environment protection. All things of H&M Conscious Exclusive promoted by her were made from the most different, but by all means ecological materials: recycled beads, organic leather, flax, silk, cotton and hemp. It was available in around 200 H&M stores worldwide.
3. In 2017, Natalia Vodianova, world famous Russian model, philanthropist. In the campaign, she had actively participated in designing of the line. The

items were made from a new material called Bionic — a recycled polyester made using plastic waste culled from the shoreline. The collection went for sale April 20 of 2017 in 160 H&M stores and online.

As the collections were limited by amount and time they were selling out with special agiotage even though the quality did not differ much from the common assortment. However, the prices for the items were 5-6 times higher comparing with usual average prices of regular H&M pieces. Here, the positive comments in media and impassioned reaction of the customers were caused by famous people whose names become a brand. Consequently, the outcomes of the project have the same effect as previously mentioned co-branding programs of the company.

The analysis of the realized co-branding programs of the H&M company allows to estimate risks which participants of similar cooperation programs can face. As luxury goods and services differ from mass consumer goods in higher price, the high-quality standards and exclusivity, such co-branding programs can cause damage to the image of luxury brands in the first place. H&M is associated, first, with an availability. Naturally, the joint collections with H&M can negatively affect perception of luxury brands by the customers. Although, cooperation of H&M with representatives of haute couture is conducted within capsular collections, the exclusivity is out of the question, as collections are on sale at every shopping mall, besides at lower price point, than original collections of luxury brands. Therefore, clothing from co-branding programs are accessible for practically everyone. This fact also does not correspond to one of the main criterions of luxury goods that can negatively affect image of the luxury brands participating in co-branding programs. Low price of clothes of the H&M company is justified by low quality of the used materials. The same cheap materials are also used at implementation of the co-branding program with luxury brand designers. The fact can negatively affect perception by consumers of the whole luxury designer clothes industry. Frequent emergence of a luxury brand in media can cause loss of interest of the main consumers. Other pluses and minuses of the co-branding H&M programs for all participants of the process are presented in the Figure 6.

Figure 6 Advantages and disadvantages of H&M's collaborations with fashion designer brands

	Pluses	Minuses
Fashion designer brands	1. High level of interaction with media. 2. Expansion of the existing client base and attraction of a new audience. 3. Growth in sales volumes	1. Cooperation can damage the image of a brand and weaken its capital. 2. The negative associations connected with a partner brand can affect a luxury brand
H&M brand	1. High level of interaction with media. 2. Increase in sales proceeds. 3. Competitive advantage among other brands of fast fashion. 4. Positioning of a brand as a premium one	Co-branding can confuse consumers of rather branded perceptions and also weaken the capital of a brand

Source: Personal analysis based on the literature review and the practical part.

From the table it is possible to draw a conclusion that the co-branding programs have potential risk for a brand of fast fashion as well. Available target audience of the H&M company can inadequately apprehend presence of a luxury brand. Other potential risk of co-branding programs can be the negative associations connected with one of partners brand which will subsequently render influence on another brand. In this regard it is necessary to approach more carefully the choice of partners for implementation of the joint program. In case of the H&M company, this risk so far was not observed. It relates to the fact that the company has positive reputation and already well proved in collaboration with luxury designers.

4.1.6 Conclusions from the Case Study

The main feature of luxury and mass brands' co- branding is the distinction of their characteristics. The mass brand offers consumer goods at the affordable prices while luxury goods differ in the super high price, an exclusive quality, an exclusivity of the offer, a rarity and singularity. Therefore, there is a probability of the result, that co-branding with a brand of a mass market can negatively affect image of a luxury brand. However, now co-branding meets even more often participation of luxury brands and brands of a mass market and gains the increasing popularity nowadays. Potential risks of cooperation between luxury and mass brands:

1. In the conditions of co-branding program between luxury and mass brands, there is a delusion of consumers concerning positioning of one or the other brands.

2. Goods of the luxury and mass market have different characteristics and features, therefore, joint product of the companies from the different markets causes contradictory feelings of consumers.

3. The mass brand is secondary in comparison with a luxury brand. Consumers first will pay attention to the invited fashion designer. Respectively, there is "washing out" of a brand.

4. Marketing alliances of luxury designers with brands of the fast fashion industry are happening often nowadays. Therefore, this phenomenon does not bring the sense of originality and exclusivity to the consumers.

5. The careful analysis is necessary for the choice of a suitable partner brand, as cooperation of luxury and mass brand is capable to change the relation of consumers to brands. However, in fact there is a complexity of determination of such a choice of criteria.

Figure 7 The advantages of co-branding programs

5	Influence of co-branding strategy
Financial advantages	Increase in a cash flow
	Acceleration of a cash flow
	Decrease in volatility of a cash flow
	Increase in retail price of a good/service
Functional advantages	Brand awareness and its updating at low expenses
	New categories and markets
	Expansion of a brand
	Increase in coverage of the market
	Increase in recognition of a brand
	Increase in sales channels
	Reduction of the "cannibalism" risk between brands in a portfolio of one company
Emotional advantages	Reduction of a cognitive dissonance effect
	Support from a partner brand
	Increase in the authority of a brand and trust to it
	Providing individualization of a brand with the help of a partner brand
	Increase in appeal to a brands portfolio, by means of "a silver bullet" effect created by partner brand
	Increase in associations due to the brighter image of a partner brand

Source: Personal analysis based on the literature review and the practical part.

Obviously, co-branding programs involve certain risks for participants. The most common risk is loss of control over identity of a brand, the main values and associations. Furthermore, the choice of the "wrong" partner can destroy image of a brand and cause deterioration in associations with brands participating in the cooperation. Frequent emergence of a brand in various co-branding programs reduces "transfer" of positive associations from the invited brand. These and the other shortcomings of co-branding are presented in Figure 8.

Figure 8 The disadvantages of co-branding programs

Disadvantage	Influence
Risk of interest loss to a brand because of frequent emergence in public	Continuous emergence of a brand in various contexts leads to the fact that consumers lose interest to it
Risk that one of the attracted brands can become universal	One of the brands can become a universal category
Risk of loss of brand's depth and variety	Depth and width of the brand's main idea can be damaged by co-branding
Risk that levers of influences will be lost in future	Reduction of capitalization ability of a brand in future
Risk of target audience and accurate positioning loss	The image of a brand becomes indistinct

Source: Personal analysis based on the literature review and the practical part.

4.2 Comparative analysis of the H&M company and Inditex

4.2.1 General information

Inditex is the Spanish corporation which is the largest producer and seller of clothes in the world. In addition, Inditex is the largest (most expensive) Spanish company. It was founded in 1975 by the Spanish businessman Amancio Ortega and specializes in production of the inexpensive clothes designed considering recent trends of fashion and wishes of buyers. Shops of various brands of the Inditex company are practically worldwide. It has 7,504 stores in 94 markets around the world (2017).

In the 1990s the Inditex became the most expanding company of fashion retail. Rates of turnover increase were 30, and sometimes 40 percent a year. Profit grew approximately with the same speed; in 1994-1999 rates were about 39% a year. The number of company shops substantially increased, mainly ZARA, but then both Pull&Bear and Bershka followed by other brands. The company controls the most part of a production chain, 50% of products are manufactured in Spain, 26% - in other parts of Europe and 24% - in Asia, Africa and other countries.

In 2001 the company became public: a part of its shares was placed in the open market. This event brought to its founder enormous dividends: shares were sold out at the price much higher than the face value. The market value of the company strongly increased. Amancio Ortega is the richest man in Europe and the wealthiest retailer in the world according to Forbes. In 2011, Pablo Isla became CEO of the company.

4.2.2 Brands of the Inditex company

1. ZARA is the largest and oldest brand of the company, the classic representative of "fast fashion". It is oriented to young and middle age groups with average income interested to be fashionably dressed. In ZARA shops, there are several lines, men's, women's, youth wear are presented. The main styles are strict casual, club casual.
2. ZARA Kids are clothes for children from 0 to 14 years.
3. Pull&Bear is brand focused on young people (16-25 age group), who want to put on bright and original clothes. The main styles are sports casual, club casual.
4. Bershka is positioned as the most democratic Inditex brand for young people of 18-25 years. Casual style clothes are more modest and reserved in comparison with Pull&Bear.
5. Massimo Dutti is ZARA analogue in general. However, the prices and quality are much higher, clothes more strict, ceremonial.
6. Oysho is a lingerie and homeware brand.
7. ZARA Home is a brand of household needs as bed linen, towels, covers etc.
8. Stradivarius is a brand focused on adolescent audience. It offers clothes and accessories of rather original and stylish design at the low prices.
9. Uterque is the new Inditex brand replicating ZARA style with the use of higher quality materials. The price level and target audience is common with Massimo Dutti.

4.2.3 Specifics of production and sale

Undoubtedly, the main invention of Inditex is the production and logistic chain. This chain allows to carry out process from creation of new design before its delivered to retail shop within literally two weeks. Moreover, each shop regularly makes special reports where brings the wishes of all buyers. In case the sale of any model is low, news of it are immediately transferred to the central office, and production of this item stops. In other words, Inditex created the mechanism of extremely quick and effective response to changes of consumer preferences. High speed is quickly reached also thanks to extremely big staff of designers — about 200 people only for one ZARA brand.

The often update of the range allows to achieve more frequent visits of buyers. More frequentations usually involve regular purchases. For example, the same client visits the average ZARA shop in Spain approximately 15-17 times a year; while, for example, the luxury shop Pal Zileri is visited only 2-3 times (Hansen, 2013).

The shops regularly (daily) report to the central office about the best and worst sellers, buyers' demands, desires concerning styles and colors. Respectively, the range in different shops can differ considerably. As a result of personal research, it was noticed that the range in ZARA shops in one area sometimes differs for 40-50%.

Inditex uses machines with program control. The supply of fabrics to production is also automated. Everything is made in order to avoid any congestion of materials and/or ready things. In addition, machines are very functional and can be re-customized for production of other item's design in very short periods.

One of the main differences of the Inditex politics from the H&M company is a promotion strategy. The Inditex company does not advertise any of the brands or collaborate with any of the other apparel brands. In other words, you will not meet the advertisement of ZARA or Bershka neither in the subway, nor in magazines, nor in other places. It allocates those funds, which the company could spend for advertising, for opening of new shops.

Figure 9 SWOT analysis of the Inditex company

Strength	**Weaknesses**
1. Strong control over supply chain. 2. Adroit design strategy 3. In-house production and no outsourcing (vertical integration) 4. Efficient production management 5. Product design strategy 6. Diversified products 7. Large distribution network and greater reach 8. Strategic location of the stores 9. Affordable prices	1. Self-contained distribution system 2. High reliance on European market 3. Imitator, not creator 4. No advertisement policy
Opportunities	**Threats**
1. Scope for global expansion 2. Expand in e-commerce sector 3. More attention to the distribution network	1. Fierce competition 2. No collaboration with international designers

Source: Personal analysis based on the literature review and the practical part.

4.2.4 Conclusion of the analysis

The Inditex company possesses 90 percent of its store in 88 countries worldwide, and the rest are the joint ventures or franchises. It affords the company self-containment throughout all stages of its supply chain. Nowadays, comparing with H&M group the Inditex has more physical locations.

Traditionally, fashion companies use media to promote season's trend. On the other hand, Inditex imitates the trends of the seasons and provides such fashion trend to its customers at minimal time possible. Like H&M group, Inditex maintains the supply chain that enables them to embrace the fast-changing tastes of the audience.

Intidex does not outsource its products in the hope of reducing labour cost. It makes the most out of the cheap labour supply in Portugal and Galicia. The company is vertically integrated, unlike its competitor H&M. It controls its designs, production facilities, distribution centres, transport fleet, and 90 percent of its shops. This helps the company to reduce cost of warehouses as shipping is done from production factories itself. Its main manufacturing plant is in the city of La Coruna, where the clothing retailer was founded. 50 percent of ZARA items come from Spain, and 24 percent of manufacturing is outsourced to low-cost producers in Asia and Africa.

Inditex produces more designs than H&M, over 10,000 pieces produced per year. Its strategy is to offer a higher number of available products than its competitors. While the H&M's strategy is to offer featured product that will have the famous designer collaborations in its value. The company's design-to-stock cycle varies from 4 to 6 weeks compared to the average 6 month of the traditional industry. It produces 50 percent of its clothes are designed and manufactured in the middle of the season, while only 15-25 percent are produces 6 month in advance. As a result, they get the designs into the stores while the trends are still peaking. The turnover of products within the stores is very high, with an average article of clothing remaining on the shelf for only a month. *(Appendix 6)*

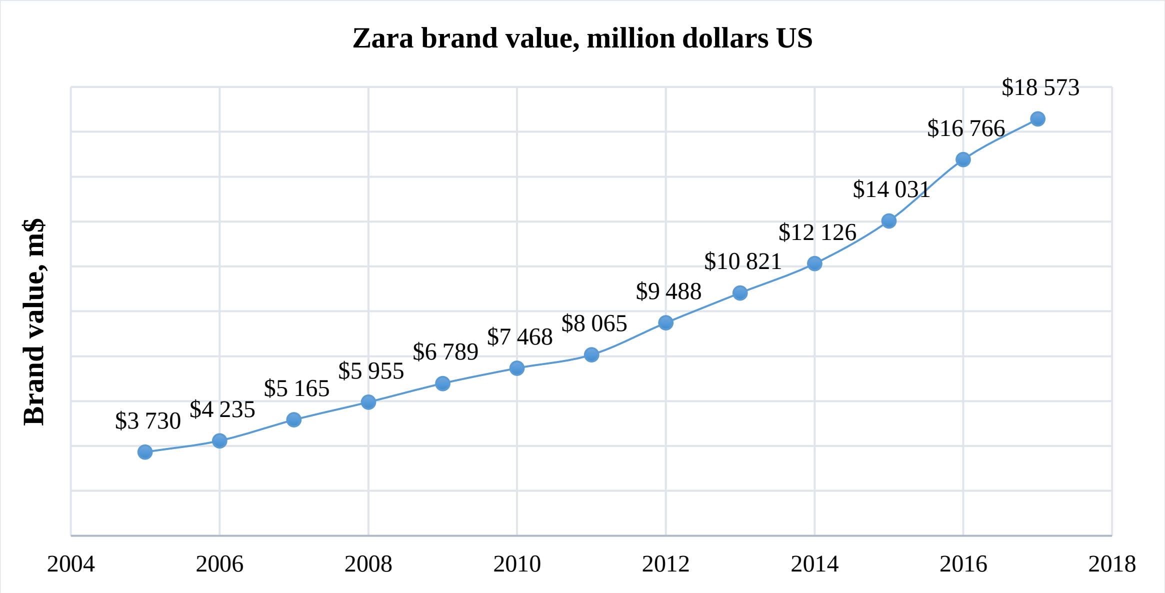
The company invests a substantial capital buying storefronts beside luxurious brands to own the label of luxurious brand. Its flagship stores are strategically opened in key traffic points worldwide that have high real estate costs, such as its Fifth Avenue location in New York City.

The flagship brand of Inditex is known as Zara. It is apparel pricing ranges from 4 to 300EUR, while the average price is 40EUR. Comparing with the H&M shops, the differential pricing structure can be noticed. H&M's most priced bracket in tops is 20-25EUR, whereas, Zara's is 30-40EUR.

Centralized distribution system is the biggest weakness of Inditex. If there is any technical issue in the distribution network then the whole system can collapse.

Inditex has a zero-advertising policy, unlike H&M group. The fact limits the public exposure of a company. However, recently it was noticed that the company is setting some major names as brand ambassadors. One of the considerable marketing moment of the company involve Kate Middleton, Duchess of Cambridge.[1] However, Inditex shares no collaboration with international designers unlike H&M. This can be a serious threat to the company, as fast fashion target groups are getting more and more interested in buying designer labels.

Figure 10 Zara brand's growth history



Source: (http://interbrand.com/best-brands/, 2018)

[1] Kate Middleton was wearing a 50 US dollars ZARA dress the day after her wedding to Prince William.

4.3 The questionnaire

With a purpose of reaching final objectives, the survey becomes the concluding part of the results. It involved 228 independent respondents, who expressed their attitudes towards the mass-market segment representatives. The analysed data from the questionnaire helps to define the essence of ‘co-branding’ concept in the fashion industry.

4.3.1 Research theories

According to the case study, the co-branding program implemented by H&M brand has mostly positive impact on brand position in the market. The brand value of the company has a stable growth tendency. As it was described previously, the Inditex company has no-advertisement policy, which suppose the absence of co-branding in its strategy. The objective of the questionnaire is to define the attitudes and opinions of individuals towards fast fashion clothing in general. It also defines brand recognition levels of the main competitors in fast fashion industry as H&M and ZARA. The results of questionnaire provide structure base to make assumptions on the effectiveness of H&M’s co-branding program.

4.3.2 Survey methods

The questionnaire was carried out in the interval from 10.02.2018 to 21.02.2018. It was created in Google Forms platform (Kalmahan, 2018). The survey is distributed vie Internet channels and data was collected online. As the research was published through personal pages in Social Networks, the demographic profiles of respondents vary substantially. It covers number of European regions as well as Asia, particularly Kazakhstan.

4.3.2.1 Questionnaire development structure

The questionnaire consists of 9 questions. It is designed to measure attitudes and behaviours. The sum of responses creates descriptive and analytic statistics, which allow to project the findings to a large population.

For obtaining statistically useful information from individuals the multiple-choice questions are used. Close ended questions have sufficient alternatives to select and to fit in the information given by the respondent. The question content, wording and response format are designed in the way so it will be clear and easy to understand for a potential respondent, and avoid any confusions. In order to avoid primacy and recency effects of responses, which are typical for self-administered surveys, the order of questions is combined. The questions do not follow the defined chain and do not proceed from one another.

The concrete topic of the work was not published in the process of data collecting to keep the objectivity of answers. Preceding instructions and explanations were basic and reserved in order to avoid prejudiced and biased responds:

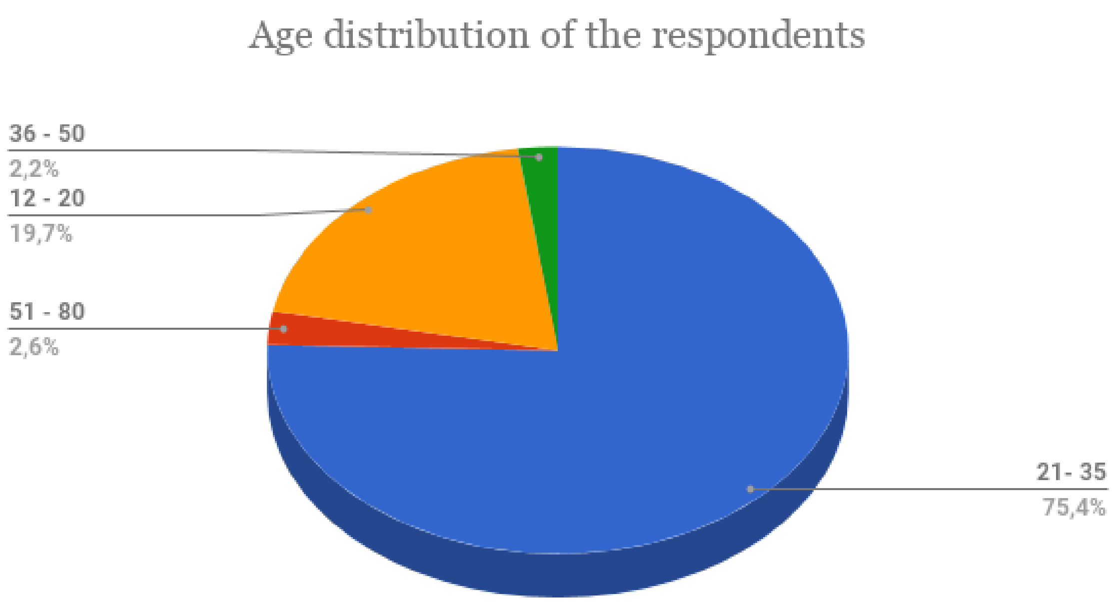
'The results of this survey will be the conclusive part of the research. The actual topic of the work will be kept indefinite with the intention to keep the answers unbiased. Thank you for your time!'

4.3.2.2 Survey Sampling

The reporting units are selected randomly and voluntarily. A random sample allows to use collect data from a portion of a population and use sampling statistics to generalize. The sample size of the questionnaire corresponds to 228. It is the self-administrated questionnaire. The attention and cooperation of respondents were obtained via social network channels and mails.

As the survey partially focused on definite brands, its target population corresponds to the target audience of the brands. Characteristics of the respondents:

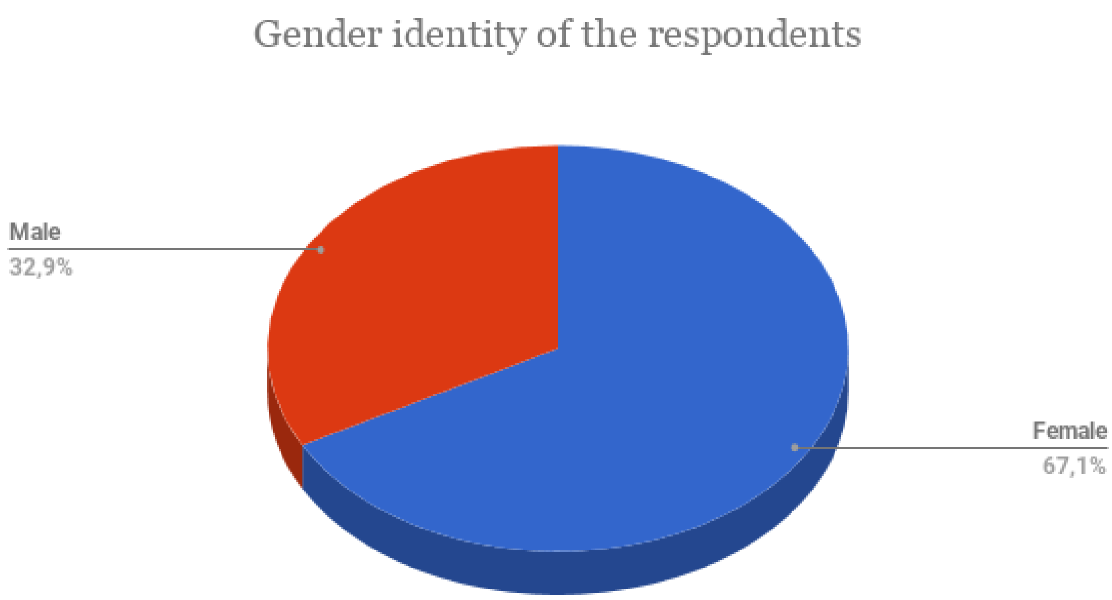
Figure 11 Survey results: Age distribution



Source: Author's calculation

75,4% of the respondents are from the category of Early Adulthood, which complies to the range 21-35. The age group occupies the main share of the H&M and ZARA target audiences.

Figure 12 Survey results: Gender identity



Source: Author's calculation

153 out of 228 answers are from female representatives of population. It is quite differing from the world's proportion, which is 49,55% female of total (data.worldbank.org/indicator, 2018).

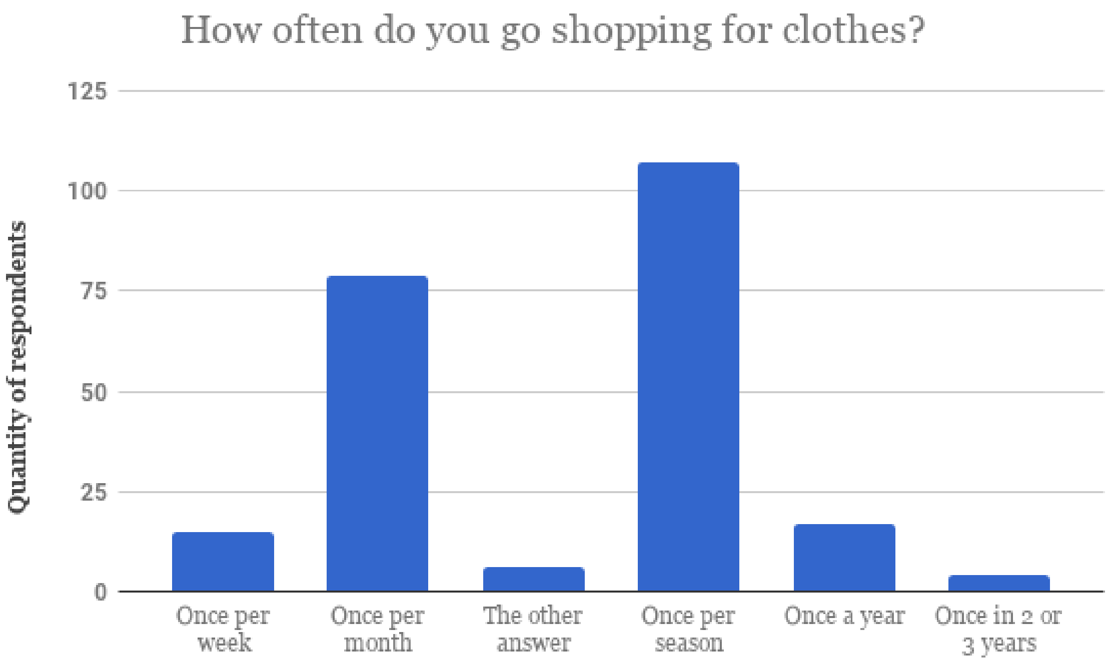
4.3.3 Analysis of outcomes

4.3.3.1 Evaluation of attitudes towards fast fashion theories

2 out of 9 questions of the questionnaire were designed to define the attitudes of the population towards fast fashion industry. The questions help to construct the assumptions on the fast fashion models' capability to satisfy the needs of population. There were mentioned two main criteria of the business model:

- High frequency product cycles
- Compliance with current fashion trends

Figure 13 Survey results: Frequency



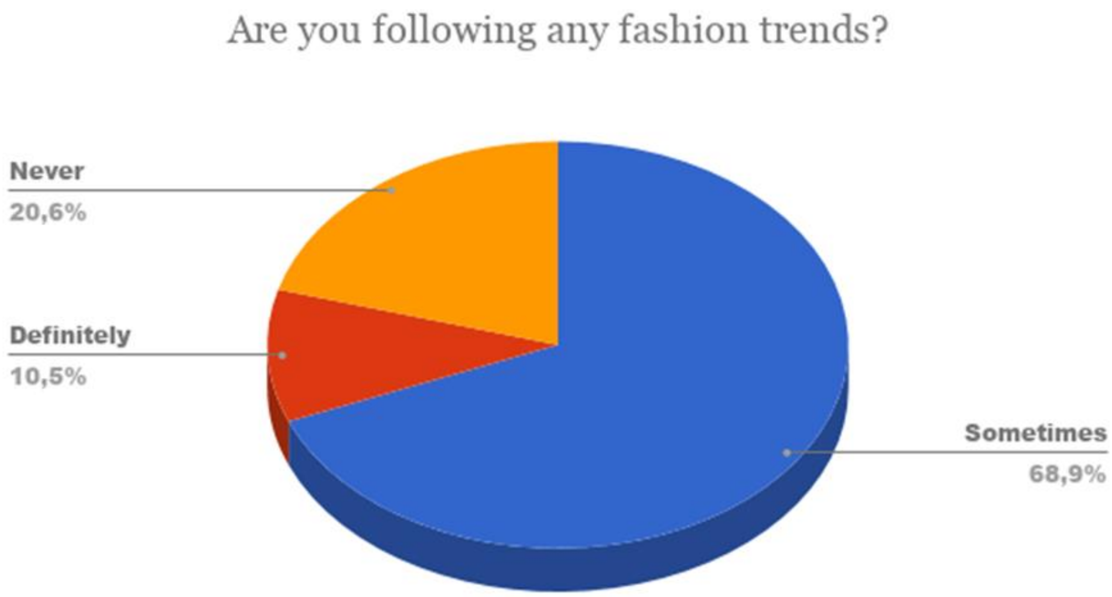
Source: Author’s calculation

46,9 % of the respondents prefer to do shopping every season and 34,6 % of them prefer to do it once per month. In fact, the fast fashion representatives as H&M and ZARA change fully their collection every 2-3 weeks. As a result, these brands have greater opportunity to supply to the majority of customers new range of choices.

As the largest group prefers to shop every season, the characteristics of those respondents have been analysed in detail. 77,6% of those who shop every season belong to the age range of 21-35. 61,7% of every season shoppers are female. More than 80% of the once per season shoppers are familiar with both H&M and ZARA brands.

It is important to highlight the other result of the research as the willingness of 6,6% of the respondents to do shopping every week. It is possible to suggest that it supports the theory of ‘disposable clothing’ mentioned in the Literature Review part. 73,3% of once per week shoppers belong to the age range 21-35, and 86,7% of them are female.

Figure 14 Survey results: Attitudes towards fashion trends



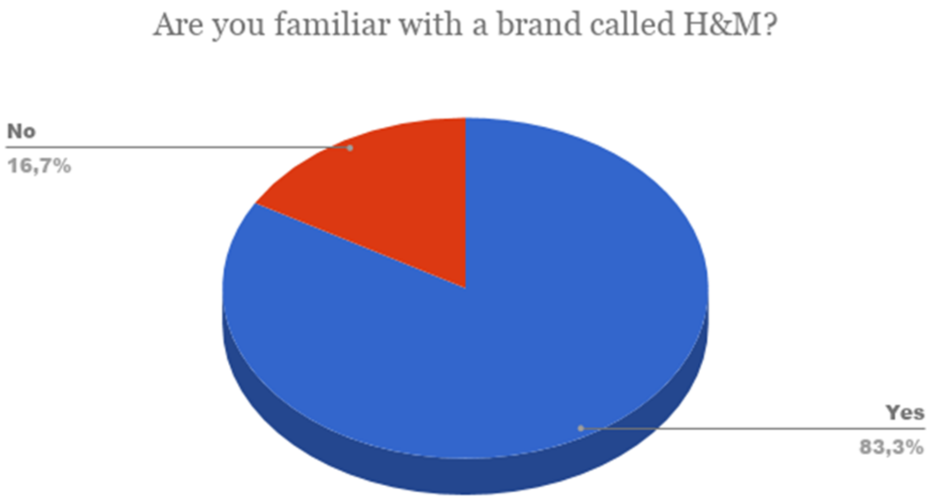
Source: Author’s calculation

79,4 % of the respondents are willing to follow the fast-changing trends. As the tracing of those trends is the focus of the fast fashion brands, it can be found as approval of the fast fashion effectiveness. Consequently, the brands like H&M and ZARA occupy winning positions in the industry, considering that for the global fashion trends they put less value than other segments, so the trends are affordable to the majority of demanders.

4.3.3.2 Evaluation of the brands’ recognition levels among population

From the comparative analysis of ZARA and H&M brands, the concept of fast fashion is implemented in both models. However, there are different ways how the companies produce and distribute the ready products, as well as marketing strategies and promotion methods of the businesses. The simple and straight forward questions helped to collect comparable data, which allows to build suggestions on popularity of brands. as a result of two different marketing strategies.

Figure 15 Survey results: Awareness of brands



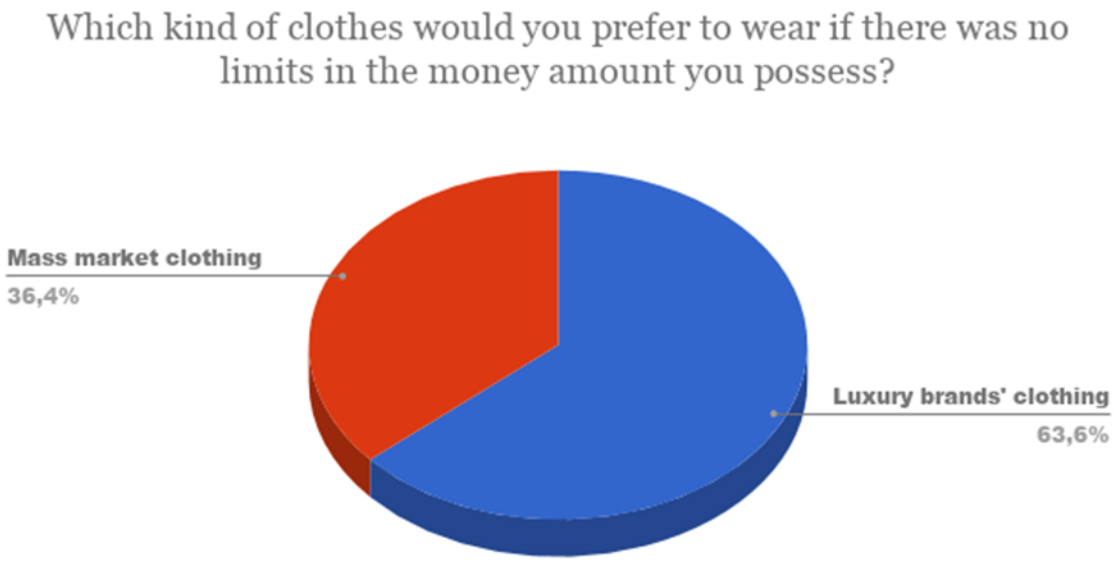
Source: Author's calculation

As it can be seen, the difference in recognition levels of two brands is not substantial (1,7%). The fact can be explained by worldwide presence of the companies. The geography of the survey covered the regions were both brands have stores. However, theoretically the H&M's popularity supposed to be higher as it invests considerable amounts in promotional projects including co-branding, while ZARA has no-advertisement policy. The result gives a base to consider that the effects of ZARA's aggressive expansion policy is close equivalent to the effect of H&M's ubiquitous marketing strategy.

4.3.3.3 Evaluation of co-branding strategy implemented by H&M

3 questions out of 9 were aimed to get the opinion base towards co-branding concept.

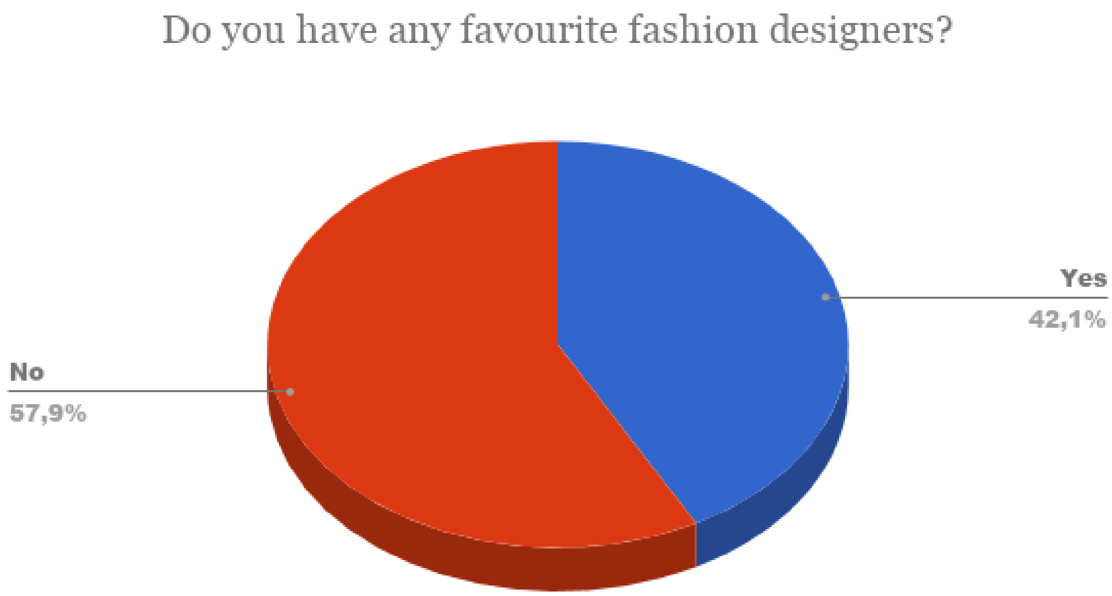
Figure 16 Survey results: Preferences in types of clothing



Source: Author's calculation

One of the main features of H&M's co-branding program is a selection of partner brands particularly from luxury segment. In case of limitless money amount, 63.6 % of respondents would prefer to wear luxury clothing over mass produced ones. The specific of H&M collaborations is provision of clothing items with luxury elements at the cost of regular mass market items. Consequently, the result allows us to suggest that more than a half of the population would be interested in the products of H&M's co-branding program.

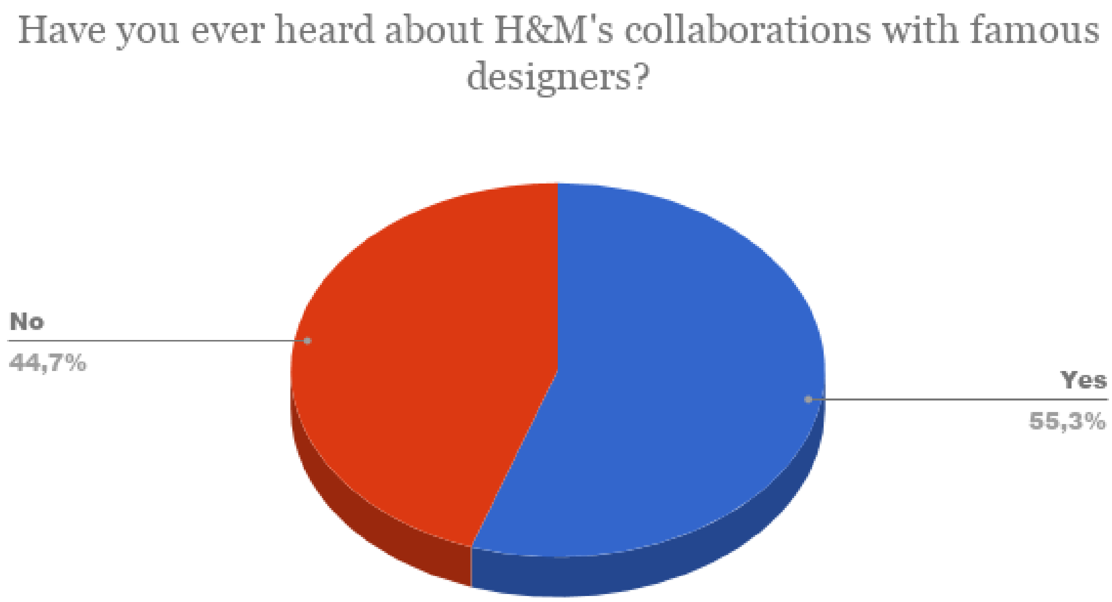
Figure 17 Survey results: Fashion designer preferences



Source: Author's calculation

In its co-branding programs, H&M puts considerable accent on a name of the designer. The products of the collaboration have special tags and packaging. Theoretically, for the average income person interested in specific luxury brand, the items of the definite capsule collections should be a positive incentive to become a customer of the H&M brand. Considering the huge diversity in luxury brands collaborated with H&M, 42.1% of the target audience most probably could be attracted by the name of the collaborating fashion designer.

Figure 18 Survey results: Social awareness of H&M collaborations

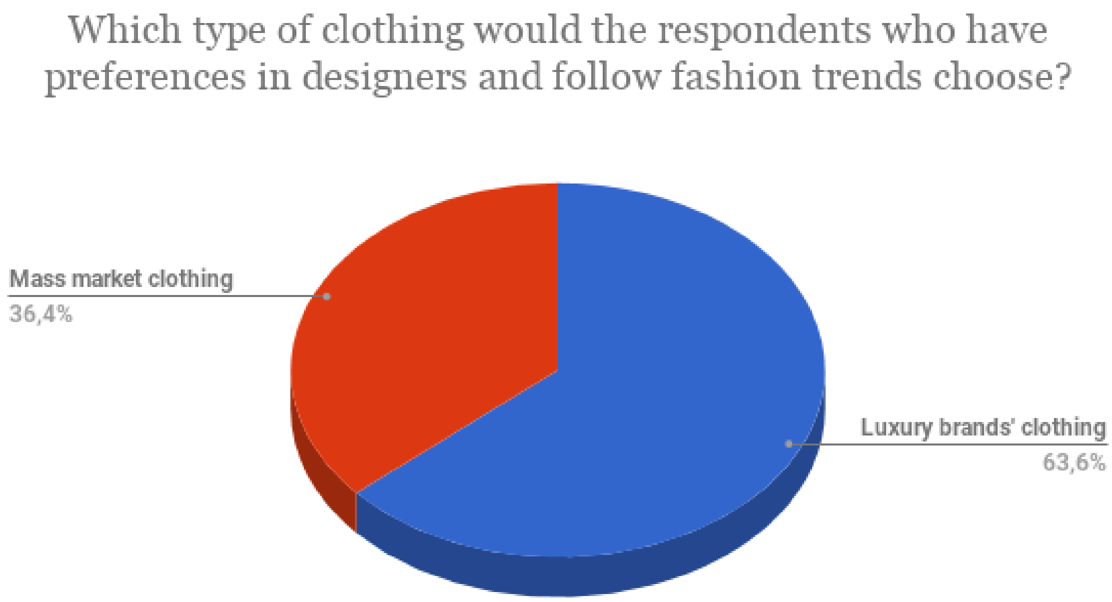


Source: Author's calculation

The fact that H&M had a variety of co-branding actions does not guarantee the social awareness of those actions. The effectiveness of co-branding program is widely influenced by distribution of the information about it. Due to the essence of the segments, in luxury segment, the majority of customers follow its novelties and news by themselves, while in fast fashion segment, the brands have to trace the customers' attention along with the trends. As it can be seen from the chart, only 55,3 % of the respondents aware of H&M's collaborations.

Considering the previous chart, only 58,4% of those who are already familiar with H&M brand know about the co-branding actions of the company. The result helps to make a frame for the assumption, that H&M brand's co-branding strategy could be more effective if the social awareness of those collaborative actions would be higher.

Figure 19 Survey results: Compliance with the main elements of H&M collaborations



Source: Author's calculation

As a result of the case study, it is possible to identify 3 main elements of the H&M collaborations: luxury presence, trendiness, designer's name. Three different questions from the survey comply to each of these three elements. Theoretically, the customers who have the preferences in designers, follow the trends and choose luxury clothing brands over mass market brands are supposed to be the main target audience of H&M's collaboration products.

By comparison of relations between the sum of answers and filtering according to specific criteria, the majority of those respondents prefer luxury clothing brands over mass market brands. Overall, 64 out of 228 respondents have positive attitudes towards the main elements of H&M collaborations. Only 28,1% of the population have preferences in designers, follow current fashion trends (always or sometimes) and prefer luxury brands over mass brands simultaneously. 78,1% (corresponds to 21,9 % out of all respondents) of those potential highly interested demanders of the H&M collaborations are aware of the H&M's co-branding activities.

4.3.4 Summary

The results of the presented questionnaire approve and define the theories mentioned in the previous parts of the thesis. It provides a statistical base for construction of assumptions and suggestions on current and future implementations of co-branding programs by the H&M group. Based on the outcomes of the survey further assumptions were made:

1. Rapid change of collections and their compliance with current trends implemented by fast fashion representatives as H&M and ZARA satisfies majority of its target group.
2. More than a half of the population would be interested in the products of H&M's co-branding programs.
3. Approximately half of the target group of H&M can be attracted by the name of the collaborating fashion designer.
4. The effect of ZARA's aggressive expansion policy is close equivalent to the effect of H&M's ubiquitous marketing strategy in the context of brands' recognition.
5. H&M brand's co-branding strategy could be more effective if the social awareness of those collaborative actions would be higher.

5 Conclusion

The Bachelor Thesis provided complex look on the popularized marketing strategy as co-branding within the boundaries of the fast fashion industry. The theories based on the core of studied literature were justified with the practical implementation analysis. The specificity of the findings and outcomes make considerable contribution to further researches in the field of fashion industry and marketing management.

In the Literature Review, the fast fashion concept was described in the versatile order with its roots and consequences. The definition of the concept was the necessary condition for performing further research steps and investigating the mechanism and distribution channels of the fast fashion industry. Starting with the initial state as haute couture, the work showed the gradual transition of fashion and social minds into its current state. In the conditions of modern economy, a fast fashion business model was identified as the most effective one in the industry. Two different variations of the fast fashion business model were described and analysed on the examples of the H&M group and the Inditex company.

In the second part of the Literature Review, the theories relating to the concept of co-branding were considered. Its main elements as types, forms and aims were structured. The H&M case study was sufficient to verify the features, advantages and disadvantages of collaborate branding concept. With the purpose to define the effectiveness of the co-branding program practiced by H&M, the comparative analysis was done with its main competitor ZARA, which had never experienced such collaborations.

The Practical Part finalised with the self-administered questionnaire designed to measure attitudes and behaviours of the target audience. This additional research required an objective view which was not influenced by the retailers' official claims. The collected data created descriptive and analytic statistics, which allowed to project the findings to a large population. Moreover, the survey provided the relevant base for evaluation of the effectiveness of H&M's co-branding actions.

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7 Appendix

Appendix 1 : **Trend Books**

The Trend Book contains all the important information and background relating to current trend themes. Extensive text and visual material will give you a detailed insight into the trends and make it possible for you to apply them to your own collection specifically.

Trend Union each half a year releases several trend books called "the bible of style". The main book of trends – *The General Trends Forecast*, find reflection in it the main tendencies for the next 2 years. *The Key* contains outlines, silhouettes, forms and details of clothes for light industry and the industry of fashion. *Colour Forecast* predicts primary colours of a season and their combination. *Beauty Book* explains tendencies in the field of cosmetics and perfumery. *Pattern Book* sets the direction of prints, motives and patterns during the next season. Also once a year *Well Being Bible* containing industry tendencies of "healthy lifestyle" and formation of the harmonious habitat is published.

Source: (www.promostyl.com, 2017)

Appendix 2: **H&M Sustainability report 2016**

The Report consist of 130 pages and it is publicly available. It includes three main parts, where the company is interviewing the CEO, Karl-Johan Persson, and other employees involved in the business. It contains information about their supply chain, its structure, as well as, explains environmental policy of the company. The report provides many of graphs and table, statistical data, which were analyzed and summarized:

- The Interview with CEO Pg. 3-4.
- The company performance, the value chain Pg. 6-11,
- The company focuses Pg. 15-25,
- Supply Chain Management Pg. 30 -43.

Source: (sustainability.hm.com, 2016)

Appendix 3: **What is Polyurethane?**

Polyurethane (PU) is a material often referred to as “vegan leather” as it contains no animal products. Polyurethane is a plastic material, which exists in various forms. It can be tailored to be either rigid or flexible, and is the material of choice for a broad range of end-user applications.

Source: (http://polyurethanes.org/en/what-is-it, 2018)

Appendix 4 **Sumangali scheme**

The Sumangali scheme, which is a form of forced labour in India, is said to have started in 1989. The word “Sumangali” in Tamil means an unmarried girl becoming a respectable woman by entering into marriage. Thus, the scheme is also known as “marriage assistance system”. Despite dowry being illegal in India, a number of families continue the tradition of the bride’s parents providing the groom’s family with substantial money.

Under the Sumangali scheme, girls’ parents, usually poor and from the lower castes, are persuaded by brokers to sign up their daughter(s) to be employed at a garment and textile factories. The scheme promises a bulk of money after the completion of a three-year contract working in the factory.

Source: (Chandra, 2018)

Appendix 5: **Comparison of Key Financial Indicators for 2017 of H&M group and Inditex company**

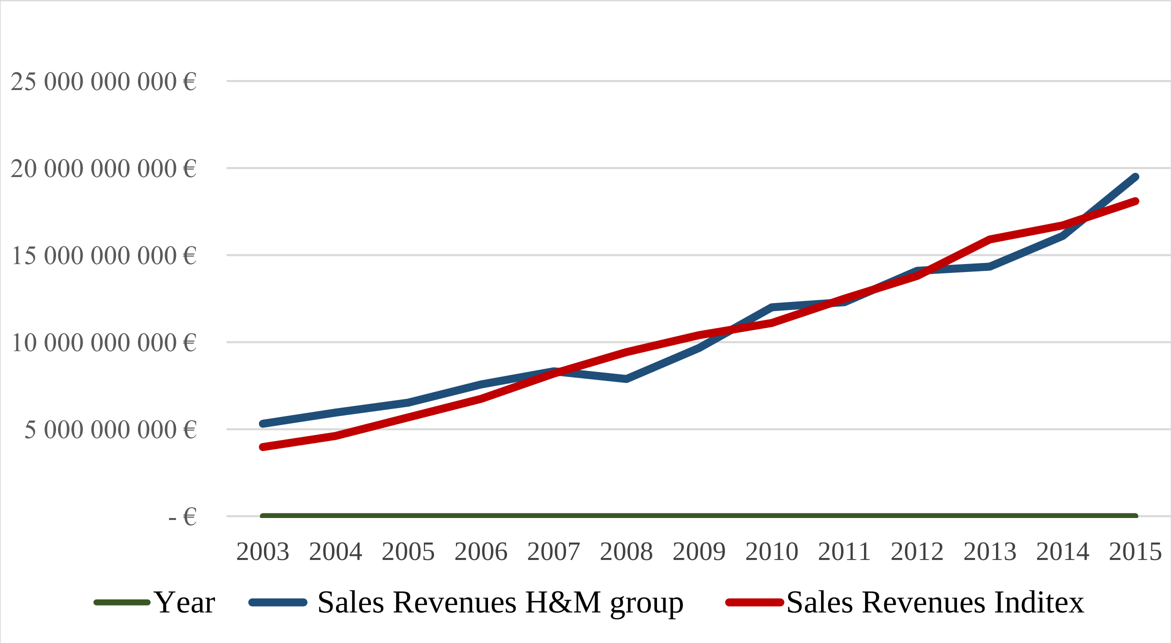
Figure 20 Key Financial Indicators for 2017 of H&M group and Inditex company

Financial performance indicators	**H&M group**	**Inditex company**
Net Income	527M EUR	521M EUR
Sales Revenues	17,7B EUR	20,9B EUR
Net Profit Margin	1,14 EUR	13,76 EUR
Earnings Before Interest and Taxes	2,68B EUR	3,25B EUR
Assets	8,2B EUR	17,3B EUR
Net Debt	-1,3M EUR	-5,09M EUR

Source: (TradingEconomics, 2018)

Appendix 6: **Comparison of H&M group and Inditex company's Annual Sales Revenues.**

Figure 21 Comparison of H&M group and Inditex company's Annual Sales Revenues



Source: (TradingEconomics, 2018)[i]

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[i] The numbers are counted with the consideration of the corresponding to each year currency rates. Currency rates of Swedish Krona from past years were retrieved from the internet resource. (XE, 2018)