MARKETING PLAN

VERO MODA EXPANDING IN THE ASIAN REGION
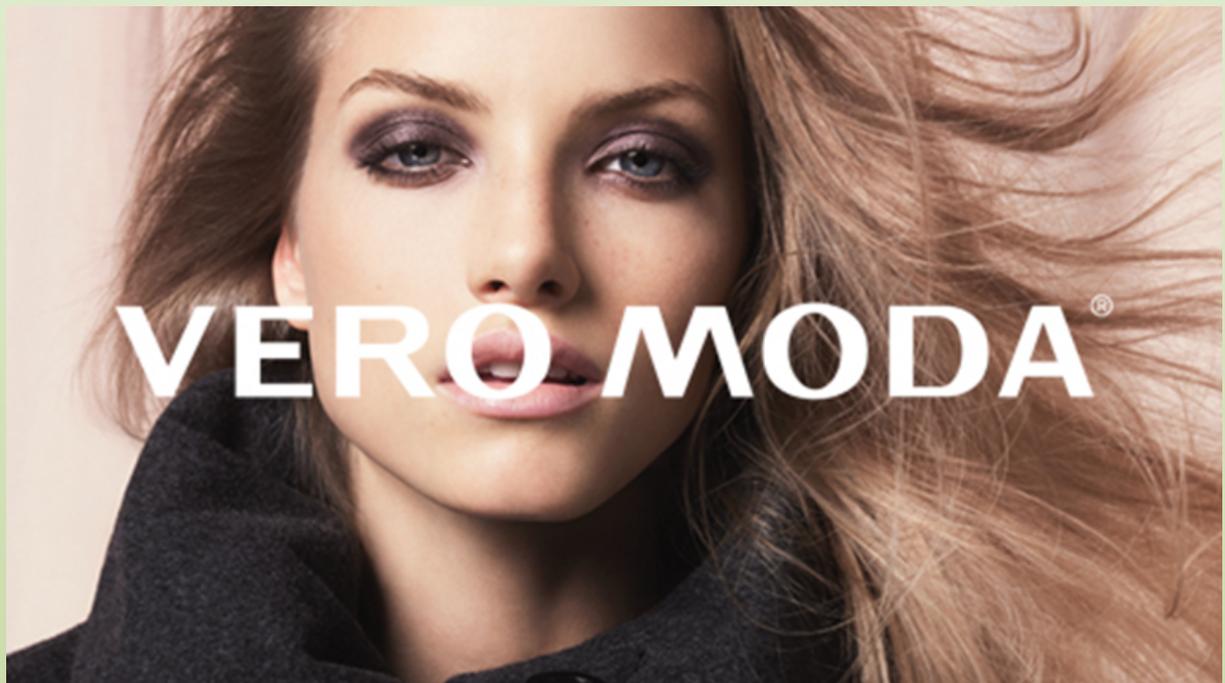
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Executive Summary

Vero Moda is one of the first brands that launched within the Bestseller retailer. It was launched in 1989 to fulfil a need for good quality and on-trend clothing at affordable prices. Today it is one of Europe's largest clothing brands for fashion-conscious, young women. Vero Moda has more than 1,000 stores in Europe and is represented in 45 countries with more than 7,000 points of sale.

In the past year Vero Moda has been facing challenges in some markets. These challenges have resulted in an overall weak growth in turnover in a number of stores. To improve the Vero Moda business it is recommended to expand to the Asian market. Asia is full of business opportunities due to being the world's fastest growing economic region. That, but also the rapidly growing global financial centres, the growing middle class and the large underserved markets make Asia very attractive. Therefore, the research question in this paper was the following: **What could be an effective strategy for Vero Moda to enter a specific country in the Asian region for the year 2014?** In order to answer the research question, information was gathered in the form of reading books, articles and reports. Field research was also used in the form of an interview.

As seen in chapter 1 of this paper, the best country in the Asian region for Vero Moda to enter is Indonesia. Indonesia has a strong economic growth, it was named as a newly industrialized country and it is the world's fourth-largest population. In addition, the rising per capita incomes and the continuing development of retail infrastructure are key factors behind the growth expected for Indonesian retail sales.

Indonesia is an enormous Islamic country in Southeast Asia with a middle class of 74 million people of whom 35 million are women. Indonesia has a tropical climate and knows two seasons: the dry one and rainy one.

Many competitors already expanded to Indonesia and Vero Moda's main competitor H&M will be expanding to Indonesia in 2013, as stated in their annual report. This makes the rivalry in Indonesia slightly intense. In addition, Muslim clothes could become more popular than Western clothes, but that is very unlikely as learned during an interview.

Some recommendations are made before expanding to Indonesia. First of all, Vero Moda's customers are fashion-conscious, independent young women with a middle and upper level income that believe that status is very important. Therefore positioning Vero Moda as an A brand is recommended. This can be realised by setting the products' prices a bit higher than those of

competitors. Vero Moda stays affordable, but gains exclusivity and gets more luxurious. This would result in a competitive advantage over competitors.

Secondly, due to geological factors it is suggested to exclude winter products and to offer summer clothes in the dry season and for example raincoats in the rainy season.

Thirdly, it is advised to use franchising as an entry strategy. It is less risky; Vero Moda already has huge brand awareness, a successful marketing plan and enough capital. Furthermore, using the same manufacturers as in China, preferably in Xiamen, is recommended. The distance between China and Indonesia is the shortest and the products could easily be transported from the port of Xiamen to Tanjung Priok, the main harbour in Jakarta. It is suggested to transport the products per train to the final destinations.

Next to that, it is suggested to open a first store in Yogyakarta as analysed by the number of steps, length of time and cost involved. While getting familiar with the Indonesian market and Indonesian customers, it is strongly recommended that they research the possibilities of opening a store in a shopping mall in Jakarta.

In order to create name and brand awareness amongst the Indonesian population, the company could promote Vero Moda through Social Media and billboards. In addition, as seen in chapter 7.5, the number of radio receivers is the highest in Indonesia. An option could be broadcasting commercials during traffic jams.

Finally, due to the increasing Internet activities, it is recommended to make the Online Web Shop available for all the countries Vero Moda is represented in to attract more online customers. It is currently only available for the following countries: The Netherlands, Norway, France, Sweden, Ireland, United Kingdom, Austria, Denmark, Finland, Belgium, Germany, Spain, Italy and Switzerland.

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Introduction

In the past year Vero Moda has been facing challenges in some markets. "We know that we are still facing a number of challenges in several markets and at some of our brands, but we are working hard and persistently to meet our employees' and customers' expectations" CEO Anders Holch Povlsen said. In the past year, Bestseller's retail stores in southern Europe, the Middle East, India, and the UK have not been profitable. Also, a major part of Bestseller's sales that take place through external chain stores and department stores are experiencing decline in sales and many have problems with solvency, which is creditworthiness. In other words, Bestseller has difficulties insuring the company's ability to meet all financial liabilities. These challenges have resulted in an overall weak growth in turnover in a number of stores. This years' result shows an increase in turnover by 5% to EUR 2,446 million which is an increase that does not meet the expectations set at the beginning of the financial year by Vero Moda.

To improve the Vero Moda business and to create a healthier balance between income and cost, it is recommended to expand abroad and open stores in different countries. Operating in a number of countries gives a company several advantages. The first of these is increasing sales. Sometimes the local market is just too small and the only way to increase sales it to expand abroad. Furthermore, Vero Moda can balance their growth by expanding to different countries. Possible low growth in one or more of these countries will be offset by increased growth in the others, thus resulting in a balanced growth overall.

Another reason for multinational companies to prefer operating in many countries is to spread the risks. If a company puts all its capital in a single country, they are facing the risk that their businesses could be affected by factors such as general economic depression, interest rate rise, and exchange rate variation. This would lead to a decline in earnings. Operating from several countries insures the company against such risks.

Currently, the Asian market is very attractive. Asia is full of business opportunities due to being the world's fastest growing economic region (Ernst&Young, 2013). The economy of Asia comprises more than 4.2 billion people, which is 60% of the world population. That, but also the rapidly growing global financial centres, the growing middle class and the large underserved markets make Asia very attractive. Given the size and diversity of Asia, a decision on which country to enter first had to be made.

This paper was written for Vero Moda, The Hague. The research question in this paper was the following: **What could be an effective strategy for Vero Moda to enter a specific country in the Asian region for the year 2014?**

The following questions will be covered during this paper:
- Which specific country in the Asian region should Vero Moda expand to?
- What is the financial status of Vero Moda?
- What is Vero Moda's target group?
- What are possible competitors in Indonesia?
- What opportunities are there for Vero Moda?
- What are threats to the company?
- What are the strengths and weaknesses of Vero Moda?
- What is the best strategy for Vero Moda to enter the Indonesian market?
- What is the best distribution policy for the target market?

In order to answer the research question, information was gathered through extensive research. The first research method used, was desk research. This research was conducted in the form of reading books, articles and reports. The database of The Hague University was also used. In addition, the official Website of Vero Moda and Bestseller was used.

The second research method used, was field research. This information was gathered through an interview with Mr Verbeek. Mr Verbeek is a relevant expert and a marketing professional. Furthermore, the book 'Export Management a European perspective' written by Hans Veldman was used as a guideline for this research.

This paper is divided into 10 chapters. Chapter one includes a filter process. This chapter shows which specific country was selected for Vero Moda's expansion and why. In chapter two, a general description of the company can be found. This also includes financial data and an Abell model. In chapter three an external analysis was conducted based on DESTEP, Five forces of Porter, the Customer analysis and the Competitor analysis. Chapter four describes the internal analysis, including a confrontation matrix. Chapter six describes a possible entry strategy. Furthermore, based on the analyses, a marketing mix was made. This mix can be found in chapter 7. Moreover, a conclusion and recommendations were made in chapter eight. This chapter also gives an answer to the research question of this paper. Chapter nine includes all the sources that were used. Finally, appendices can be found in chapter 10.

Chapter 1: The filter process

The choice of an effective strategy on entering a new country or market depends on the country that the company is entering. For this paper a country selection model was used. The model is based upon three different filter phases for selecting a foreign country in the Asian region:

1. Filter 1: rough analysis
2. Filter 2: detailed analysis
3. Filter 3: very detailed analysis

The filters were made up of various criteria; as the filtering process progresses they become more detailed. This chapter explains how to analyse and select a potential country. The complete research including all the tables and scores can be found in the appendixes.

Filter 1 is based on the following criteria:
- Import prices
- Inflation rate
- Import restrictions
- Risk of calamities.

Every country receives a total score after applying filter 1. These scores can be found in Table 1.1 below. The following countries are not selected because they receive the lowest score: India, Nepal, Pakistan and the Philippines. Bangladesh is not selected as well because Bangladesh has restrictions on importing fur. This makes it impossible to import Vero Moda's products if they would include fur or fur details. In addition, North Korea is not selected because there is not enough data available for this paper.

Table 1.1 Total score per country after filter 1.

Country	Total Score
Bangladesh	8
India	4
Indonesia	7
Japan	12
Malaysia	12
Nepal	5
North Korea	5
Pakistan	6
The Philippines	4
Singapore	12
South Korea	12
Sri Lanka	10
Taiwan	13
Thailand	12
Vietnam	9

Filter 2 is a more detailed analysis. Criteria used for this filter were:

- Corruption Index
- GDP
- Population size
- Business Confidence Index

After calculating the scores of filter 1, four countries were not selected because they received the lowest score: Singapore, Sri Lanka, Thailand, and Vietnam. Next to these, Japan was not selected as well because it has a very low (minus) business confidence index. The total scores can be found in Table 1.2 below.

Table 1.2 Total score per country of filter 1.

Country	Total Score
Indonesia	16
Japan	15
Malaysia	13
Singapore	10
South Korea	13
Sri Lanka	8
Taiwan	13
Thailand	12
Vietnam	9

After applying filter 1 and filter 2, four countries remained: Indonesia, Malaysia, South- Korea and Taiwan. After researching the Consumer Spending Index, Malaysia was not selected because it is the only country that shows a decrease. After that, the Consumer Confidence Index was applied. It is important to have a high Consumer Confidence Index because it shows that customers have enough confidence to spend their money on products, goods and services. Taiwan was not selected because Taiwan received the lowest score. Indonesia and South Korea were remaining.

Indonesia has a strong economic growth and a higher Business Confidence Index than South Korea. Indonesia is also much more populated than South Korea. Moreover, the rising per capita incomes and the continuing development of retail infrastructure are key factors behind the growth expected for Indonesian retail sales. Not only that, but South Korea could also experience difficulties in the transportation and distribution process due to the many mountains that are dominating the landscape. Secondly, a strip of land separates South Korea and North Korea: The Korean Demilitarized Zone, which is 250 km long. Despite its name, it is the most heavily militarized border in the world. This could also be an obstacle in the distribution process. It is not possible to make sales if the products cannot be transported to the final destinations. Therefore, Vero Moda is being recommended to expand to Indonesia.

1.1 Conclusion

It is recommended to expand to Indonesia. Indonesia does not have relevant import restrictions. It has a high GDP, a high Business Confidence Index and a strong economic growth. The growth in Indonesian retail sales is expected due to the rising per capita incomes and the development of retail infrastructure. In addition, Indonesia is the world's fourth-largest population.

Chapter 2: Company description

Vero Moda is one on the first brands that launched within the Bestseller retailer (Bestseller, 2012). Vero Moda was launched in 1989 to fulfil a need for good quality and on-trend clothing at affordable price (Bestseller, 2012). It is a brand for fashion-conscious, young women who want to dress well and pay less.

Today it is one of Europe's largest clothing brands for young women. Vero Moda has more than 1,000 stores in Europe and is represented in 45 countries with more than 7,000 points of sale (Bestseller, 2012).

2.1 Vero Moda's collections

Vero Moda consists of four collections:

- Vero Moda Noisy may
- Vero Moda Basic
- Vero Moda Very
- Vero Moda online exclusive collection

The Vero Moda Noisy May is more colourful than the other collections and targets younger customers. It consists of jeans with different washes, skirts, shorts and dresses. The Vero Moda Basic collection includes basic items such as singlet's, tank tops, t-shirts, leggings and jeans. The Vero Moda Online Exclusive Collection is a limited and luxurious eveningwear line that only online available is. Vero Moda Very is a luxurious line that consists of elegant daywear and eveningwear. The collections are sold at different price points. The luxurious and elegant collections are a bit more expensive than Vero Moda Noisy may and Vero Moda Basic. Vero Moda attracts a broader range of customers due to the different collections and different price points.

2.2 Mission and Vision

The vision of Bestseller is to be one world, one philosophy. They want to be one family and they want to reflect that in the company culture of Bestseller. The Bestseller world is built on fairness and opportunities. Their mission is to always try to give more than they promise (Bestseller, 2012). Furthermore, Bestseller stands for being humble and together they work hard. They base their co-operation on trust, partnership and honesty. They treat all people as individuals, but they think and act as a team. Therefore they succeed (Bestseller, 2012).

2.3 Abell Framework

An Abell framework is often used to get a better understanding of the company's customers. Abell's business definition framework proposes that a business can be defined by using three dimensions: customer groups, customer needs and technologies (OpenLearningWorld, 2011).

Figure 2.3.1 Vero Moda's Abell framework
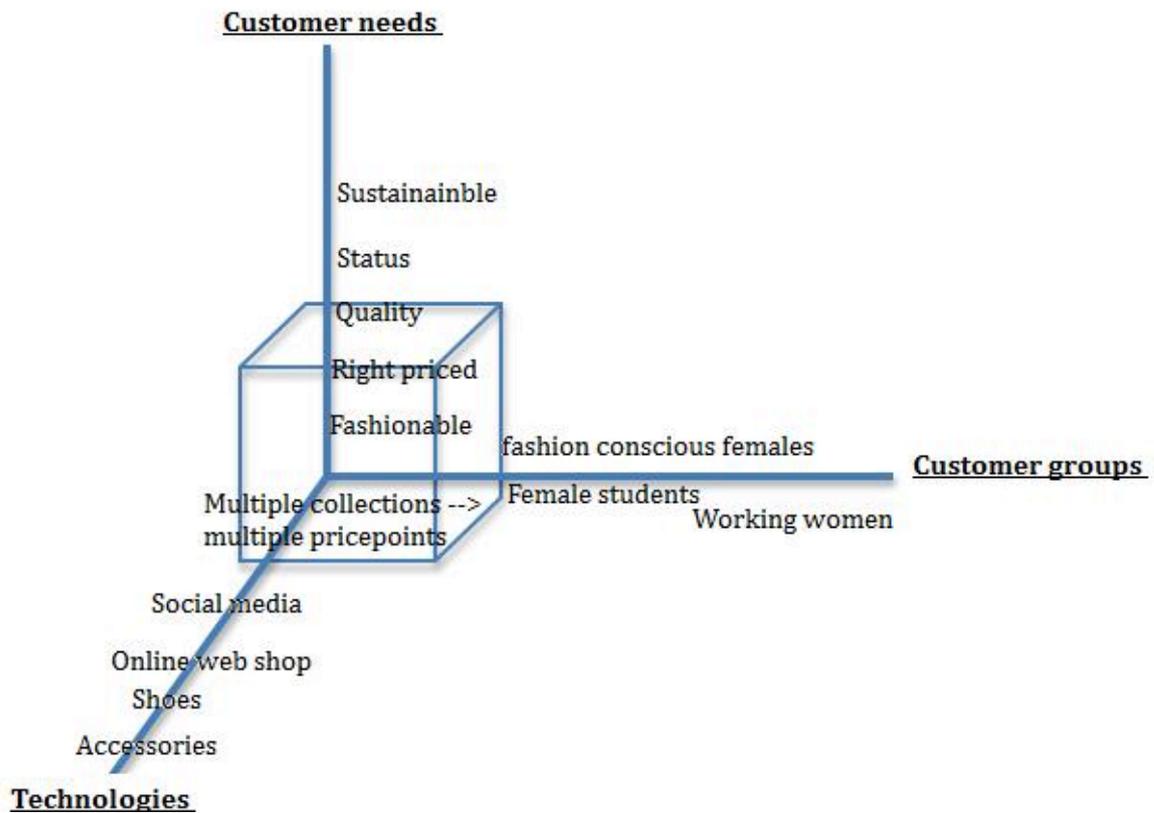
This Abell framework is based on Vero Moda stores worldwide. The core customer group of Vero Moda are fashion conscious females who like to have fashionable clothes at reasonable prices. This is exactly what Vero Moda stands for. They can satisfy this target group by offering multiple collections at different price points.

Vero Moda can base its concept on this framework for the expansion to Indonesia. This is advantageous because it is the same concept for the same target group Vero Moda uses now, which has already been very successful.

2.4 Finance

An overview of the finances of Vero Moda Amstelveen, The Netherlands, can be found in the table below. It shows the comparisons of the results of 2011 and 2012. The 2012 profit and loss account closes with a loss after taxes of € 6.489.687. For 2011 the loss after taxes amounted to € 6.697.640 (VM Retail B.V., 2011/2012). The operating result shows a decrease of 34, 7 % within the year 2012 compared with 2011. A drop of 37, 7 % in revenue causes this. This shows the importance of spreading the risks and investing in other countries with more growth like Indonesia, as mentioned in the introduction.

The financial data of Vero Moda Amstelveen can be seen as an average of the overall performances of Vero Moda worldwide. It could be argued that Vero Moda worldwide is not performing very well.

Table 2.4.1 Comparisons of the result of 2011 and 2012 of Vero Moda Amstelveen, The Netherlands

	2012		2011		Variances
	€	%	€	%	
Net turnover	16.256.484	100,0	25.957.079	100,0	(9.700.595)
Cost of sales	(8.632.432)	(53,1)	(13.279.559)	(51,2)	4.647.127
Gross margin	7.624.052	46,9	12.677.520	48,8	5.053.488
Staff costs	(4.039.008)	24,8	(5.343.488)	20,5	1.304.480
Depreciation, amortization, and impairment of intangible and tangible fixed assets	(3.955.606)	24,3	(2.177.186)	8,4	(1.778.420)
Other operating expenses	(5.279.138)	32,5	(5.973.369)	23,0	694.231
Total costs	(13.273.752)	81,6	(13.494.043)	51,9	220.291
Operating result	(5.649.700)	(34,7)	(816.523)	(3,1)	(4.833.177)
Financial result	(273.582)	(0,2)	(111.917)	(0,5)	(161.665)
Result before taxes	(5.923.282)	(36,4)	(928.440)	(3,6)	(4.994.842)
Taxes	(566.405)	(3,5)	230.800	0,9	(797.205)
Result after taxes	(6.489.687)	(39,9)	(697.640)	(2,7)	(5.792.047)

(VM Retail B.V. Amstelveen The Netherlands 2011/2012 Annual Report)

2.5 Conclusion

Vero Moda was launched in 1989. It was one of the first brands to launch within the Bestseller retailer. Vero Moda has four collections. Due to numerous collections at multiple price points, Vero Moda attracts a broader range of customers. It is a trendy and affordable European brand represented in 45 different countries.

The core customer group of Vero Moda are fashion conscious females who like to have fashionable clothes at reasonable prices. Vero Moda can use this framework for the expansion to Indonesia as well.

Furthermore, it could be argued that Vero Moda worldwide is not performing very well based on the losses of Vero Moda Amstelveen, The Netherlands. This shows the importance of spreading risks and investing in other countries like Indonesia.

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Chapter 3: External Analysis

All businesses and organisations operate in a changing world and are subject to forces, which are beyond their control (Parrish, 2012). This chapter describes the external marketing environment of Vero Moda. It includes factors such as competition, customers, opportunities and threats.

3.1 DESTEP Analysis

Every organisation is faced with factors they cannot control. The DESTEP analysis provides more information about these macro-economic factors (Scienceprogress, 2013).

3.1.1 Demographics

Indonesia is a country in Southeast Asia. It is a country with approximately 17.000 islands. Indonesia is home to 239.9 million inhabitants (Transparency International, 2012). It is the fourth most populous nation in the world. The middle class of Indonesia includes 74 million people (The Boston Consulting Group, 2013) of whom almost 35 million are women (Central Intelligence Agency, 2013). Indonesia has the largest Muslim population of any other country in the world. Almost 88% of their population is Muslim (BBC NEWS, 2012).

3.1.2 Economics

Indonesia has a market-based economy, which means that economic decisions are based on investment and production. Indonesia has the biggest economy in Southeast Asia (BBC News, 2012).

During the global financial crisis, Indonesia outperformed its regional neighbours and joined China and India as the only G20 members showing growth in 2009 (Central Intelligence Agency, 2013). G20, also known as the Group of Twenty Finance Ministers and Central Bank Governors, is a group of central banks governors and finance ministers from twenty major economies that now includes Indonesia. In addition, Indonesia was named a newly industrialized country. Indonesia had a GDP growth rate of 6 % in 2012. The government now aims for growth of 6.8% in 2013 (Central Intelligence Agency, 2013).

3.1.3 Social-culture

As mentioned before, almost 88% of the population of Indonesia is Muslim. Due to the geography and the history of Indonesia, approximately 300 ethnic groups exist. Many Indonesians see themselves first by their ethnic and cultural group and secondly as Indonesians (Expat Web Site Association, 2012).

Indonesia scores high when it comes to power distance. Based on Geert Hofstede's model, Indonesia scores 78 out of 100. The average Power Distance for the other Asian countries is 71 (The Hofstede centre, 2012). This means that a lot of people in Indonesia with less power accept and expect that power is divided unequally.

Furthermore, businesses etiquette is important in Indonesia and it differs from the Western etiquette. Initial meetings may be more about getting to know each other rather than doing business. Sometimes business is not even discussed (Kwintessential, 2012). They believe that good relations and harmony are very important when doing business. Business cards are also common. It is important to treat business cards with respect.

3.1.4 Technological

Indonesia has an effective and highly developed transport system with 4 international airports. It also has 8530 km of railways and many water ways with major ports (Goyal, Chakravarthi, & Sanaith, 2009). The communication system in Indonesia is highly developed. Almost 17 million people use landlines and almost 13 million people use the Internet. Also, 83.3 million of people use Smartphone's (Goyal, Chakravarthi, & Sanaith, 2009). This information could be of interest when it comes to promoting Vero Moda.

3.1.5 Ecological

Indonesia has two seasons, the rainy season, which usually lasts from November through May, followed by the dry season, which usually lasts from June through October (Expat Web Site Association, 2012). In addition, Indonesia has faced many natural disasters due to its geographical location.

3.1.6 Political

Indonesia has one of the largest labour forces in the world (5th rank). The Indonesian government has made a law called Labour laws (Goyal, Chakravarthi, & Sanaith, 2009). According to this law, 40-hour workweeks and 7-hour workdays are legal in Indonesia. In addition, after each 4 hours of work, a 30-minute rest period is compulsory. It is also mandatory to have one day of the week off (Goyal, Chakravarthi, & Sanaith, 2009).

Unfortunately, Indonesia faces an enormous problem related to corruption. Indonesia scores 32 out of 100 on the Corruption Perceptions Index. Scores range from 0 (highly corrupt) to 100 (very clean) (Transparency International, 2012). Some effort has been made to battle corruption. However, the effort is often questioned because they have not been successful yet.

3.2 Conclusion

Indonesia is a country in Southeast Asia with a middle class of 74 million people of whom 35 million are women. It was named a newly industrialized country. Furthermore, Indonesia has a high level of power distance and also a high level of corruption. Indonesia scores 32 out of 100 on the Corruption Perceptions Index. Next to that, Indonesia's communication system is highly developed. This could be of interest when it comes to promoting Vero Moda.

3.3 Five forces of Porter

Michael E. Porter developed a five forces model that explains competition in an industry. The model includes the threat of new entrants, the threat of substitute products or services, the bargaining power of buyers, the bargaining power of suppliers and the competitive rivalry among current members in the industry. It is a useful way to gain insight into competitors (Keegan & Green, 2011).

3.3.1 Threat of new entrants to a market

The threat of new entrants is high because Indonesia is very attractive for global retailers. Indonesia has a growing middle class and there are currently no entry barriers. In addition, the economy of Indonesia is continuously growing. These attractive factors are not unnoticed. H&M, the world's second-biggest clothing retailer, stated in their three-month report that they want to enter the Indonesian market in 2013 (H&M, 2013). This could be a huge threat because H&M is a main competitor of Vero Moda as chapter 3.4 explains.

3.3.2 Bargaining power of suppliers

The bargaining power of suppliers is very low because there are a huge number of textile manufacturers available. Vero Moda already has suppliers in China, India, Bangladesh, Turkey and Italy. Next to that, it is very easy to obtain the raw materials such as cotton. This decreases the bargaining power as well.

3.3.3 Bargaining power of customers ("buyers")

The bargaining power of customers is high because of the competition. Due to the many other similar companies, customers will have many options to purchase their clothes from. This will result in a low customer loyalty to Vero Moda.

3.3.4 Threat of substitute products

In recent years, more Indonesian women are wearing Muslim clothes such as the 'hijab' and 'burka'. The main purpose of wearing a hijab or burka is to protect women from unwanted attention from a man. "Nowadays, the hijab is a hot fashion trend" designer Sarfilianty Anggiani said. International companies are also taking notice of the Indonesian Muslim fashion. That is why the Muslim fashion industry is growing. This could be a threat as being a substitute product for

Vero Moda. Fortunately, Mr Verbeek said in the interview, Muslim wear will not become more popular than western clothes. This is due to the five principles called "Pancasila". One of the principles is that a religion cannot become superior to others.

3.3.5 Degree of competitive rivalry

The degree of competitive rivalry in Indonesia is high because there are several competitors, already operating on the Indonesian market. Zara, GAP, Forever21, Mango, New Look and Pull and Bear already expanded to Indonesia. As mentioned earlier, H&M will also be expanding to Indonesia this year.

3.4 Conclusion

There is an increasing intensity of rivalry because customers would have a strong bargaining power due to the many competitors who already entered Indonesia. These competitors were able to expand to Indonesia because it has very low entry barriers. Furthermore, Muslim clothes could become more popular than Western clothes, but Mr Verbeek said in the interview, that is very unlikely. A Five forces of Porter figure has been constructed which can be found below.

Figure 3.3.1 Five forces of Porter analysis of Indonesia.

Threat of new entrants

- Indonesia is a very emerging market
- Low entry barriers
- H&M entering Indonesia in 2013.

Bargaining power of suppliers

- Relatively low
- Many textile manufacturers
- Easy to obtain raw materials

Some intensity of rivalry due to:

- Strong bargaining power of consumers
- Very low entry barriers
- Muslim wear becoming high fashion trend

Bargaining power of consumers:

- Relatively high
- Numerous competitors
- No customer loyalty

Threat of substitute products

- Muslim fashion wear

3.5 Customer analysis

A customer analysis is the process of determining customer segmentation, purchasing behaviour and motivation in order to target marketing and increase sales. (Bright, 2008)

3.5.1 Demographical

Vero Moda is the brand of choice for the fashion-conscious, independent young women who want to dress well and pay less (Bestseller, 2012). The target group of Vero Moda are women between the ages of 16 and 35, generally who have a middle and upper level income. The Vero Moda customer will probably not be a strict Muslim because these women prefer to wear traditional clothes rather than western clothes.

3.5.2 Behavioural

Mr Verbeek said in the interview that status is very important for Indonesians. They believe it is important to show off their wealth by wearing international brands. Therefore they prefer international brands to local brands.

Moreover, Vero Moda attracts a broader target group with different behavioural characteristics due to the numerous collections. In general, the Vero Moda customer is price-conscious and sensitive to the latest fashion trends.

The Vero Moda Noisy May customer is a girl between the ages of 16 and 25. The target group of "Noisy May" will probably be younger due to the more colourful and girly products. These girls are still studying and like to hang out with friends in the weekend. They like shopping; however since they do not have fulltime jobs they cannot afford everything they like.

The Vero Moda Very customer is between the ages of 25 and 35. The collection includes more luxurious and elegant wear. The collection is more mature in comparison to Vero Moda Noisy May. These women could still be studying next to their jobs or they already have a fulltime job. They like to spend their weekends with their partners or other couples and friends. They love to shop as well, but they would go shopping once or maybe twice a month due to lack of time.

There are many similarities between customers of the Online Exclusive Collection and the Vero Moda Very collection. The only difference is that the Online Exclusive Collection customer prefers to buy their clothes online.

3.5.3 Geographical

The big cities have a majority of people with a middle-class income. This will change because the number of MACs, middle-class and affluent consumers, in Indonesia is projected to double

between 2012 and 2020 from 74 million to 141 million (Rastogi, Tamboto, Tong, & Sinburimsit, 2013). At that point, the island of Java alone will have more MACs than the entire population of Thailand (The Boston Consulting Group, 2013). Vaishali Rastogi, BCG's Managing Director, predicts that the highest growth rates for the middle class over the next 7 years will be on Sulawesi Island.

3.6 Conclusion

Vero Moda's customers are fashion-conscious, independent young women with a middle and upper level income who believe that status is very important. These women most likely live in big cities. Furthermore, they love to shop and hang out with others in the weekend.

3.7 Competitor analysis

The competitor analysis is an important part of the strategic planning process (Riley, Competitor Analysis, 2012). The competitor analysis evaluates the company's competitors. It also identifies the weaknesses and strengths of these competitors. Vero Moda can improve its efforts with that information.

Before entering Indonesia, Vero Moda should be aware of its competitors. Several retailers, similar to Vero Moda, already expanded to Indonesia. Vero Moda differentiates themselves by being very trendy, affordable and European. The main competitors of Vero Moda are: Forever 21, GAP, Mango, New Look, Pull & Bear, and Zara. To find out which competitors are the most important and could have the most competitive advantages over Vero Moda, an analysis will be made. Each competitor will get a score for different criteria. The following criteria will be used: the image of the brand, the products in terms of diversity and range of products, the quality of the products, the attractiveness of the price and the number of stores in 2012 in Indonesia.

The percentages stand for the weight of each aspect and the numbers stand for the score per aspect, per company. The companies get credits from 1 (bad) to 4 (good). The scores in the table below were affected by my own findings, such as the image of the brand as well as the quality.

Table 3.7.1 Competitor score table

	Image 25 %	Products 25%	Quality 15%	Price 25%	Number 10%	Total Score
Forever 21	3 (75)	4 (100)	3 (45)	3 (75)	1 (10)	305
GAP	3 (75)	3 (75)	4 (60)	1 (25)	2 (20)	255
Mango	4 (100)	3 (75)	4 (60)	2 (50)	4 (40)	325
New Look	2 (50)	4 (100)	2 (30)	4 (100)	1(10)	290
Pull&Bear	3 (75)	4 (100)	2 (30)	3 (75)	3 (30)	310
Zara	4 (100)	4 (100)	4 (60)	3 (75)	4 (40)	375
H&M	4 (100)	4 (100)	3 (45)	4 (100)	-	345

It may not come as a surprise that Zara & H&M will be Vero Moda's main competitors. All three brands are similar. All three are very fashion conscious, affordable and have numerous collections to attract a broader range of customers.

3.8 Conclusion

It seems that Zara and H&M are the main competitors of Vero Moda. Especially H&M is a main competitor because they did not expand to Indonesia yet. Both Zara and H&M have a high total score and H&M received that even without receiving the score for the numbers of stores.

3.9 Opportunities and threats

Even though Vero Moda is already very accessible and internationally represented, international expansion is very beneficial for Vero Moda. Another great opportunity for Vero Moda is to position Vero Moda as an A brand. By setting the prices a bit higher than similar brands, they gain exclusiveness while staying affordable. This is a strategy to attract Indonesian customers and to gain a competitive advantage.

Moreover, a great opportunity for Vero Moda is to focus even more on young customers. Young fashion-cautious customers are a group that would more regularly spend money on fashion items. In addition, association with celebrities is another great opportunity. By associating the brand with a celebrity, fame is created. It is often in a human's nature to like and buy things that are famous. Over the years, the world's top models including Helena Christensen, Claudia Schiffer, Christy Turlington, Kate Moss, and Gisele Bündchen have been the faces of the Vero Moda brand (Bestseller, 2012). Perhaps one of these celebrities could not only be the face of Vero Moda, but also design a collection for Vero Moda. H&M is already successfully doing this. Furthermore, a

great opportunity to attract even more customers all over the world is to make the online Web Shop available for more countries. Nowadays it is only available for some countries.

Unfortunately, Vero Moda is also being threatened. A huge threat for Vero Moda is the H&M expansion to Indonesia. Their three-month report stated that they would be entering the Indonesian market in 2013. Competition in Indonesia is an overall threat for Vero Moda because many retailers, similar to Vero Moda, already expanded to Indonesia and they are performing well. For example Mango. Mango is looking to open a further 20 stores in Saudi Arabia, the United Arab Emirates, the Philippines, Indonesia, Malaysia, and Thailand (Leroy, 2013).

3.10 Conclusion

Opportunities:

O1 International expansion

O2 Positioning Vero Moda as an A brand

O3 Focusing on young customers

O4 Associating Vero Moda with celebrities (celebrities designing a collection for Vero Moda)

O5 Online shopping available for more countries

Threats:

T1 The world's second biggest clothing retailer H&M, stated in their three-month report that they want to enter the Indonesian market in 2013.

T2 Great competition that already expanded to Indonesia

Chapter 4: Internal analysis

An internal company analysis is an evaluation of a company's current position. The purpose of an internal analysis is to use the information for strategic planning, meaning the company's plan for furthering growth, success and leadership in the marketplace (Washington, 2012).

4.1 Strengths and weaknesses

First the strengths and weaknesses are explained. Vero Moda is a trendy and affordable, European brand, which makes it very powerful in Indonesia. As explained in chapter 4.1, Indonesians upgrade their image by wearing European brands.

Furthermore, Vero Moda has more than 7000 points of sale in 45 countries all over the world. These stores are always located in a busy shopping area, which makes the stores very accessible.

Moreover, Vero Moda as explained earlier has multiple collections. One collection is more mature, colourful or conservative than the other. Not only the style is different, but also the price points. Because of this Vero Moda could attract a broader range of customers.

Unfortunately, Vero Moda also knows some weaknesses. Vero Moda is very affordable. Even though the quality is good, when you compare it with more expensive brands such as Dolce&Gabbana and Chanel, the quality of Vero Moda may seem average. These top brands are also often the first to bring out new fashion trends and ideas. The latest fashion is first seen on the catwalk. After that, a brand such as Vero Moda copies it.

Another weakness of Vero Moda is their Web Shop. Unfortunately only purchases from The Netherlands, Norway, France, Sweden, Ireland, United Kingdom, Austria, Denmark, Finland, Belgium, Germany, Spain, Italy or Switzerland can be made.

4.2 Conclusion

Strengths:

S1 Being a trendy and affordable European brand

S.2 Accessibility – represented in 45 countries and always based in a busy shopping area

S.3 Numerous collections – Choices at multiple price points attracts a broader range of customers

The weaknesses:

W1 Average quality

W2 Some ideas and details of fashion trends come from top brands.

W3 Only customers from some countries are able to purchase from the Web Shop.

Chapter 5: Confrontation matrix

Based on the opportunities and threats described in chapter 3 and the strengths and weaknesses explained in chapter 4, a confrontation matrix will be constructed. This matrix can be found below.

Table 5.1 Confrontation Matrix Vero Moda

	OPPORTUNITIES	THREATHS
STRENGTHS	S1.O2 Trendy and affordable European brand – Positioning as A brand S2.O1 Accessibility - International expansion S3.O3 Numerous collections – Association with celebrities	S1.T2 Trendy, affordable European brand – Great competition S3.T1 Numerous collections – H&M expansion to Indonesia
WEAKNESSES	W1.O3 Average quality – Focusing on young customers W2.O4 Details and ideas from top brands – Association with celebrities W3.O5 Website available in some countries – Online shopping	W1.T1 Average quality - H&M expansion to Indonesia

5.1 Strategic options

A confrontation matrix connects the strengths, the weaknesses, the opportunities and the threats in order to find out what Vero Moda can improve, where they have to be defensive, what to avoid and maybe most important how to gain a competitive advantage.

5.1.1 Strengths and opportunities

As mentioned earlier, Indonesians prefer European brands to local brands. By wearing European brands they can show off their wealth. One of Vero Moda's greatest strength is being trendy, affordable and European. It is recommended to use this to react on the behaviour of Indonesian customers. By setting the prices a bit higher than similar brands, they position themselves as an A brand. By doing this, they gain exclusiveness while staying affordable. This can result in a competitive advantage.

Next to that, Vero Moda is already internationally represented and very accessible. Expanding to different markets could still be very beneficial for Vero Moda as this paper explains.

Furthermore, Vero Moda has numerous collections at different price points. It is advisable to associate these collections with celebrities. This is a great way to promote Vero Moda and fame is created. It is often in a human's nature to like and buy things that are famous.

5.1.2 Weaknesses and opportunities

When comparing Vero Moda to top brands such as Chanel and Burberry, Vero Moda's products' may have an average product quality. Though, Vero Moda is much more affordable than these top brands. It is recommended to use this to focus more on young customers. Vero Moda's target group is probably looking for products at reasonable prices rather than top brands.

Another weakness of Vero Moda is that details and ideas sometimes are being copied from top brands. Vero Moda's target group might not care about this because they are looking for these details and ideas at a reasonable price. However, it is advisable to gain popularity and fame, such as top brands, by associating the brand with celebrities.

Moreover, Vero Moda's Website is currently only available for the following countries: The Netherlands, Norway, France, Sweden, Ireland, United Kingdom, Austria, Denmark, Finland, Belgium, Germany, Spain, Italy and Switzerland. It is suggested that Vero Moda makes it available for all the countries Vero Moda is represented in.

5.1.3 Strengths and threats

The competitors that already expanded to Indonesia could be threatening Vero Moda's expansion. That is why Vero Moda really has to focus on their strengths. Being a European brand can already be a competitive advantage over non-European competitors.

Another great threat is the expansion of H&M to Indonesia this year. As explained earlier, positioning Vero Moda as an A brand could be a competitive advantage over H&M.

5.1.4 Weaknesses and threats

As mentioned before, the expansion of H&M to Indonesia is a threat for Vero Moda. This and the average quality could make Vero Moda weak. Luckily, the quality of H&M and Vero Moda are equal. Vero Moda must make sure not to neglect their products' quality.

5.2 Conclusion

It is recommended that Vero Moda sets its prices a bit higher than those of H&M so that they are positioned as an A brand. Furthermore, international expansion is advised. Another recommended strategy is associating Vero Moda with celebrities to gain fame. Finally, it is advised to make the online Shop available for all the countries Vero Moda is represented in to attract more online customers.

Chapter 6: Entry strategy

Many companies, including Vero Moda, realize that not every product and market is the same. The success of entering a new market heavily depends on thorough and effective planning. A plan that outlines how Vero Moda could enter the Indonesian market is often referred as a market entry strategy.

6.1 Growth strategy

When Vero Moda expands to Indonesia it is using one of the Ansoff growth strategies. Ansoff knows four strategies. Vero Moda is growing by entering new markets.

6.2 Distribution policy

The best strategy for Vero Moda when they enter the Indonesian market is franchising. A franchise is the agreement between two legally independent parties. The franchisee has the right to market the clothes by using the operating methods of Vero Moda. Also, Vero Moda should always provide support to the franchisees. However, the franchisee has the obligation to pay Vero Moda fees for these rights and support. Opening a complete new business takes time and money. New ventures often lack capital. Start-up expenses are so high that they end up with not enough money to spend on other important things such as promotion and marketing. Moreover, it takes a lot of time to gain loyalty from customers or to connect with customers at all. The U.S. Small Business Administration reports that 65% of new businesses fail within five years. A smarter and less risky approach is to open a franchise. Vero Moda already has loyal clients, valuable goodwill and an organizational structure. The kinks have already been worked out and advertising strategies already exists. The Department of Commerce reported that since 1971 less than 5% of franchised businesses have failed.

Franchising can be divided into two major types. One is called product name franchising and the other one is called business format franchising. In product name franchising, the franchisor licenses its trademark and logo to the franchisees, but does not provide them with an entire system for running their business. Business format franchises not only use a franchisor's entire trademark but they also use the complete method of doing business. Obviously Vero Moda wants the expansion to Indonesia to be successful. Therefore, Vero Moda should go for the business format franchising. This type of franchise has been successful before.

6.3 Positioning

It is recommended to position the brand as an A brand. Setting the products' prices a bit higher than those of competitors can realise this. Vero Moda gains exclusivity and gets more luxurious by doing this and Indonesians customers believe that this is very important.

6.4 Competitive strategy

There are four basic strategies to gain a competitive advantage according to Porter's Generic Strategies model. It is advised to base Vero Moda's competitive strategy on cost leadership and focusing on the market segment. Vero Moda can be a cost leader brand by offering trendy and exclusive products at reasonable prices. In addition, Vero Moda offers a narrow scope of products. It is argued that they can really focus on their market segment due to this.

6.5 Conclusion

To conclude, Vero Moda is growing by offering the same products to a new market. Vero Moda should enter Indonesia by making use of franchises. It is less risky; Vero Moda already has huge brand awareness, a successful marketing plan and enough capital. Vero Moda should use the business format franchises whereby the franchisee is allowed to use Vero Moda's trademark, but also their method of doing business. After entering the new market, Vero Moda should think about the franchise agreements.

To make the expansion successful and to attract Indonesian customers, it is recommended to position the Vero Moda brand as an A brand. They can realise this by setting the prices a bit higher than those of competitors. Moreover, Vero Moda's competitive strategy is based on cost leadership since they are very affordable. In addition, it is argued that Vero Moda can really focus on their market segment by offering a narrow scope of products.

Chapter 7: Marketing Mix

Once a company has researched a new market, it needs to consider the marketing mix for its products. The marketing mix is used to describe the different kinds of choices organizations have to make in the whole process of bringing a product or service to a market (Mindtools, 2013). This chapter examines the marketing mix of Vero Moda. The product, price, distribution and communication tools will be discussed.

7.1 Product

As mentioned before, Indonesia knows two seasons, the rainy and the dry season. Therefore Vero Moda is recommended to adjust their collections to these seasons. An example is to offer summer clothes in the dry season and raincoats in the rainy season. Also, the only place in Indonesia that knows snow is the top of the Jayawijaya Mountain. Therefore, Vero Moda could choose to exclude winter apparel from their collections.

7.1.1 Brand

The brand Vero Moda is written in capital letters, in black. The trademark of Vero Moda is red with a double-lined M in the middle. This trademark can be found outside of almost every Vero Moda store.

7.1.2 Labels

Every product of Vero Moda has a label attached to it. This label includes the brand name, the price, the size and the name of the product. For example t-shirt or dress. When expanding to Indonesia, Vero Moda should keep in mind that the sizes are different in Indonesia. In addition, the Indonesian currency is Rupiah; this should also be adjusted on the label.

7.2 Price Policy

Vero Moda already expanded to China. When Vero Moda enters the Indonesian market the products could be manufactured in China. Therefore, the Chinese prices can be maintained in Indonesia.

Next to that, it is important to differentiate Vero Moda from other similar brands. Setting the prices a bit higher than those of competitors can realise this. Furthermore, the prices should be converted to the Indonesian Rupiah.

7.3 Distribution Policy

Distribution includes the movements of the products from the manufacturer to the final customer through a distribution channel.

7.3.1 Manufacturing

The primary production countries of Vero Moda's products are China, India, Bangladesh and Turkey (Bestseller, 2012). It is advisable for Vero Moda to use the nearest manufacturers because this is an easy and low-priced way.

The nearest manufacturers are in China and India. Both are great manufacturing countries, but for entering a complete new market, it is advised to choose the one that performs best to prevent any uncertainties. China outperforms India. China is the world's third largest nation in terms of manufacturing after the U.S. and Japan. India has earned the 12th place in the same list according to Global Insight and the Financial Times. One of the most important success factors of China is their superior infrastructure, which is especially essential in manufacturing. Good roads are needed to transport raw materials and finished products. Moreover, the costs and procedures involved in importing and exporting a shipment of goods in China are less than other countries in that region.

7.3.2 Distribution channel

It is suggested to transport the products from China to Indonesia per ship. It is low-priced due to the relatively short distance. Moreover, clothes do not have an expiry date. Therefore, it is not necessary to transport it per airplane, which would be faster than shipping.

Xiamen is a major city in the southeast of China where many retail manufacturers are based. Xiamen has a diverse and well-developed economy. It is an option to use those factories to manufacture Vero Moda's products. After production, the products could be shipped to Indonesia from the port of Xiamen. The Port of Xiamen is ranked the 8th largest container port in China and ranks 30th among the world's top 100. The world's top 20 shipping companies have all established major shipping routes and operations in Xiamen. From Xiamen, the products could be transported to Tanjung Priok. Tanjung Priok is the main harbour of Jakarta in Indonesia.

It is advisable to use Free Alongside ship Inco terms. This means that the seller has an obligation to deliver the goods placed alongside the vessel in Tanjung Priok. From that moment, the buyer has to bear all costs and risks of loss or damage to the goods. This is most beneficial for Vero Moda because they are only responsible for the products from the moment it arrives in Indonesia.

Finally, Vero Moda could choose to transport the products to the final destinations per train. This is perfectly possible because Indonesia has 8530 kilometres of railways.

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The International Finance Cooperation analysed where in Indonesia it would be the easiest to start a businesses. IFC said that it is the easiest to start a business in Yogyakarta as measured by the number of steps, length of time and cost involved. On the other hand, Jakarta is also very attractive. It is not only a metropolitan city, but also the capital of Indonesia.

It is optional to open Vero Moda's first stores in a shopping mall because a mall gets a lot of visitors, but it would also mean more competition. Therefore it is recommended to open the first store where it would be easiest, which is Yogyakarta. While getting familiar with the Indonesian market and Indonesian customers, they could research the possibilities of opening a store in a shopping mall in Jakarta.

7.4 Communication Policy

When entering a new market it is always important how to enter it, but also how to communicate the products to the people. Therefore, Vero Moda should think about promoting the brand. Communicating is an essential element in the marketing mix. It's a tool to inform, persuade and remind customers about the products Vero Moda has to offer.

7.4.1 Social Media

Social media and other Internet activities in Indonesia are increasing rapidly. As shown in graph 7.1 below, Jakarta was named the number one Twitter city in the world according to Paris-based social media agency Semiocast (International Public Relations Association, 2013). In addition to Twitter, Facebook is also incredibly popular. Indonesia is Facebook's fourth most active country in the world (International Public Relations Association, 2013). It is suggested to promote the brands through those platforms to gain brand awareness and visibility.

It is expected that every Indonesian have at least one Smartphone by the year of 2015 (International Public Relations Association, 2013). This could also be a great opportunity for Vero Moda to gain visibility. Vero Moda could choose to create an App for online shopping and to make the Vero Moda Website available on every Smartphone.

Graph 7.4.1 Top 20 cities by number of posted tweets

Top 20 cities by number of posted tweets
(among 10.6B public tweets posted in June 2012)

Rank & city

Rank	City
1	Jakarta
2	Tokyo
3	London
4	São Paulo
5	New York
6	Bandung
7	Paris
8	Los Angeles
9	Chicago
10	Riyadh
11	Singapore
12	İstanbul
13	Osaka
14	Toronto
15	Madrid
16	Rio de Janeiro
17	Seoul
18	Miami
19	Atlanta
20	Houston

Share of public tweets geolocalized at the city level
(27% of all public tweets)

Semiocast   © 2012

(Semiocast, 2012)

7.4.2 Radio

As seen in the table below the number of radio receivers is the highest in Indonesia. Most people listen to the radio between 7:00 and 9:00 am and again between 4:00 and 6:00pm when they are stuck in traffic (Expat Web Site Association, 2012). Vero Moda could broadcast their commercials on the radio stations during this time. By broadcasting during a traffic jam Vero Moda automatically focuses on a section of their target group, women between the ages 16 and 35, because driving in Indonesia is allowed from the age of 17.

Table 7.4.2 Date concerning media channels in Indonesia

Number of Satellite Subscribers:	3,900,000
Satellite Subscribers per 1,000:	17.1
Number of Radio Stations:	803
Number of Radio Receivers:	31,500,000
Radio Receivers per 1,000:	137.9
Number of Individuals with Computers:	2,100,000
Computers per 1,000:	9.2
Number of Individuals with Internet Access:	2,000,000
Internet Access per 1,000:	8.8

(Pressreference, 2013)

7.4.3 Billboards

Billboards are also often used for promoting a brand. Indonesia is still an Islamic country. Not everybody will tolerate women in short skirts and dresses on posters and in commercials. Therefore, it is recommended to adjust them by showing less nudity.

7.5 Conclusion

Vero Moda produces all different kinds of clothes and accessories. When Vero Moda enters Indonesia, they could manufacture these products in Xiamen, China, which is relatively nearby and would be cheaper than producing in a European country. From Xiamen it can be shipped to Jakarta. After the products arrive in Jakarta, they have to be transferred to Yogyakarta by train. Yogyakarta is the city where Vero Moda should open their first stores. After entering Indonesia, Vero Moda must gain brand awareness. Communicating the brand to potential customers can be done through Social Media and by using billboards. Commercials can also be broadcasted on the radio during traffic jams

Chapter 8: Conclusion and recommendations

The research question of this paper is the following: **What could be an effective strategy for Vero Moda to enter a specific country in the Asian region for the year 2014?** This chapter concludes the research and recommendations will be made.

8.1 Conclusion

In the past year Vero Moda has been facing challenges in some markets. These challenges have resulted in an overall weak growth in turnover in a number of stores. The financial data of Vero Moda Amstelveen, The Netherlands, also shows the importance of spreading risks and investing in other countries with more growth.

As seen in chapter 1 of this paper, the best country in the Asian region for Vero Moda to enter is Indonesia. Indonesia has a strong economic growth, it was named a newly industrialized country and it is the world's fourth-largest population. In addition, the rising per capita incomes and the continuing development of retail infrastructure are key factors behind the growth expected for Indonesian retail sales. Both Vero Moda and Indonesia are ready for the expansion.

First of all, it is important to know that the rivalry in Indonesia is slightly intense due to the expansion of the world's second biggest clothing retailer H&M and other competitors who already expanded to Indonesia. In addition, the upcoming Muslim clothes could threaten the Western clothes. Luckily, this is very unlikely to happen in the near future.

The target group of Vero Moda are fashion conscious females between the ages of 16 and 35 who like to have fashionable clothes at reasonable prices. They have a middle or upper level income and they most likely will live in big cities. Moreover, they believe that status and showing off their wealth is very important.

Vero Moda has much strength to make the expansion successful. Vero Moda is a very trendy and affordable European brand. It has more than 7000 points of sale in 45 countries all over the world. These stores are always located in a busy shopping area, which makes the stores very accessible. In addition, they offer multiple collections at different price points. Due to this, Vero Moda is attracting a broader range of customers.

8.2 Recommendations

Vero Moda is ready to expand to the Indonesian market, but before doing so some recommendations have to be made.

First of all, entering a new market always takes time. Therefore it is strongly recommended to enter Indonesia in 2014 and not this year.

Secondly, it is recommended to position the brand as an A brand. Setting the products' prices a bit higher than those of competitors can realise this. Vero Moda gains exclusivity and gets more luxurious, which is important for Indonesian customers. Even though the prices are a bit higher, Vero Moda would still attract many customers because Vero Moda is still more affordable than top brands such as Chanel and Gucci.

Thirdly, Indonesia has a tropical climate and only knows two seasons, the dry one and the rainy one. Therefore, it is suggested to exclude winter products and to offer summer clothes in the dry season and for example raincoats in the rainy season

Moreover, it is advised to use franchising as an entry strategy. It is less risky; Vero Moda already has huge brand awareness, a successful marketing plan and enough capital. There are two major types of franchises. Vero Moda could choose to use the business format franchises whereby the franchisee is allowed to use Vero Moda's trademark, but also their method of doing business.

Furthermore, it is recommended to use the same manufacturers as in China, preferably in Xiamen. This would be the easiest and cheapest way. The distance between China and Indonesia is the shortest and the products could easily be transported from the port of Xiamen to Tanjung Priok, the main harbour in Jakarta. It is suggested to transport the products per train to the final destinations. This is perfectly possible because Indonesia has 8530 kilometres of railways.

Next to that, it is suggested to open a first store in Yogyakarta as analysed by the number of steps, length of time and cost involved. There is also less competition in Yogyakarta. While getting familiar with the Indonesian market and Indonesian customers, it is strongly recommended that they research the possibilities of opening a store in a shopping mall in Jakarta. This could be Vero Moda's next step because shopping malls in the metropolitan capital are getting many visitors.

In order to create name and brand awareness amongst the Indonesian population the company should promote its products in a strategic way. Indonesia is Facebook's fourth most active country

and Jakarta was named the number one Twitter city in the world. Therefore, it is advised to promote Vero Moda through Social Media. Another option could be billboards and broadcasting commercials on the radio during traffic jams.

Also, due to the rapidly increasing Internet activities, it is recommended to make the Online Web Shop available for all the countries Vero Moda is represented in. It is currently only available for the following countries: The Netherlands, Norway, France, Sweden, Ireland, United Kingdom, Austria, Denmark, Finland, Belgium, Germany, Spain, Italy and Switzerland.

Finally, it is suggested that Vero Moda thinks about what type of franchise agreement they make after entering Indonesia. Do they choose for an area development franchise whereby the franchisee is allowed to open more than one unit during a specific time, within a specified area? Or do they choose to have a master franchise, which gives the franchisee even more rights than the area development franchise. It also gives the franchisee the right to sell the franchises to other people. Moreover, if the expansion is successful, it is recommended that they research the possibilities of entering more countries in the Asian region.

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Chapter 10: Appendices

Appendix 1: Country selection

Filter 1: rough investigation

Criteria 1: Restrictions on importing products that is important for Vero Moda such as textile, fabrics and clothes. Scores are given by good, neutral and bad. Good when there are no import restrictions, neutral when there are restrictions but not disadvantageous for Vero Moda and bad when the restrictions are hurtful.

Table 1.1 Scores on import restrictions

Country	Data	Score
Bangladesh	Difficulties in opening their own offices in Bangladesh.	Bad
India	No	Good
Indonesia	Since 2005, imports of certain textiles (list of HS codes) into Indonesia need to comply with the following requirements: Importer classified as a Textile Producer. Importer needs to report on imports to the Ministry of Trade. Importer needs to secure three different import licenses (basic, special and textile importer licenses)	Neutral
Japan	No	Good
Malaysia	No	Good
Nepal	No	Good

North Korea	No	Good
Pakistan	No	Good
The Philippines	No	Good
Singapore	A Certificate of Origin, (COO) is sometimes requested for verification / certification of the country of origin of certain commodities	Neutral
South Korea	No	Good
Sri Lanka	Furs forbidden to import. All shipments crossing international borders must be cleared through Customs in the destination country prior to being delivered to the recipient.	Bad
Taiwan	No	Good
Thailand	No	Good
Vietnam	Authorised foreign distributors are not allowed to distribute themselves the goods they import and are requested to use third party warehousing services, for which they face an extra barrier by having to provide all kinds of information to prove that warehouses servicing them have all necessary governmental authorizations. This requirement does not apply to local distributers	Neutral

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Criteria 2: Import prices. Data provided is based on index points because countries have different currencies. Low import prices are very beneficial because Vero Moda would not have to pay a lot just to import their products. That is why low import prices get the highest scores. Scores are giving according to the following score table:

350-200 = 1

200-150 = 2

150-100 = 3

100-50 = 4

50-0 = 5

Table 1.2 Scores on import prices

Country	Data	Score
Bangladesh	122,28	3
India	243,00	1
Indonesia	195,60	2
Japan	115,60	3
Malaysia	129,90	3
Nepal	?	
North Korea	?	
Pakistan	305,00	1
The Philippines	?	
Singapore	97,50	4
South Korea	102,33	3
Sri Lanka	133,40	3
Taiwan	96,04	4
Thailand	116,70	3
Vietnam	120,20	3

Criteria 3: Inflation rate. Data provided is giving in percentages based on annual change. Inflation is the rate at which the level of prices of goods and services are rising. That is why the lowest inflation percentages will get the highest scores.

Scores are giving according to the following score table:

12-9 = 1

9-6 = 2

6-3 = 3

3-0 = 4

0- -3 = 5

Table 1.3 Scores on inflation rate

Country	Data	Score
Bangladesh	7,74	2
India	6,84	2
Indonesia	5,90	3
Japan	- 0,70	5
Malaysia	1,50	4
Nepal	9,95	1
North Korea	?	
Pakistan	6,57	2
The Philippines	3,20	3
Singapore	4,90	3
South Korea	1,30	4
Sri Lanka	7,50	2
Taiwan	1,39	4
Thailand	2,69	4
Vietnam	6,64	2

Criteria 4: Risk of calamities. Data is based on number of calamities from 2010- 2012. Calamities are uncontrolled threats for Vero Moda. The higher the amount of calamities, the lower the score. Scores are giving according to the following score table:

60-85 = 1

45-60 = 2

30-45 = 3

15-30 = 4

0-15 = 5

Table 1.4 Scores on number of calamities 2010-2012

Country	Data	Score
Bangladesh	29	3
India	83	1
Indonesia	56	2
Japan	17	4
Malaysia	3	5
Nepal	23	4
North Korea	11	5
Pakistan	32	3
The Philippines	85	1
Singapore	0	5
South Korea	10	5
Sri Lanka	11	5
Taiwan	7	5
Thailand	12	5
Vietnam	23	4

Every country receives a total score after applying filter 1. These scores can be found in Table 1.1 below. The following countries are not selected because they receive the lowest score: India, Nepal, Pakistan and the Philippines. Bangladesh is not selected as well because Bangladesh has restrictions on importing fur. This makes it impossible to import Vero Moda's products if they would include fur or fur details. In addition, North Korea is not selected because there is not enough data available for this paper.

Table 1.5 Total score pre filter

Country	Total Score
Bangladesh	8
India	4
Indonesia	7
Japan	12
Malaysia	12
Nepal	5
North Korea	5
Pakistan	6
The Philippines	4
Singapore	12
South Korea	12
Sri Lanka	10
Taiwan	13
Thailand	12
Vietnam	9

The following countries go to filter 2: Indonesia, Japan, Malaysia, Singapore, South Korea, Sri Lanka, Taiwan, Thailand and Vietnam.

Filter 2: detailed investigation

Criteria 1: Gross Domestic Product. Data provided are in billions and in USA dollars in 2012. A high GPD means a healthy economy. That is why high a GDP gets a high score. Scores are giving according to the following score table:

0-100 = 1

100-200 =2

200-450 = 3

450 – 1250 = 4

1250 > = 5

Table 2.1 Scores on gross domestic product

Country	Data	Score
Indonesia	846,83	4
Japan	5867,15	5
Malaysia	278,67	3
Singapore	239,70	3
South Korea	1014,48	4
Sri Lanka	59,17	1
Taiwan	466,83	4
Thailand	345,65	3
Vietnam	123,96	2

Criteria 2: Business Confidence Index. Business confidence is the degree of optimism of a country's economy based on consumer's behaviours through spending and savings. Data provided is giving in percentages based on annual change. High confidence is advantageous for Vero Moda because how higher the customer' confidence in Vero Moda, the greater the chances of success. That is why the higher the confidence the higher the score. Scores are giving according to the following score table:

< - 0 = 1

0-25 = 2

25-50 = 3

50-75 = 4

75 > = 5

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Table 2.2 Scores on Business Confidence Index

Country	Data	Score
Indonesia	104,44	5
Japan	-8,0	1
Malaysia	94,10	5
Singapore	-10,0	1
South Korea	74,0	4
Sri Lanka	62,5	4
Taiwan	60	4
Thailand	63,90	4
Vietnam	-4,1	1

Criteria 3: Corruption Index. This index scores countries based on how corrupt a country's public sector is perceived to be. Scores range from 0 highly corrupt to 100 very clean. Scores for this paper are giving according to the following score table:

0-20 =1

20=40 = 2

40-60 = 3

60-80 = 4

80-100 = 5

Table 2.3 Scores on corruption index

Country	Data Score	Score
Indonesia	32	2
Japan	74	4
Malaysia	49	3
Singapore	87	5
South Korea	56	3
Sri Lanka	40	2
Taiwan	61	4
Thailand	37	2
Vietnam	31	2

Criteria 4: Population. The data that is being provided is the number of inhabitants per country in millions in 2012. More inhabitants mean more potential customers, that is why the higher the number of population, the higher the score. Scores for this paper are giving according to the following score table:

<25 = 1

25-50=2

50-75 = 3

75-100 = 4

>100 = 5

Table 2.4 Population per country

Country	Data	Score
Indonesia	239,9	5
Japan	127,5	5
Malaysia	28,4	2
Singapore	5,1	1
South Korea	48,9	2
Sri Lanka	20,9	1
Taiwan	23,2	1
Thailand	69,1	3
Vietnam	86,9	4

Table 2.5 Total score of filter 2

Country	Total Score
Indonesia	16
Japan	15
Malaysia	13
Singapore	10
South Korea	13
Sri Lanka	8
Taiwan	13
Thailand	12
Vietnam	9

After applying filter 1 and filter 2, four countries remained: Indonesia, Malaysia, South- Korea and Taiwan. After researching the Consumer Spending Index, Malaysia was not selected because it is the only country that shows a decrease. After that, the Consumer Confidence Index was applied. It is important to have a high Consumer Confidence Index because it shows that customers have enough confidence to spend their money on products, goods and services. Taiwan was not selected because Taiwan received the lowest score. Indonesia and South Korea were remaining.

Appendix 2: Interview with Mr Verbeek

On May 14th 2013, an interview was conducted with mister Verbeek. He is the country tutor for Indonesia at The Hague University. He has a Master Degree in Business Administration and Economics with a major in Marketing. Even though Mr Verbeek is specialized in Indonesia, he is currently living in The Netherlands, which made it hard to answer every question in the interview. A brief overview of the interview can be read below.

Questions:

What are the main differences between the Indonesian/Southeast Asian market and the European market when it comes to consumerism in clothing stores?

First of all, it is very common in Asia to offer and purchase imitation clothing's and bags. They even sell it at bazaars and department stores. This happens particularly in Jakarta and Bangkok.

Secondly, the lower and upper class are much more separated in Asia than in Europe. Most European countries have a middle class as average, while in Asia it is either the lower class or upper class you belong to.

Furthermore, status is much more important in Southeast Asia than in Europe. Indonesian people, who belong to the upper class, really want to show off that they are rich. They want to do that by showing their expensive purchases such as Louis Vuitton bag. They like the Louis Vuitton bags that clearly show the Louis Vuitton Logo, in contrary to European customers. They are more modest. They like Louis Vuitton bags that are not clearly showing the logo.

What are characteristics of Indonesian's consumer behaviour?

Indonesians love shopping malls. They love to spend the whole day in a shopping mall, which is understandable when its 35 degrees outside. Also, it is made possible to spend a whole day there since the shopping malls even have restaurants and cinema's inside.

Another funny thing that points out how important status is for Indonesians is "Kopi Luwak" Kopi Luwak is the most expensive coffee in the world. The beans of coffee berries that have been eaten and excreted by an animal that looks a lot like a money is being used for the coffee. I went to Kopi Luwak once and paid 8 Euros for a cup of coffee. Even though most Indonesians cannot afford it, all the Kopi Luwak stores are always busy.

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Is Indonesia ready for another European retailer like Vero Moda?

Indonesians often see European brands as wealth. They believe it is better and more popular. Since Vero Moda is a European brand, Indonesia is very ready for it. Also as mentioned earlier, Indonesia does not really have a middle class, instead a huge lower class and an upper class. Since the lower class cannot afford expensive brands like Gucci and Louis Vuitton, Vero Moda would be a great substitution.

Main competitors of Vero Moda (e.g. Zara, Forever21) already expanded to Indonesia, how are they performing in Indonesia?

He did not know how those companies are performing on the Indonesian market. I should research it myself.

What could be another main competitor of Vero Moda next to Zara and H&M?

He did not know this. I asked if a Muslim wear retailer could become a competitor, but he said no as explained in the last question.

If Vero Moda would expand to Indonesia, what are great cities to start opening Vero Moda stores and why?

Jakarta and Yogyakarta, but there are some differences. Jakarta is characterized by shopping malls. It could be advantageous to open a first store in a shopping mall in Jakarta because shopping malls have many shops are at one place. This means that it gets a lot of visitors and it is most likely when they enter the shopping mall they will visit Vero Moda as well. On the other hand, more shops also mean more competition. Yogyakarta is less of a metropolitan city than Jakarta. It has less shopping malls and its shopping area looks a lot more like the Spuistraat in The Hague.

My advice is to open its first stores in Yogyakarta to get familiar with the Indonesian market and Indonesian customers. After that they could research the possibilities of opening a store in a shopping mall in Jakarta.

What could be a potential threat for Vero Moda if they would expand to Indonesia?

Indonesian customers are still unfamiliar with the brand Vero Moda. A possible threat could be that Vero Moda is not being positioned as an A brand. They really have to conduct research on how to enter Indonesia. Place, position and price are very important.

If Vero Moda is going to be one out of many, they will never be able to compete with H&M. They have to differentiate themselves from similar brands. The best way to do that is to be a bit more expensive than the others ones. By doing this, they position Vero Moda as an A brand that is still much more affordable than top brands such as Gucci and Louis Vuitton.

Muslim wear such as the burka is becoming very popular in Indonesia. Do you think it will become more popular than western clothes?

No. In 1945 president Soekarno introduced "Pancasila" to keep the archipelago together.

Pancasila is based on five principles. It basically meant that everybody should be treated equally. Everybody has freedom of speech and religion. These principles are still very visible and important in Indonesia. Many religions are living side by side. Indonesians still do not believe that one religion will dominate. Therefore, Muslim wear will not become more popular than western clothes.

Are many women in Indonesia wearing a burka of hijab?

No not at all. When I visited Indonesia I saw not even one woman wearing that. I believe that there are women who are totally covered, but maybe they are living in small villages.