

Adapting Design to Foreign Markets - A Case Study of Three Finnish Fashion Firms

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Objectives: The importance of design for the national competitiveness of Finland and the rise of several design intensive companies has led many researchers to study the topic of international competitiveness of the Finnish design industry and design-intensive firms. In terms of international marketing strategy, firms have usually two choices: to adapt or standardize their offering. While the research on the debate between adaptation and standardization has been abundant, what has not been researched in more detail is how design firms, especially in the fashion industry, adapt to foreign markets. The purpose of this study is thus to examine how small Finnish fashion companies adapt design to foreign markets and what are the drivers for adaptation and standardization of different marketing mix elements for these companies. Furthermore, the study aims to find out what is the balance between the adaptation and standardization of the marketing mix elements.

Methodology: Qualitative case study research was selected as the research method. In the empirical study, three case companies from the Finnish fashion industry are interviewed. The interviewees are the owners/directors as well as the head designers of the company. In addition to face-to-face interviews some of the interviewees were sent additional questions by E-mail after the interview. Company websites and social media sites were used as secondary data sources to support the empirical data.

Results: The findings of the study indicate that Finnish fashion firms adapt to foreign markets by designing a vast product selection with variety where the needs and wants of the local consumers are taken into consideration. All case companies adapted their products while place was the most standardized element. National culture, especially religion, was the most prominent driver for adaptation whereas maintaining a certain brand image was the main driver for standardization.

Key words: design, adaptation, international marketing strategy, marketing mix, fashion firm

Muotoilun mukauttaminen ulkomaan markkinoille – Tapaustutkimus kolmesta suomalaisesta muotialan yrityksestä

Tutkimuksen tavoitteet: Muotoilun merkitys Suomen kilpailukyvyille yhdessä muotoilua hyödyntävien yritysten lisääntymisen kanssa on saanut useat tutkijat tutkimaan suomalaisen muotoiluteollisuuden ja muotoiluyritysten kansainvälistä kilpailukykyä. Kansainvälisten markkinointistrategioiden suhteen yrityksellä on perinteisesti ollut kaksi vaihtoehtoa: joko mukauttaa tai standardoida tarjoomansa. Miten nämä yritykset mukauttavat tarjoomaansa ulkomaan markkinoille on kuitenkin jäänyt vähemmälle huomiolle. Tämän tutkimuksen tavoitteena on selvittää miten suomalaiset muotialan yritykset mukauttavat muotoiluaan eri ulkomaan markkinoille ja mitkä tekijät ajavat markkinointimixin eri osa-alueiden mukauttamista tai standardoimista. Lisäksi tutkimuksen tavoitteena on saada selville mikä on markkinointimixin osa-alueiden eri ulkomaan markkinoille mukauttamisen ja standardoimisen välinen tasapaino.

Tutkimusmenetelmät: Tutkimusmenetelmäksi valittiin laadullinen tapaustutkimus. Empiirisen tutkimusaineiston saamiseksi haastateltiin kolmea yritystä, jotka toimivat Suomen muotiteollisuudessa ja vievät tuotteitaan useille ulkomaan markkinoille. Haastateltavat olivat sekä yritysten omistajia/johtajia kuin myös pääsuunnittelijoita. Henkilökohtaisten haastatteluiden lisäksi osalle haastateltavista lähetettiin jälkikäteen tarkentavia kysymyksiä sähköpostitse. Tukevana aineistona käytettiin yritysten kotisivuja sekä sosiaalisen median portaaleja.

Tulokset ja yhteenveto: Tutkimuksen tuloksien mukaan suomalaiset muotialan yritykset mukauttavat tarjoomaansa eri markkinoille suunnittelemalla laajan tuotevalikoiman, jossa eri markkinoiden tarpeet on otettu huomioon. Tapaustutkimuksen kohteena olleet yritykset mukauttivat eniten tuotteitaan kun taas jakelukanavat olivat samanlaisia eri markkinoilla. Kulttuurierot, etenkin uskonto, vaikuttivat eniten markkinointimixin osa-alueiden mukauttamiseen. Pyrkimys tietyn brändi-mielikuvan ylläpitämiseen puolestaan vaikutti eniten markkinointimixin standardisointiin.

Avainsanat: muotoilu, mukauttaminen, kansainvälinen markkinointistrategia, markkinointi mix, muotialan yritys

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1 INTRODUCTION

By conducting a case study of three small Finnish fashion firms this thesis aims to find out how these firms that have succeeded in the international marketplace adapt their design and marketing mix elements to foreign markets and why. The purpose of this thesis is to increase knowledge on the international strategies of Finnish design firms and by doing so, contribute to the existing literature within the disciplines of international business and international design business management. In this introductory chapter I will discuss the background and relevance of the research topic as well as define the research problem and research questions. Furthermore, I will provide definitions for the key concepts of the study. The final part of this chapter provides the structure of the report.

1.1 BACKGROUND

Design has been a main factor in the competitiveness and national innovation system of Finland since year 2000 when the government established the Finnish design policy (Valtonen, 2005). Already long before the official design policy, Finland has been internationally described as a country with outstanding design (Kotler & Rath, 1984). The present World Design Capital status of Helsinki is proof of the world wide recognition that Finnish design enjoys. Finnish fashion, even though a part of the Finnish design industry, is not something Finland has been known for in the past; despite the success of Marimekko. In the past 10 to 15 years, however, the fashion scene in Helsinki has turned around and fashion is becoming one of the city's signature things (Timonen, 2012). This turnaround can be credited to small fashion brands such as Ivana Helsinki, and Lumi Accessories that have gained international success beyond what any other Finnish clothing company has gained before. Perhaps encouraged by the success of these firms, many other small fashion labels have been established in recent years who are aiming for the international arenas. A common factor in these firms is

that many of them are comprised of a designer duo who also acts as managers of the company or a designer and a business professional. For these companies where the designer is the entrepreneur, design is the driving force of all operations (Falay et al., 2007).

The small size of the domestic market forces many of these small design companies to internationalize rapidly. The low demand especially for high fashion in Finland leaves little room for growth. In international markets, design can offer an edge which counters the traditional advantages of size and scale economy (Bruce & Bessant, 2002). Cooper and Press (1995) have noted that the use of design has often enabled small and medium sized companies to secure a market niche and furthermore, their survival. Even though the authors are referring to companies competing in advanced technology markets, the underlying assumption here is that the same notion can also be applied to companies competing in high design markets.

When talking about international strategies, companies usually have two choices: either to develop global products or create products that are specifically adapted for different markets. What makes this challenging is that companies are usually most competitive when they achieve both global efficiency and local responsiveness, simultaneously. (Powers & Loyka, 2010) The idea of adapting design to local markets has received support from a number of researchers (Bloch, 1995; Röse, 2004; Moalosi et al., 2010) as design is often bound to the national culture. On the other hand, the competitive advantage of design-driven companies is often based on their uniqueness on the local market and product adaptation might hamper the distinctiveness of the company (Lishchenko et al., 2011). The differential advantage of many Finnish design companies is indeed based on the “Finnishness” of their products, such as deriving inspiration from the nature, which discourages adapting design. A certain style from Finnish design products can also be expected by international consumers. Being sensitive towards environmental differences has indeed been indicated as one of the greatest challenges to textile and apparel manufacturers who attempt to enter foreign markets (Dickerson, 1991). Especially for small designer-led firms marketing is often a weakness, as the designers have not been trained in the discipline. This thesis explores how and to what

extent these designer-led fashion companies in Finland have adapted their offering to the international markets.

In the following section, the relevance of this topic is discussed in more detail.

1.2 RELEVANCE OF THE TOPIC AND RESEARCH GAP

In this section I will discuss the relevance of the research topic and establish the research gap.

The importance of design to the national competitiveness of Finland is well portrayed by the aforementioned Finnish design policy established by the government. The role of design companies in the national competitiveness is illustrated by the following quotes:

“Industrial design will be an increasingly important part for strengthening the national competitiveness, and the importance of design-brands is continually rising in companies [...] Effective exploitation of design makes it possible to increase the competitiveness of our industries competitiveness to meet new global challenges [...]”(TalSa, 2002 cited in Ryyänen, 2006: 11)

”Finland is desired to be the leading nation of design in the future. To reach this goal Finnish companies, especially SMEs, are playing an important role. Competitiveness of those companies will be improved by striving design. According to recent studies, cases that successfully combine design to innovation will turn out to concrete financial benefit.” (KL, 2005 cited in Ryyänen, 2006: 11).

The rise of several design intensive companies and their role in the national competitiveness has led many researchers to study the topic of the international competitiveness of the Finnish design industry and design-intensive firms (Salimäki, 2003; Salimäki & Gabrielsson, 2005; Falay et al., 2007). With commerce internationalizing, the importance of design in adapting products to different market areas grows and makes decisions related to product design and marketing ever more

challenging (Salimäki & Väkevä, 1998). Even though adaptation has been indicated as a success factor in the international operations of Finnish design firms (Salimäki & Gabrielsson, 2005), there is a lack of research on how and why these companies have adapted their offering to different markets.

Research on the debate between the standardization and adaptation of international marketing strategy on the other hand is abundant. However, majority of the studies have investigated large multinational companies offering traditional consumer or industrial goods whereas the adaptation strategies of design firms have received less attention.

The purpose of this study is to fill this gap by finding out how small Finnish fashion companies adapt design to foreign markets and what are the drivers for standardization and adaptation of different marketing mix elements. Within the Finnish design industry, fashion companies have been selected as the subject of the study due to the rising number of small companies in the field. Despite this development, few studies concerning especially small fashion firms have been conducted. When these firms have been a subject of study, they have usually been discussed as design companies rather than fashion companies. As will be demonstrated later on in the literature review, in spite of the overlap of the design and fashion industries there is a marked difference between the two as businesses. Therefore, in order to study these companies in depth they have to be discussed within the context of fashion business.

From a scientific point of view, these companies offer an interesting research subject as to how they have succeeded in the international markets despite the small size and limited resources. In the following section I will introduce the research problem and research questions which describe how the research gap is addressed in this study.

1.3 RESEARCH PROBLEM AND QUESTIONS

In this section I will present the research problem and questions.

This study aims to find out which elements of the marketing mix, namely price, place, promotion, and product, are adapted and which are standardized by small fashion companies. However, the focus will be on the latter element as it is most affected by design.

Hence, the research problem that is the main interest of this study is as follows:

How do small Finnish fashion firms adapt design and marketing mix elements to foreign markets, and what are the drivers for adaptation and standardization of marketing mix elements.

In order to provide a comprehensive answer to the research problem, the following research questions will be addressed:

- How do fashion firms adapt design and marketing mix elements to foreign markets?
- What is the balance between standardization and adaptation of the elements?
- What are the drivers for adaptation and standardization of marketing mix elements?

This study has both academic and managerial aspirations. First of all, the study aims to increase knowledge in the existent literature on the international competitiveness of Finnish design firms. For design literature the most interesting contribution of the study is how design can be used to adapt to foreign markets whereas international business literature will be enriched by the drivers for standardization and adaptation as well as the balance of these two strategies among the different marketing mix elements. Secondly, in terms of managerial implications, this study aims to provide recommendations for fashion companies in their foreign market strategies. The purpose of the research is to refine existing theory, not to conduct theory testing or engage in theory building.

1.4 DEFINITION OF KEY CONCEPTS

As the subjects of the study are Finnish fashion firms operating in the design industry, the concepts of design and fashion need to be clarified. In the following, definitions for these key concepts are provided.

1.4.1 Design

Ughanwa and Baker (1989) have stated that design is a complex concept with multiple definitions and is therefore often difficult to understand and interpret. Design can be understood both as an activity, “designing”, and as an object, “a design”. The scope of meanings that design bears is further demonstrated by Cooper and Press (1995) who discuss design from several perspectives, including design as art, problem solving, creative act, family of professions, industry, and as a process. By problem solving the authors refer to the tradeoff between function and aesthetics whereas the family of professions refers to the wide range of activities and disciplines that design comprises of.

The dominant view of design theory also views design as a cognitively based, problem-solving activity. Furthermore, “design is a creative process by which products and processes are conceptualized and specified, and as such has a vital role to play in enabling companies successfully to exploit their innovative research” (p. xii). (Langdon & Rothwell, 1985)

Further in this report design’s effect on company competitiveness and the concept of design strategy is discussed and thus a definition of design strategy is in order. Design strategy is defined here as including strategic planning for markets and strengthening of the relationship between a company’s design development and marketing environment (Jun, 2008).

Lishchenko et al. (2011) have described design products as being similar to luxury brands. Literature on luxury brands and luxury products is referred to several times throughout this report as it to some extent can be applied to the case companies; nevertheless, luxury products should not be considered as being synonymous to design products.

As the multiple meanings of design that were presented above demonstrate, it is impossible to give an exhaustive definition of the concept of design. However, for the purposes of this study, design is mainly comprehended as

a creative act which results to a product or a process.

In order to clarify this definition, I will use the description of design by Deserti (2011, cited in Karjalainen, 2012: 153-154). Figure 1 portrays the different dimensions of design as described by Deserti who illustrates design in terms of its positioning as a creative or a technical act (Karjalainen, 2012). Furthermore, design behaves differently depending on time; design can be used to explore the future or it can be situated in the present (*ibid*). Within this study, design is seen more as an instrument of exploration of the future than situational, as a fashion designer must design products that people will buy in a year, not what they want to buy now.

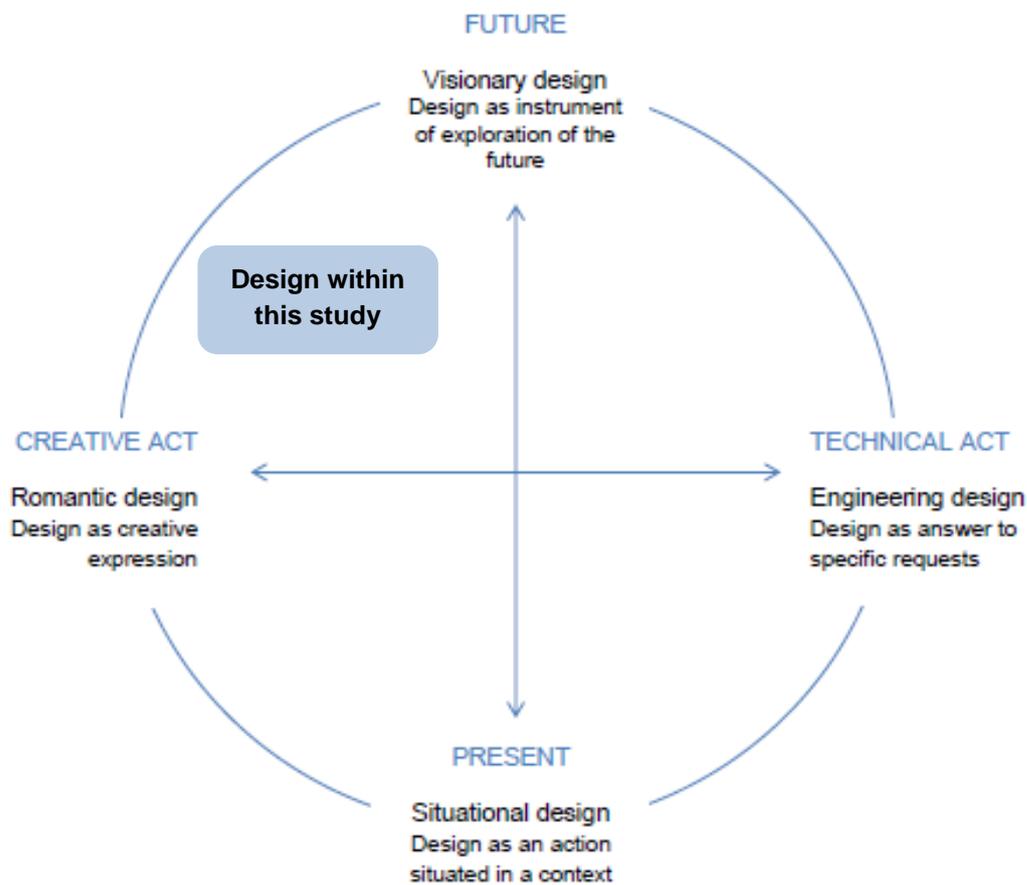


Figure 1. Design described by Deserti (2011), cited in Karjalainen (2012)

1.4.2 Fashion

As design, fashion can also be conceived in multiple ways. It can be used to reference everything from seasonal trends to a global industry with many eclectic business activities (Jackson & Shaw, 2009). “The recognition and meaning of fashion is contextualized by the mass adoption of a particular design, style or trend which results in something being ‘in fashion’ or on trend within a specific season” (Jackson & Shaw, 2009: 88).

A wide range of fashion brands exist in terms of price and quality. Brands that produce low to middle priced products that are available for most consumers are referred to as

high-street brands. Figure 2 presents some of the many types of fashion brands with haute couture being the most esteemed form of fashion.

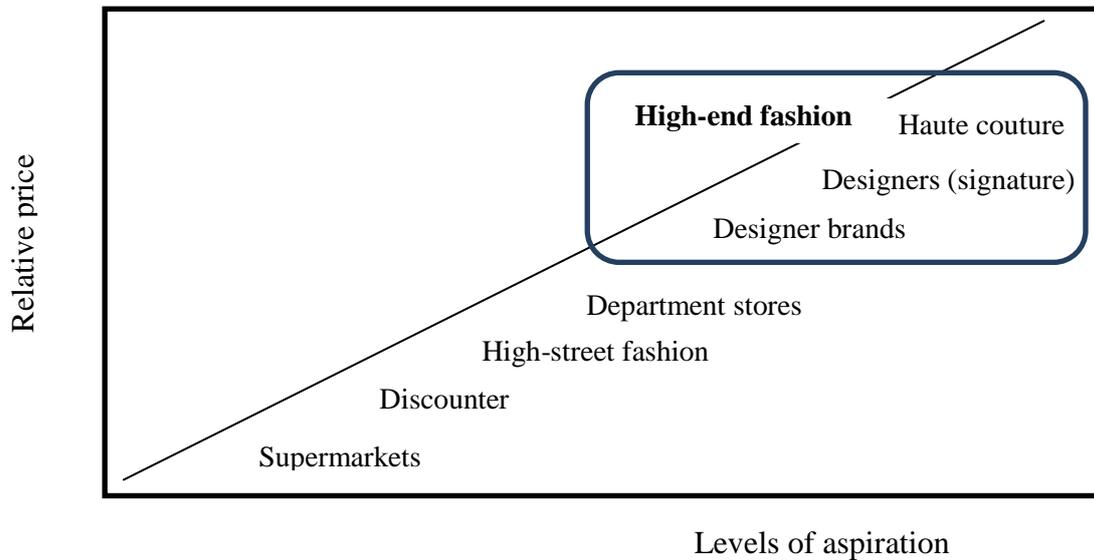


Figure 2. The continuum of clothing and fashion. (Adapted from Jackson & Shaw, 2009)

The case companies in this study represent the top end of the industry. As it is difficult to create clearly defined segments at the high end of the fashion continuum (Jackson & Shaw, 2009), the case companies will be referred to as high-end fashion companies, with high-end fashion being a general denomination for brands ranging between designer, luxury and couture.

Fashion industry is an umbrella term for several industries including textile, apparel (also referred to as clothing), accessories and home fashions. The focus of this study is on companies operating in the apparel and accessories industries. The accessories industries are essential to the success of the apparel industry, and fashion trends within the two industries are closely linked (Burns et al., 2011). Thus, whenever fashion and fashion industry are referred to in this study, they are seen as comprising of apparel and accessories industries.

1.5 STRUCTURE

In the following I will present the overall structure of the report. First I will discuss design and fashion industries in general, with a focus on the Finnish design and fashion industries, in order to create background for the following topics of discussion. This introductory chapter to the context of the study is followed by a literature review on the relationship between design and business. Design's effect on company competitiveness has been a popular topic in the design literature and it is also the topic I will start the literature review with. After the discussion on design and competitiveness I will look into the connection between design and marketing, and how design is related to the marketing mix elements of product, price, place and promotion. Next, I will move on to reviewing the literature on international marketing strategies which is dominated by the debate between standardization and adaptation of the marketing program. The final part of the literature review leads to the topic of adapting design which is of central interest to the study. At the end of the literature review I will summarize the main theoretical findings.

After reviewing previous literature on the research subject I will move on to explaining the methodological choices made prior and during the course of the research. At the end of the methodology chapter I will present the theoretical framework of the study which is based on the reviewed literature. This brings us to the empirical part of the study, which I will start by introducing the case companies and the case study results. Perhaps the most interesting part of the study, analysis and discussion of the results, follows next. The final part of the report, conclusions, includes a discussion on the theoretical contribution of the study and managerial implications followed by suggestions for further research.

2. DESIGN VS. FASHION INDUSTRY

The objective of the following chapter is to further discuss the similarities and differences between design and fashion industry introduced in part 1.4 in order to clarify the context of the case study. I will begin by providing an introduction to the Finnish design industry after which I will discuss the internationalization of Finnish design firms. Then I will move on to discuss the unique characteristics of the fashion industry that separate it from other businesses within the design industry. The chapter ends with a view of the fashion industry in Finland.

2.1 FINNISH DESIGN INDUSTRY

Even though design industry is of small significance in Finland in terms of market size, has design as a competitive perpetrator become an important factor in the national innovation system and competitiveness (Salimäki, 2003). In the beginning of the millennium the Finnish government issued the national design policy Design 2005!, the aim of which was to “create a dynamic design system which will take Finland to the forefront in the utilisation (sic) of design” (Korpelainen, 2000: 9). One of the goals of the program was to promote the internationalization of Finnish design companies. The target was set at 20 design firms in Finland operating in international markets by 2010. Evaluating the achievement of this goal depends on the definition of a design firm, as a variety of firms can be said to utilize design in their business. However, even in terms of highly design-intensive companies it is safe to say that the goal has been reached.

The good reputation of Finnish design can be said to have originated in the 1950's when Finland was successful at the Milano Triennales along with several other international exhibitions (Mäenpää, 1993). The reputation has long relied on a certain group of firms and designers, such as Iittala and Alvar Aalto. According to Vänskä (2012 cited in Pöppönen, 2012) the problem is that even though these design brands are internationally renowned, “newer products that have been designed after the recession in the 21st century are hardly known at all outside Finland”.

The strengths of Finnish design industry lie in technical capabilities, small size and flexibility of firms, as well as the quality of work (Holopainen & Järvinen, 2006). According to the study by Holopainen and Järvinen the role of design was considered essential or significant by 72% of firms who used design. Nevertheless, even though design was seen as having a significant part in the company's business, according to most respondents only a small part of product development budget was allocated to design. The lack of knowledge on design's value in business performance and the designers' capabilities from the part of the management has been more the rule than an exception (Pulkkinen, 1990). However, it is not only the management that can be blamed for its ignorance of the design practice but the designers also lack capabilities in marketing of the products. In fact, in the study by Holopainen and Järvinen (2006), recognizing customer needs, along with sales and marketing were seen as the biggest weaknesses of the Finnish design industry. Thus, one of the strengths of the design industry, small size of firms is also one of the biggest weaknesses; when many design firms are comprised of one person, there might be a lack of customer-oriented marketing capabilities (Holopainen & Järvinen, 2006).

As the study of Holopainen and Järvinen indicates, there is clearly a need for a more customer-oriented approach in Finnish design companies, especially small ones. Finnish designers need to understand that good design is not enough; it also needs to sell for the firm to be competitive. Combining design with marketing knowhow is further discussed in part 3.2.

2.4 INTERNATIONALIZATION OF FINNISH DESIGN FIRMS

The internationalization of a design firm requires both vast resources and strong leadership due to the tough competition in international markets compared to the domestic competition. Acquiring of a competitive skill level and financial means sufficient for the required investment must be done in a familiar market which usually means operating in the domestic market. (Salimäki, 2003)

Salimäki (2003) has developed a model explaining the international competitiveness of the Finnish design industry. According to his 5-dimensional model, the international success of Finnish design firms can be credited to 1) international goal-setting by management, 2) remarkable innovation, 3) competitive internal efficiency, 4) market-driven approach, and 5) professional leadership/management.

Salimäki and Gabrielsson (2005) have expanded on this by researching factors important for the success of Finnish design companies. The authors studied the internationalization process of 16 small and medium sized design firms and found “the simultaneous, balanced enhancement of internal efficiency and external effectiveness, guided by a strategy of internationalization” (p. 19) to be the cornerstones of success for Finnish SME design companies. The studied companies were able to achieve a leading position in the Western European market while remaining highly profitable. The authors indicated specialization and carefully targeted choices as being important in achieving the strong international position. Regarding market-driven approach, Salimäki and Gabrielsson noted that a key feature of the design process is “how the company’s own concept of design is combined with the prevailing design perception in the market” (p.20). According to the study, design served as a tool for market-specific adaptation and differentiation in providing products and services for the companies that had an established market position. The study does not specify how these companies used design to adapt to markets.

While differentiation through design and internal efficiency have been indicated as success factors, what has posed challenges in the internationalization of Finnish design firms, is marketing. Falay et al. (2007) studied born global design firms that have been established by either one or two designers or a designer and a business graduate. Marketing management posed specific challenges for these companies. For some companies the partnership of a designer and a marketing professional was seen as a source of competitive advantage.

In the same study the design firms found Finland to be a difficult market in terms of limited market volume, and limited financial resources for expanding business in the local market. Since establishing a brand name in at least one market was seen extremely

important, the companies sought to prove themselves first in international markets and then come back to their local market. Luostarinen and Gabrielsson (2006) also note that companies operating in the area of high-design have a pressure to globalize their activities. Salimäki (2003) concurs by saying that design that is targeted towards a very narrow customer segment requires the company to go global from early on.

According to Luostarinen and Gabrielsson (2006) high-design born globals use unique design in their products and invest heavily in creating attractive designs. However, variability in tastes in fashion has proved to be a challenge for globalizing Finnish companies whose competitive advantage is based on design (Falay et al., 2007). Adapting designs to suit differing market needs and wants could be a solution.

2.5 THE UNIQUENESS OF THE FASHION INDUSTRY

Textile and apparel industry with its production and marketing activities is one of the most dynamic in global commerce (Dickerson, 1991). The level of rivalry has increased in the fragmented global women's wear industry due to slow growth in recent years (MarketLine, 2012).

Most of the design literature distinguishes between industrial and consumer goods. Even though fashion products are categorized as consumer products, they have additional attributes that make them different from the other consumer goods.

First of all, fashion products are seasonal; high fashion designers present an apparel collection of around 100 to 150 items each fall and spring through runway shows in major fashion cities including Paris, New York, and Tokyo. These collections are usually inspired by a theme and represent the design philosophy of the head designer. An apparel line consists of one large or several small groups of items developed around a theme. Many apparel companies typically develop four to six seasonal lines per year. (Burns et al., 2011)

Secondly, fashion is disposable and most fashion products do not last beyond a few seasons (Jackson & Shaw, 2009). Sales figures from the current selling season can be taken into consideration in the designing process of a new line; however, a fashion apparel company cannot only repeat what has sold well in the past or it will not survive (Burns et al., 2011). Thus fashion companies need to continuously develop new products that are up to date with the current trends. In addition to fashion trend research that is conducted on a daily basis by reading fashion publications and attending fashion events, designers and merchandisers perform long-range forecasting of major social, economic, retail, apparel manufacturing, and customer trends (Burns et al., 2011).

Furthermore, consumers' choice of purchasing is influenced by factors such as fashion and a desire to signal social status. Demand patterns of individual buyers change at a fast pace and are sensitive to branding and advertising. In order to maintain market share in a highly competitive market, firms "aim to attract customers by creating strong brand consciousness and running intensive marketing campaigns" (p. 11). (MarketLine, 2012) In the case of small design companies advertising and setting up big marketing campaigns is rarely an option due to lack of resources. Thus creating brand consciousness through other channels such as the internet and their own stores becomes ever more important in order to stay competitive.

2.6 FINNISH FASHION INDUSTRY

Companies that design and manufacture clothing items and accessories in Finland are usually referred to as the textile and clothing industry. The term "Finnish fashion industry" on the other hand is more rarely heard or seen in academic literature and media. However, the terms are not interchangeable. The focus of textile and clothing industry and that of fashion industry is rather different: while textile and clothing industry has often focused on technical products and conventional production processes, the essence of the fashion industry lies in creating new immaterial value, marketing images and experiences, and developing new and innovative distribution channels

(Lille, 2010). Even though both terms are discussed within this study, the context of the case study is namely fashion industry, not textile and clothing industry.

The most well-known companies in this industry are Marimekko and Nanso Group, both of which have far extending histories. Both companies manufacture more traditional and classic items as opposed to designing products that follow the latest trends in fashion, which can explain why they have not been conceived as fashion companies. Lately especially Marimekko has tried to renew its image as a trendier brand; a good example is the company's appearance at the esteemed New York fashion week. However, as with Nanso, the long history makes changing the image of the company difficult.

The roots of the Finnish fashion industry can be traced back to handcraft ateliers in 19th century Turku. In 1980's the industry faded due to rising production costs in Finland. However, after the recession of 1990's the industry began to bloom again with older designers such as Jukka Rintala and Ritva Falla, and brands like Marimekko updating their images and collections. (Virtanen, 2011)

More recently smaller brands have been established in Finland that aim for the international fashion arenas and are characterized by edgy and unique designs. One such brand is Ivana Helsinki, which was the first Finnish fashion brand to appear in Paris fashion week. Minna Parikka is a young Finnish shoe and accessories designer whose designs have been worn by many international celebrities. The three case companies that are the subject of this study also represent the newly developed high-end fashion industry in Finland.

One of the strengths of small fashion firms is size which allows the companies to operate quickly and flexibly, allowing the companies to create new lines throughout the year as opposed to conforming to the traditional schedule of the global fashion industry. This allows the customers to get their hands on the products right away. Another advantage is the uniqueness of the designs. The companies usually produce in small quantities and the quality of every product is superb. Furthermore, small size allows for more personal interaction with the customers as the designers themselves might be standing behind the boutique counter. (Tervinen, 2012)

The small size also acts as a disadvantage in terms of resources. Lille (2010) interviewed a number of fashion and design entrepreneurs who found lack of time and other resources as a challenge in the industry. This shortage of resources restricts firms from participating in a number of events and projects that would be necessary in order for them to receive visibility, and grow (Tervinen, 2012). Some of the companies interviewed by Lille (2010) also indicated a need for more marketing knowhow. However, few companies can afford to recruit a marketing specialist (Tervinen, 2012).

Some fashion entrepreneurs are driven by creativity and desire to express themselves whereas others have clear goals regarding growth and internationalization, and the products are designed within the terms of the brand (Lille, 2010). A challenge in the Finnish fashion industry is that firms focus too much on the design and the product itself while marketing, sales channels and communication strategy should be considered from the start (ibid).

The strengths and weaknesses of Finnish fashion companies described above are very similar to the ones of Finnish design firms. The size of the companies acts again as both an advantage and disadvantage, and the lack of marketing skills is seen as a hindrance for small operators. As the only contact the firm has to its end users in foreign markets is often the website and social media, these channels should be utilized more.

Despite the role of design in the national competitiveness and innovation system of Finland, small fashion companies have not received much financial support from the government. According to Tervinen (2012) the problem lies in fashion being seen as commercial activity and therefore not in the need of outside financial support, unlike art. If fashion is indeed seen as a commercial activity it should also be considered as an industry supporting the national economy, and thus the government should support and promote it as any other industry. “It does not always have to be an IT company that brings money into the country” (Tervinen, 2012).

Academic research on Finnish fashion is scarce and thus also non-academic sources have been quoted in this part of the thesis in order to build a picture of how Finnish fashion industry is doing today. This will hopefully not be the case in the future. For example Aalto University has established a new cross-disciplinary course on fashion

marketing as an attempt to bring students of marketing and fashion design together and join their skills.

3 DESIGN AND BUSINESS

The competitive advantage brought by design and design management has been a wildly popular topic of research in the past two to three decades. In the following chapter I will review the literature on design and competitiveness and the relationship between design and marketing.

3.1 DESIGN AND COMPETITIVENESS

Design has been identified as an effective strategic asset for companies in academic research (Jun, 2008). Used appropriately, design can give a firm an advantage over its competitors, often by identifying and exploiting a particular market segment (Oakley, 1990). In other words, design can be used to differentiate the company from others. Design contributes to the competitiveness of companies by improving quality, reducing manufacturing costs and enhancing corporate image (Cooper & Press, 1995). Furthermore, design, product design in particular, helps companies to understand their customers and thus better serve their needs (Lawrence, 1990). In design industries, the design process or product as such is not sufficient for creating competitive advantage but value can only be delivered by satisfying customer needs (Mäkinen, 2005). Furthermore, design features will not necessarily sustain competitive advantage unless they are integrated with design aesthetics (Drew & West, 2002).

However, not all company directors see the strategic value of design. While every company buys and uses design in one way or another, very few have developed a sophisticated understanding of how design can be used as a strategic marketing tool (Kotler & Rath, 1984). There are huge differences between firms in the amount of time, effort, money and professional expertise that are invested in design activities (Walsh, 1996). According to Olson et al. (1998) there are three reasons why design has been neglected as a tool to achieve competitive advantage: first of all the term “design” is

ambiguous; secondly, designers and managers usually have very little knowledge of each other's fields of expertise; and thirdly, design is typically perceived as an artistic process that cannot be managed.

The link between design and competitiveness has been established by many researchers. However, good design is of no use if its marketability and ease of manufacture are not kept in mind in the design process (Ughanwa & Baker, 1989). Many studies have found that the competitive advantage related to design in fact arises from the combination of design and other capabilities. In their study of the success factors of Finnish design companies Salimäki and Gabrielsson (2005) concluded that design has to be combined with other strengths in order to create competitive advantage; design alone is not enough. However, the authors do not define these other strengths. Roy (1990) elaborates on this by concluding that product design and development is an important part of the commercial success of manufacturing firms when integrated with other parts of the business, especially marketing and manufacturing. In their research of several British and foreign design-intensive companies, Walsh et al. (1988) also found that the most successful firms not only managed design effectively and invested resources in it, but they also had strengths in other areas such as marketing. Furthermore, a case study of Millenium Product award winning companies conducted by Whyte et al. (2003) demonstrates that the successful firms combined their strengths of traditional engineering design with new capabilities. The firms used a holistic approach to design, whereby design was seen as "a set of interrelated processes that cut across many different parts of the firms' activities, such as engineering and industrial design, branding and marketing" (Whyte et al., 2003: 407). It seems that design connected to marketing capabilities especially provides a competitive advantage for a design intensive company.

As the above discussed studies demonstrate, design is not automatically a good thing, but it needs to be handled strategically in a manner that is compatible with market conditions, existing corporate strategies, and with consumer needs (Schneider, 1989).

Apart from competitiveness, design's effect on company financial performance has been studied by Hertenstein et al. (2005), who found a strong link between good

industrial design and corporate financial and stock market performance. Gemser and Leenders (2001) found that in general industrial design had a positive effect on company performance. As performance indicators the authors used different profit indicators, turnover and export sales. External conditions, specifically the industry in which the company operates, were found to affect the outcome of industrial design's intensity. They concluded that apart from innovative products, innovative design and design strategy can improve competitiveness "regardless of industry evolution" (p.35). The question of how design actually affects the performance of the company is left unanswered.

In order to continue developing successful design strategies, companies must be aware of and understand the different factors affecting design strategy, namely: branding, culture, cost, technology and service (Jun, 2008). Interestingly, culture is named as second in the list of factors affecting design strategy. As Jun states, companies need to be sensitive to local tastes and consumer characteristics in order to create suitable products for different market needs.

Design can improve a company's competitiveness by offering differential advantages. Companies competing in global markets are increasingly exploiting design to create competitive distinctiveness for products ranging from cars to expensive watches (Lorenz, 1986). Design can be used to highlight differences between a company and its competitors and make the value added within these differences more clearly observable (Salimäki & Väkevä, 1998). Other authors have also noted that design improves a firm's differentiation from the competition (Borja De Mozota, 1990), gives companies the ability to differentiate their products from those of competitors (Sisodia, 1993), and makes companies "stand out from the crowd" (Kotler & Rath, 1984: 16).

3.2 THE RELATIONSHIP BETWEEN DESIGN AND MARKETING

“Design and marketing have a symbiotic relationship.” (Bruce & Bessant, 2002: 76). Design expertise is involved (ibid) and design is connected with each of the marketing mix elements, especially product as a tangible artifact, influencing the quality, function, service, usability and appearance, and contributing to the added value (Cooper & Press, 1995).

The relationship between design and marketing is also a conflicted one as designers and marketers often have contradicting goals. Designers are mainly interested in making a great product whereas marketers have to think about the target group and whether the product is going to sell to them. Designers are also seldom inspired by reaching sales targets which, on the other hand, are the marketers’ main agenda.

The contradiction between the goals of designers and marketers is evident in the study of Beverland (2005) who investigated the relationship between design innovation and brand marketing in luxury wine companies. As a result of the study, five design-based values were identified: remaining true to craft, expressions of place, stylistic consistency, living up to the brand’s heritage, and remaining current. The conflict between design and marketing is inherent in these values as the designers were aiming to remain committed to the past while at the same time trying to remain relevant and live up to the brand’s reputation. The author also identified a number of solutions for integrating design into the winemaking operations including integrating design at the strategic level and encouraging the designers to be in the marketplace rather than of the marketplace, meaning the winemakers should interact with consumers who are usually more interested in meeting the winemaker than a marketer.

In large companies with separate marketing and design departments, conflicts between the two functions are common. When the designer is also the entrepreneur, the attitude towards marketing is a totally different one, as the designer is the one having to sell his or her own products. Nevertheless, the conflict might still exist inside the designer’s mind.

Contrary to many consumer goods producing companies, most fashion brands are design- or product-led as opposed to marketing-led; in other words, consumers are not involved in the product development process but instead the companies produce what they think the customer will buy. This unique nature of the fashion industry can thus make it challenging to apply generic marketing theories and models to fashion. (Jackson & Shaw, 2009)

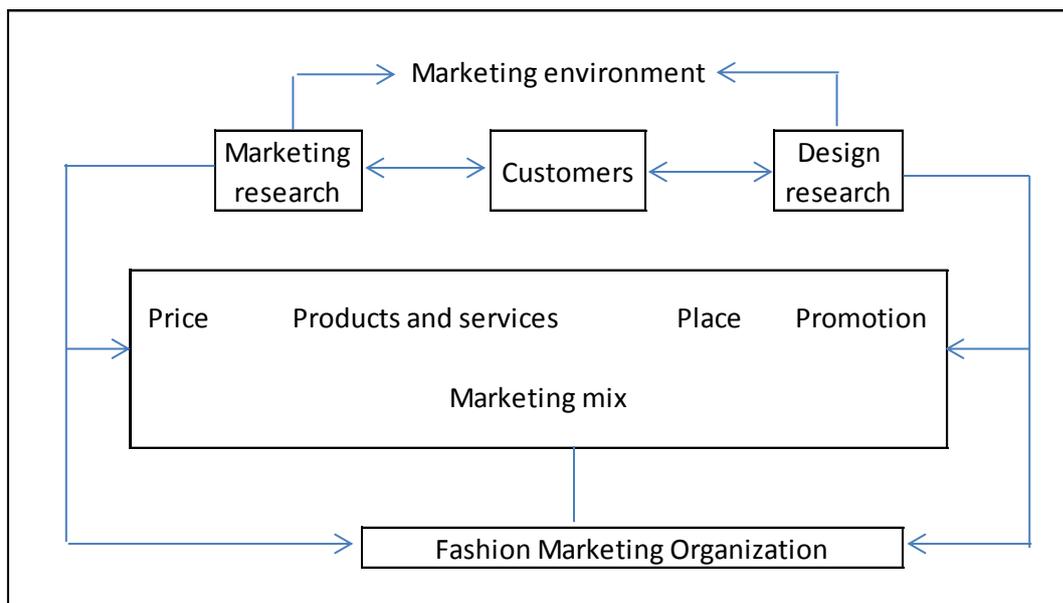


Figure 3. The fashion marketing process (Easey, 1995).

The fashion marketing process as described by Easey (1995) in Figure 3 displays the marketing mix. The four elements within the marketing mix, also referred to as the 4P's of marketing, were introduced by Jerome E. McCarthy in 1960 and popularized by Kotler (Jose & Bhat, 2007). Figure 4 describes the four elements and their attributes as presented by Kotler and Armstrong (2006).

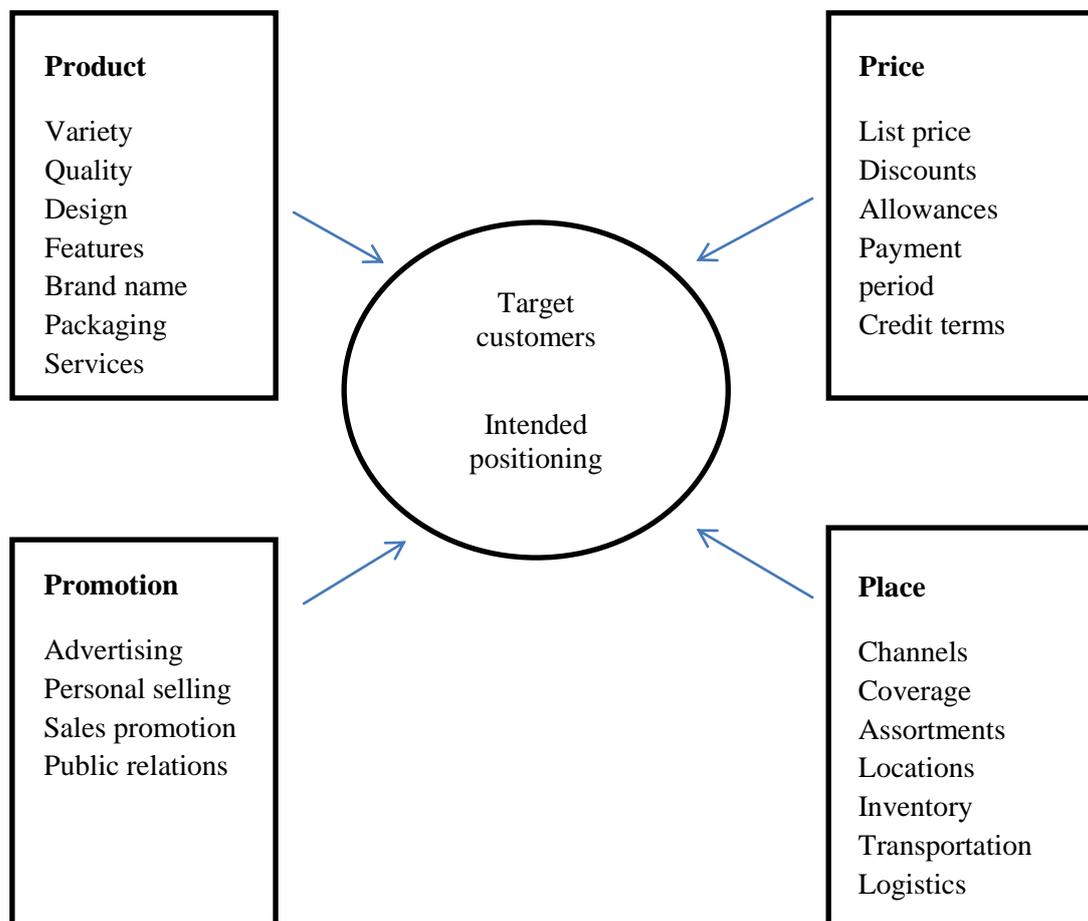


Figure 4. The four P's of marketing mix (Kotler & Armstrong, 2006).

According to Kotler and Armstrong (2006) the marketing mix is “a set of controllable, tactical marketing tools that the firm blends to produce the response it wants in the target market” (p. 50). In the following the relationship of design with each of the marketing mix elements will be discussed, with focus on high-end fashion products.

3.2.1 Product

In a design oriented firm, product is usually the focus of all operations. “A successful design is a combination of features, aesthetics and benefits” (Drew & West, 2002: 61). The design wheel by Drew and West which portrays these features is displayed below.

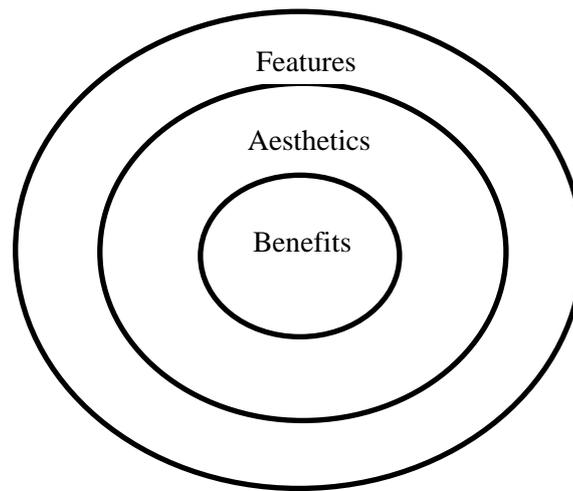


Figure 5. Design wheel (Drew & West, 2002).

Features and benefits provide the rationale behind product choices, but there is also an emotional layer: the role of design aesthetics. Product design in form, pattern and symbols can provide emotional satisfaction to a consumer such as status and self-actualization, and thus products may be chosen as an expression of personal identity. (Drew & West, 2002) This is especially true for luxury products which offer intangible benefits on top of the functionality such as projecting a certain image of the user (Okonkwo, 2007).

For a fashion brand in particular the product is the most important aspect of the marketing mix. If the product of a fashion brand is fundamentally wrong, whether it is wrong for a market or the season, no improvement in the other elements of the marketing mix, such as a price reduction or increased promotion, will necessarily make the product sell. (Jackson & Shaw, 2009) Aesthetic appearance, style and brand image

are key in a fashion product. For a high-end fashion product, quality is also an essential element.

Kotler (1986) has identified eight stages in new product development: idea generation, screening, concept development and testing, marketing strategy, business analysis, product development, market testing, and commercialization. The process of fashion product development is rather similar as described by Carr and Pomeroy (1992) who have divided the product development process into four larger entities, namely: the origin of styles, the development of samples, the refinement of business objectives, and the attainment of commercial products. Goworek (2010) has adjusted the process based on case studies and her own experience in the fashion business. According to Goworek textile designers, fashion designers and fashion buyers are key participants in fashion product development processes and that communication skills particularly have become important in enabling effective collaboration during these processes.

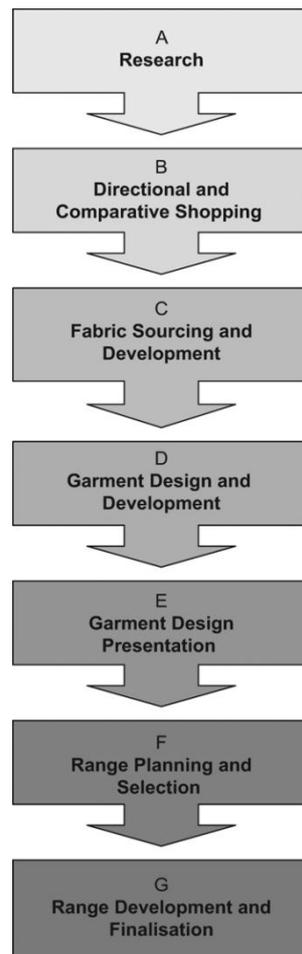


Figure 6. Key stages in fashion product development (Goworek, 2010).

Design has an influence on the quality, function, usability and appearance of the product (Bruce & Bessant, 2002). It affects the features that add value to and differentiate the product from others, such as performance, reliability and style (ibid). When creating a product, the physical attributes of the product must be paid careful attention to since it is the actual product that fulfills the “core benefit proposition” and determines the long term success of the innovation (Urban & Hauser, 1980). Sometimes the form of the product can override its functionality (Gabrielsen et al., 2010). An example of this is Alessi’s juice squeezer “Juicy Salif” which costs about 20 times more than a normal squeezer but yet is significantly unpractical (ibid).

Jackson and Shaw (2009) have created an augmented product model for fashion retailers by adapting the model by Kotler et al. The model describes three levels of a

fashion product: the core benefit which is the basic benefit the product delivers, such as the warmth of a jacket; the actual product benefits that are comprised of the physical attributes of the product, such as quality, performance and brand image; and finally, the augmented product benefits that are mainly associated with service features such as convenience of the retailer service and the store ambience.

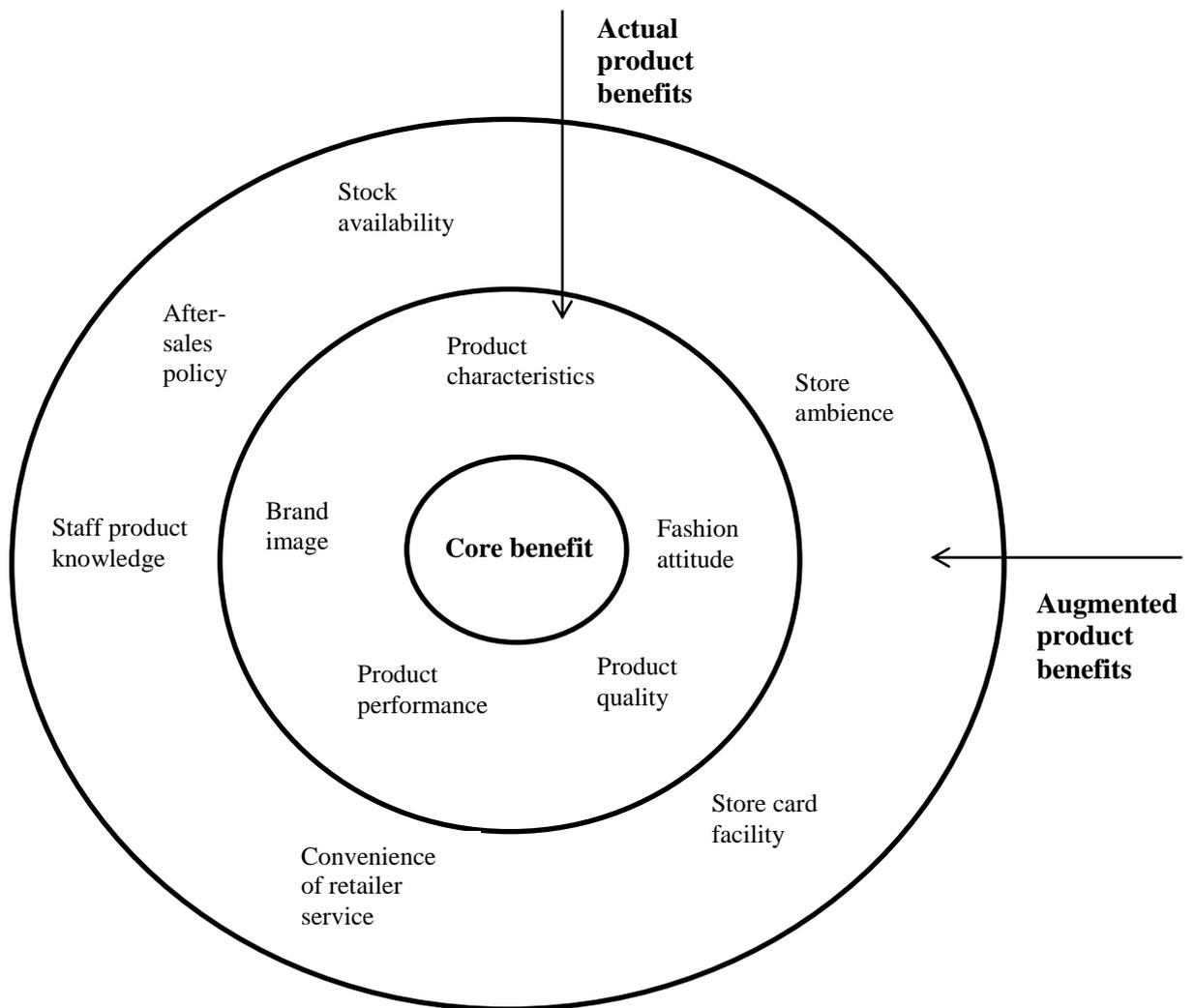


Figure 7. Augmented product model for fashion retailers. (Jackson and Shaw, 2009)

3.2.2 Price

Price is one of the first indicators of how a brand is positioned (Okonkwo, 2007). The price of the product should support the “core benefit proposition” and fit with other elements of the marketing mix (Urban & Hauser, 1980). Thus, pricing decisions are to a large extent dependent on the overall marketing mix strategy and how the product is planned to be positioned in the market (Jackson & Shaw, 2009).

Luxury fashion brands have typically adopted a premium pricing strategy in order to emphasize the strength, high quality and exclusivity of the brand, and furthermore to differentiate themselves from the mass market fashion brands. For luxury brands pricing is part of the branding process as the brand’s position and the value of the products are often judged by consumers in terms of price. Thus, the consumers of luxury products actually expect the price to be high and are also less price-sensitive. (Okonkwo, 2007)

Design can be used to enhance the product by adding features that can affect the perceived value of the product and thus allow for a higher price to be charged (Bruce & Bessant, 2002). For a small high-design brand operating in niche markets, a high price is not merely an indicator of brand image and perceived value but also a result of small production quantities and high quality of work.

3.2.3 Place

Distribution does not ensure success but it is necessary for achieving it (Urban & Hauser, 1980). Distribution strategies of fashion companies are influenced by factors such as buying characteristics of the target customer, product type and price zone of the merchandise. Designer-priced merchandise e.g. is often distributed through boutiques and specialty stores rather than through other types of retailers. Distribution strategies can be classified into mass distribution, selective distribution, and exclusive distribution. A mass distribution strategy aims at providing products to as many consumers as possible through a variety of retail outlets. A company adopting the selective distribution strategy allows their products to be sold in only certain stores based on criteria such as the limit and location of the stores. The purpose of an exclusive distribution strategy, on the other hand, is to limit the stores where

merchandise is distributed in order to create an exclusive image of the brand. (Burns et al., 2011)

Controlling of the distribution channels is extremely important especially for luxury brands in terms of brand protection to retain the exclusivity of the brand (Okonkwo, 2007). An exclusive distribution strategy enhances the product's image and offers the manufacturer control over intermediaries' policies regarding prices, promotion, credit, and services (Kotler, 1986).

High end fashion brands usually have their own flagship store for showcasing the brand (Jackson & Shaw, 2009). A flagship store also provides control of the shopping environment and experience of the customer which are not in the brand owner's control in retailer stores.

3.2.4 Promotion

Intense competition and short product life cycles in fashion retailing pose a number of marketing challenges for retailers. Marketing differentiation in terms of store image, store layout, and merchandise presentation has been found to affect positively on retailer performance. (Moore & Fairhurst, 2003). Bruce and Bessant (2002) concur in stressing the importance of visual quality when conveying company messages through promotional activities such as packaging, literature, media advertising, and the retail environment.

Fashion products are first presented to potential buyers in showrooms and tradeshow before they find their way to retailers and boutiques for consumers to buy. Showrooms are used by sales representatives to show samples of the line to retail buyers (Burns et al., 2011). In a tradeshow the retail buyers have the chance to view lines from several companies within one event (ibid).

Brochures and trunk shows as promotion elements are special to fashion business. Line brochures entail important information about the line to retail buyers whereas in a trunk show the entire line is brought by a representative of the company to a store where consumers can buy any item of the line regardless of it being carried by the store (Burns et al., 2011). A more recently risen marketing tool that is popular especially among

smaller fashion brands is the temporary store, or a “pop-up store” as it is called in the US. A temporary store gives a firm the opportunity to highlight its brand’s core attributes and transmit a positive message through word-of-mouth (Surchi, 2011). The promotional function of the temporary store is to promote new collections and lines, to direct attention towards specific products, to create “events”, and to have a special retail presence in addition to fashion fairs and exhibitions (ibid).

Social media websites such as Facebook and Twitter are used by many fashion companies to create brand communities through advertising, sharing product information, and providing consumers with opportunities to interact with company representatives and each other (Burns et al., 2011).

The relationship between design and marketing is central to this study, as the focus is on the adaptation of marketing mix elements by design firms. Luxury brands belong to the high end of the fashion continuum and are thus discussed frequently in this chapter as the case companies also operate in the high-end fashion industry.

4 INTERNATIONAL MARKETING STRATEGIES

How and why fashion firms adapt or standardize their design and marketing mix elements is the main interest of this study. Therefore, in this chapter I will review literature on the debate between standardization and adaptation of marketing strategies. I will start by discussing these two issues in general, after which I will discuss the topics of standardization and adaptation in their own separate sections. Finally I will review previous literature on adapting design.

The debate between standardization versus adaptation in international marketing strategies has been of interest to many researchers for several decades. Differences in factors such as culture, legal environment and level of market development can make it undesirable for companies to offer same products across different foreign markets. (Calantone et al., 2004) While the argument for adaptation is generally based on these differences, standardization has been justified by the homogenization of world markets

led by technology, and the cost efficiency of standardized marketing programs (Cavusgil et al., 1993). There is also a body of research that neither prefers standardization nor adaptation as the best possible solution. According to this contingency theory, the standardization/adaptation decision should be based on an analysis of the situational factors influencing the company's activities performed in a specific market (e.g. Alimiene & Kuvykaite, 2008).

4.1. STANDARDIZATION

One of the first supporters of standardization was Levitt (1983) who declared that the globalization of markets has led to the disappearance of national and cultural differences. According to Levitt the "world's needs and desires have been irrevocably homogenized" (p. 93) and the multinational corporation has become obsolete and replaced by a global corporation.

Since Levitt's declaration several factors supporting the standardization of a marketing program have been identified in academic research. Based on a review of previous literature, Jain (1989) has indicated the following five factors to affect the likelihood of marketing program standardization: target market, market position, nature of product, environmental, and organizational factors. According to Jain, the decision to standardize is situation-specific and requires reference to a certain market for a certain product. Furthermore, the level of market development, market conditions such as cultural differences, and competition in the market affect the standardization decision. Regarding the nature of the product, industrial goods are seen as more suitable for standardization than consumer goods. In terms of environmental factors, the author proposes that the greater the difference in physical (such as climate), legal and political environments as well as in marketing infrastructure between host and home countries, the lower the degree of standardization will be. Finally, the effectiveness of marketing program standardization is influenced by organizational factors. Jain proposes that the more centralized the decision making authority of the company and strategic consensus

among headquarters and subsidiary managers, the more effective the implementation of standardization strategy.

Jain concludes that ultimately the decision to standardize marketing program should be based on economic pay-off. One of the most emphasized arguments supporting standardization is indeed achieving cost savings through economies of scale. This factor is also at the top of the list of factors encouraging standardization by Terpstra and Sarathy (1991), followed by operating via exports and preserving country-of-origin effect. Keillor et al. (2011) continue the list by adding consistency of product offering facilitating quality control, and similar segmentation strategies allowing for similar promotional efforts. The latter point accompanies the notion of Terpstra and Sarathy (1991) according to which standardization is appropriate when customers are similar in all markets. Keillor et al. (2011) conclude that an increasing need exists for companies to improve effectiveness and efficiencies in non-domestic markets as the growth in global markets has slowed down.

Expanding on the findings of Jain (1989), Schilke et al. (2009) have found certain organizational characteristics to affect the link between marketing standardization and performance. According to the study a standardization strategy is significantly more beneficial for firm performance when the firm is large, has a homogenous product offering, is actively present in many global markets, follows a cost leadership strategy, and coordinates its activities across markets. In other words, there has to be a consistent objective and fit between the standardization strategy and the company's overall strategy.

A study by Gabrielsson et al. (2006) on the product strategies of globalizing international Finnish companies in the ICT field found that the ICT manufacturers moved towards a more standardized product strategy as they shifted from international to global. Factors affecting product strategies were homogenization of customer needs and, especially concerning the ICT field, diffusion of global technological standards.

A review by Theodosiou and Leonidou (2003) on studies discussing standardization versus adaptation of marketing strategy provides a summary of antecedent factors to adaptation/standardization that have been discussed in the literature during the past

couple of decades: environmental, market, customer, competition, product/industry, organizational, and managerial. This summary reveals that overall the factors affecting the adaptation/standardization of marketing strategy have not changed much.

Researchers have also been interested in the link between standardized marketing strategy and firm performance. Kustin (2010) found a positive correlation between profit performance and standardization of marketing program when studying American and Japanese exporters. Process standardization on the other hand had limited correlation to profit performance. The author concludes that while the study is supportive of some firms pursuing marketing program and process standardization because it positively affects profit, the issue of standardization is still not completely resolved, continuing the complexity of this research topic.

4.2. ADAPTATION

A large number of researchers in the fields of marketing and international business believe that adaptation is the best strategy for a company operating in the global marketplace. However, a lack of consensus exists between researchers regarding which elements of the marketing mix should be adapted and what factors affect the decision to adapt. Product adaptation is defined here as “the degree to which the physical product differs across national boundaries” (Cavusgil et al., 1993: 485).

According to Kotler (1986) three main forces push manufacturers towards more international customization: the extent to which special product features are wanted or required by different countries, the extent to which customers in different countries differ in their resources and buying behavior, and finally the extent to which environmental factors such as government regulation, climate, and competition vary between countries.

Powers and Loyka (2010) who have rather recently studied the adaptation of marketing mix elements among US companies found distribution to be most adapted out of the elements whereas products were the most global element. When products were adapted

the decision was mostly influenced by market factors, i.e. cultural differences and consumer preferences.

The subject of foreign market characteristics and their effect on product adaptation has been studied earlier by Cavusgil et al. (1993). The most important factors affecting product adaptation upon entry to the market were found to be the legal environment, cultural specificity of the product, and technology orientation of the industry. Cultural specificity of product was also positively affective to after entry product adaptation along with the firm's international experience and export market competitiveness. A systematic approach to understanding culture has become an important strategy for competing in global markets (Jun, 2008).

Cooper and Kleinschmidt (1985) conducted an empirical research on 142 large high technology electronics firms to find out what impact export strategy has on export performance. A strategy that emphasized world orientation, product adaptation, and market segmentation was strongly linked to export performance.

In a study of U.S. and South Korean firms, Calantone et al. (2004) found a positive link between product adaptation and export-venture profitability in both countries. However, the countries differed in respect to the link between international experience and adaptation. The U.S. firms were found to engage in higher international product adaptation when the international experience was greater. For South Korean firms, the result was the opposite, indicating that less experience resulted in greater adaptation. One explanation of the contradictory results might be that in addition to the culture of the target market, the national culture of the export firm also affects the adaptation strategy and should be taken into consideration as a factor.

Later Calantone et al. (2006) have studied the effect of internal and external firm factors on international product adaptation strategy and export performance in United States, Japan and Korea. Factors studied were export dependence, openness to innovation, industry adaptation, and market similarity. Similar to the previous study, the authors found product adaptation strategy to have a positive influence on export performance along with openness to innovation.

Not all researchers are rooting for either standardization or adaptation as the best strategy. According to Alimiene and Kuvykaite (2008) companies operating in foreign markets should seek to integrate the different approaches instead of complete standardization or adaptation of the marketing strategy. Brei et al. (2011) also found more recently that both the adaptation and the standardization of the marketing mix had a positive relationship with performance. The results showed a slight emphasis on adaptation as opposed to standardization of the marketing mix. Hultman et al. (2009) stated that product adaptation as such is not related to export performance. On the other hand the authors noted that highly standardized strategies are not likely to be fundamentally beneficial to exporting companies, even though standardization would reduce exporting costs.

Despite the numerous studies on the subject, research has not provided clear guidelines regarding the degree of standardization and/or adaptation of products (Cavusgil et al., 1993) or other elements of the marketing mix that is appropriate when entering a foreign market. Theodosiou and Leonidou (2003) summarized the findings of several studies on standardization-adaptation of the marketing strategy and found that product related elements were more often standardized compared to other marketing mix components while distribution was the most adapted element. A more recent study by Tan and Sousa (2011) reviewed studies on export pricing from the period of 1971-2010. The authors came to conclude that a lack of strong theoretical basis on export pricing exists as a result of many contradictory and confusing research results.

The vast heterogeneity in the research findings can be contributed to the fact that a great majority of the studies have been conducted in isolation, and the findings and conclusions of previous studies have been ignored. Furthermore, most studies focused on a few elements of the marketing mix, neglecting possible interrelationships in adapting or standardizing them. (Theodosiou & Leonidou, 2003) These studies have mainly concentrated on product and promotion whereas price has been studied to a lesser degree and place or channel strategy has been largely neglected (Dimitrova & Rosenbloom, 2010). Studies that focused on the international activities of companies located in the United States were more common than studies on companies outside the US (Theodosiou & Leonidou, 2003).

The research related issues raised by Theodosiou and Leonidou indicate that the generalization of the results of these studies should be dealt with care. As the issue remains unresolved the debate between the supporters of standardization and adaptation continues.

Now that I have reviewed what the international marketing literature has to say about adaptation and standardization strategies, I will turn to the main interest of this study which is adapting design.

4.3 ADAPTING DESIGN

Most of the studies concerning product adaptation look at companies that offer highly technical products or consumer products. Design is important in these products as well, but what have been neglected in the product adaptation research are consumer products such as clothing and accessories where design is not merely the means of making a functional and appealing product but it is the key feature and reason why people buy the product. As Carr and Pomeroy (1992) note, aesthetic factors provide the initial impulse of attraction but they may also be the only factors affecting the decision to purchase clothing. A central question here is, whether it is beneficial to adapt these products whose appeal is based on uniqueness of the brand, or will the product lose part of its differential advantage in the process.

As standardization and adaptation are commonly accepted strategies within international business, Röse (2004) has identified two established approaches within intercultural design: internationalization and localization. The internationalization design concept considers some general culture-specifics such as language and format, whereas localization aims for the best fitting product for one specific user culture.

Lishchenko et al. (2011) propose that design driven companies are more likely to adapt price, promotion, and distribution than the actual product. The assumption is based on the aforementioned claim that the competitive advantage of design driven companies is often based on uniqueness and thus product adaptation might hamper the distinctiveness

of the company in the eyes of the local consumers. Concerning the other marketing mix elements the authors assume design driven companies to be similar with other companies and operate consistently with previous studies of adaptation versus standardization of the marketing mix.

Despite the argument of Lishchenko et al., a number of researchers support the idea of adapting design products. One of the main factors affecting the adaptation of design is national culture. According to Moalosi et al. (2005) design and culture are inseparably intertwined and should be regarded as complementing each other. Cultural values are communicated through artifacts, and therefore design is an important communication medium which expresses the values of the system within which it operates (Moalosi et al., 2010). Especially in the designing of consumer products the customs of different cultural target groups should be analyzed (Lehtinen, 1995). Yang (2003) takes a more pronounced view by saying that all designs bear some cultural connotation.

According to one point of view, globalization has led to the homogenization of markets. Cultural differences seem to become less important as a more universal, global and homogenous culture is developed among users (Moalosi et al., 2010). Consumers are increasingly aware of designs developed in other countries, which has provided opportunities for launching global products and services, especially in industries such as cars, electronics and computers (Drew & West, 2002). According to Röse (2004), however, global markets do not automatically translate into global design but local design is often necessary to achieve user-friendliness. When globalized products are being considered such products are easier to accept when the products do not possess strong cultural references such as products related to information technology which have been developed only more recently (Ono, 2002).

The deeper integrated the products are in the lives of cultural communities, the more accentuated the national and regional differences are (Lehtinen, 1995). Products that are deeply integrated in people's lives are here referred to as cultural goods. In the design industry, the traditional set of textile, fashion, accessories, architecture, furniture and interior decoration represents cultural goods more clearly than any other design area (Falay et al., 2007).

Companies operating in these areas of the design industry should thus be mindful of end users' culture when designing their products. Especially companies that operate in the fashion industry should consider differing preferences in aesthetics when designing the physical appearance of products, as aesthetics is influenced by cultural ideas on what is beautiful (Hougan et al., 2000).

Jackson and Shaw (2009) point out that it is often wrongly assumed that all fashion is accepted by every nation and culture and continue that tastes are usually highly driven by lifestyle issues such as opinions, attitudes, and interests. Cultural and religious codes might prevent people from wearing certain styles in public (ibid).

Terpstra and Sarathy (1991) write that firms with international business operations should be sensitive to local aesthetic preferences when designing their products as well as plants or packages. The authors note that even firms aiming for international uniformity should at least be aware of the positive and negative aspects of its designs. Hougan et al. (2000) continue the discussion by saying that an understanding of local aesthetics helps designers in determining how to make products appear pleasing and charming to the target customers. For example, the significance of different colors varies from one culture to another; certain colors can have particular meanings due to religious, patriotic, or aesthetic reasons (Terpstra & Sarathy, 1991).

According to Moalosi et al. (2005) designers need to be aware of the interdependence between culture and design because it can enable them to "improve their concepts in responding appropriately to users' needs, wants and desires" (p.1). According to the authors, integration of culture has an important role in the effective design of products. Lin et al. (2007) present how culture can be designed into a modern product such as a handbag. Their example of the Taiwanese cultural heritage being shown in designs of modern day products displays a more deliberate integration of the culture into the products whereas Moalosi et al. (2005) point out that the integration of socio-cultural values into product design is not necessarily conscious. Thus in some cases the designer is not deliberately adapting a product to suit a certain culture but the designer's

knowledge of this culture might still show in the design, e.g. as a certain color combination or use of material.

According to Salimäki (2003) design is a tool for adapting the company's product and service offering to the needs of the target market. The case study by Whyte et al. (2003) demonstrated that the Millennium Product award winning companies customized their products and services to the needs of particular international customers. In a study of the export marketing strategies of Zimbabwean textile and clothing firms, Muranda (1998) also found a tendency among most companies to use customized product adaptation strategy. However, this strategy was partly seen as an explanation to the lack of differential advantage in products that was commonly observed in the study; for most of the exporters producing to customer specifications was the sole product innovation. Jun (2008) also notes that the homogenization of product offers has hindered consumers' ability to differentiate between products. In his opinion, companies should use branding to differentiate themselves through design language. Moalosi et al. (2005) on the other hand point out that taking cultural factors into consideration could lead to the diversification of design concepts which facilitates product innovation. The authors continue by saying that in order to produce innovations that really matter, designers should focus on the intelligence of their users as opposed to the intelligence of their technology.

People cannot divest themselves of their culture; their everyday lives are comprised of a set of norms, values, and behaviors. If these values and norms differ [across markets], product characteristics and benefits need to be adapted to these values by designers. (Moalosi et al., 2010) Bloch (1995) concurs by noting that marketing professionals attempting to use design as a strategic tool must take changing environmental conditions into consideration and adapt design when situations change.

Shifts in technology and cultural variables may also change consumer perceptions of what is acceptable in product design. By reacting quickly to produce new designs that are tailored to changing environmental conditions, marketers will be able to maintain their position or even gain advantage over slower competitors. (Bloch, 1995)

4.4 SUMMARY OF THE LITERATURE REVIEW

In the following I will summarize the main findings of the literature review based on which the research questions will be answered.

A number of studies have found design to bring a competitive advantage to a firm. The positive effect design has on company performance as well as the differential advantage offered by good design have also been identified in the literature. However, good design alone was not seen as sufficient for success; design needs to be supported with other strengths such as marketing. Studies regarding the Finnish design industry indicated design as a tool for adaptation and a market-driven approach as a success factor in international operations. At the same time, lack of marketing skills and customer orientation were found to be weaknesses for Finnish design firms operating in international markets.

According to the literature, design affects all elements of the marketing mix. Product was indicated as the most important element for high-end fashion firms.

Regarding the research question of how companies adapt design to foreign markets, the literature review did not provide a clear answer. Majority of both marketing and design literature discussed which elements of the marketing mix should or should not be adapted and why, but none of the studies actually addressed the question how these elements should or have been adapted and to what extent. Thus, on the basis of the literature review the first research question remains unanswered.

Concerning the balance between adaptation and standardization of marketing mix elements, there were mixed results both within the marketing literature as well as between marketing and design disciplines. Different studies emphasized the adaptation of different marketing mix elements whereas the design literature solely discussed the adaptation of products. Within the marketing literature, studies focused mostly on one element of the mix at a time which prohibited the identification of interrelationships between different elements. The findings were also contradictory as one study concluded distribution to be the most adapted element and another study was in favour of adapting products.

Regarding the question of the drivers for adaptation and standardization, both marketing and design literature emphasized cultural differences as a driver for product adaptation. Terms “cultural specificity of products” and “cultural goods” were mentioned in the literature. Where marketing literature discussed other elements of the marketing mix such as the adaptation of distribution, the design literature focused on the product element. Several authors stressed that design companies should take differing aesthetic preferences into account when designing the products. In general, cost savings through economies of scale were emphasized as a driver for standardization.

In design literature, more support was found for product adaptation than standardization, whereas in marketing literature both views are more or less equally supported by researchers. Research related to the adaptation of design differs from the marketing literature in that it mostly discusses the relationship between design and culture. In other words, the factors affecting the adaptation of design are mainly external to the design company whereas in the marketing literature internal factors such as efficiency and cost savings play an important part.

However, several factors identified in the marketing literature support the standardization of design products. Considering Finnish design firms, the small size of the firms poses limitations as well as possibilities for standardization. Small firms typically have very limited resources and produce smaller quantities than what would be needed for achieving economies of scale. Standardization of the marketing program to achieve economies on the other hand is a feasible and cost efficient solution for small companies. Furthermore, most of the small design firms have internationalized mainly through exports which according to the literature, encourages standardization. Finally, the competitive advantage of these firms is usually bound to their country of origin, Finland, which was also indicated as a supporting factor for standardization.

The design literature on the other hand supports the adaptation of design products. Fashion products were indicated as cultural goods which are deeply embedded in the culture of a certain country and thus the culture should be considered in the design of this type of products. However, the risk of losing some of the unique appeal of design products when adapted was also brought up in the discussion.

The research questions remain for a large part unresolved based on the mixed findings of the literature review. However, it should be noted that majority of the standardization/adaptation studies focus on large multinational companies as opposed to small firms which are the subject of this study. Thus applying the findings of the literature review on the case study at hand must be done with care.

5 METHODOLOGY

In this chapter I will present and justify the methodological choices I have made in conducting this research. I will start with presenting the research method and justifying the decisions made throughout the research process after which I will discuss the validation and limitations of the study. I will end the chapter by introducing the theoretical framework for the empirical research.

5.1 RESEARCH METHOD AND JUSTIFICATION OF SELECTED APPROACH

This research is a qualitative research. Case study method is used as the research method. "Case study is not a methodological choice but a choice of what is to be studied" (Stake, 2005: 443) and thus, in this study, as well, the research problem determined the research method. The research problem is as follows: "How do small Finnish fashion firms adapt design and marketing mix elements to foreign markets, and what are the drivers for adaptation and standardization of marketing mix elements.". The empirical units to be studied are therefore Finnish fashion companies.

The appropriateness of the use of case study method can also be argued through Yin (2003), according to whom the case study method is particularly suitable for "how" and "why" questions. The aim of this research is namely to find out *how* fashion companies adapt and what are the drivers for adaptation and standardization, i.e. *why* something has been adapted or standardized.

Furthermore, the researcher's philosophical approach to the study is not a positivist one; thus the goal of the research is not to produce generalizable results. The aim is to describe adaptation of design and find causalities by identifying the drivers for adaptation as well as standardization, and the case study method is very suitable for this purpose.

5.1.1 Unit of analysis and sampling decisions

This study is a multiple case study. A single case study would have allowed a more in depth description of the case company's adaptation process. However, the result of a single case study analysis would have produced results only applicable to the specific case company. Multiple case studies allow comparing of results and finding of causalities between adaptation and standardization of different marketing mix elements. Considering the small size of Finnish fashion industry and the limited number of companies with similar traits to those of the case companies in this research, studying multiple case studies will probably lead to results that can at least partly be useful for companies outside the current study that operate in the Finnish fashion industry and share similar features to the case companies.

The number of cases can be justified with the saturation of responses; i.e. when adding one more case would most probably not add any value or new information to the study. However, concerning the current study, the limitation of resources, especially the limited time to conduct the study, and gaining access to case companies pose restrictions on the number of cases. Furthermore, as stated earlier, the small number of companies that operate in the Finnish fashion industry and export to several countries is a limiting factor to the number of suitable cases in itself.

The aim of the author was to find companies that would suit the research problem and could possibly provide information to explain the research problem. Internet and more specifically, company websites were used to screen out possible case companies. Some companies were sought after due to the researcher's familiarity with the companies. Based on the information on the websites, a list was made with companies that fitted with the research problem. From this list, three companies considered most suitable were contacted by e-mail and asked for an interview. The specific topic of the research

was left out of the enquiry and a more general and short description of the research was provided in order to attract initial interest. Unfortunately, all the companies had a general e-mail address, so no specific person was able to be contacted directly concerning the interview. Thus, the author had no impact on who would receive the e-mail and who the interview request would possibly be forwarded to. However, considering the small size of the companies in questions, the people involved in the business can all be considered to know the company and its operations very well. Two of the companies responded that they are too busy to participate in the research. One of them wanted to know more specifically about the research problem and getting the response, felt that their company would not be suitable to study this problem. The e-mail sent to the third company was forwarded to the main designer and director of the company who then responded positively to the interview request.

The first case company was selected based on its traits; international presence and experience of the company, small size of the company and lastly, visible evidence of adaptation to foreign markets. The sampling decision thus followed the principles of criterion sampling, the purpose of which is to choose cases based on predetermined set of criteria (Fletcher et al., 2011). In this study, the criteria consist of small size of the company, degree of internationalization (exports to several countries) and industry (high-end fashion industry). Furthermore, all case companies are based and have their main operations in Finland. Despite the aforementioned requirements, the search of cases was initiated with a very loose set of criteria in order not to shut out any possible cases at the early stages of the research.

Due to the small amount of information on the company websites concerning their business operations abroad, it is not possible to find out whether certain companies do make adaptations to foreign markets or not, prior to the actual interviews. The second and third case companies were selected based on the recommendation of the first and second case company. The interviewees were asked which companies share similar characteristics with them and which companies they think would be suitable for this type of study. This kind of emergent nature of case study, which can be referred to as “casing”, “acknowledges the iterative theoretical and empirical choices that the researcher makes in the course of the case study project, which may include the

reconsideration of the focus of the study, the unit of analysis and, hence, the case study boundaries” (Fletcher et al., 2011: 183). Determining causality in critical realism might also require the researcher to move beyond the initial boundary of the research, or narrow the boundary if it becomes clear that the causal mechanisms are more narrowly focused than the researcher thought (Easton, 2010).

This study is an embedded case study, i.e. several units of analysis will be examined within each case as opposed to one unit of analysis (i.e. holistic case study). The unit of analysis is the major entity that is analyzed in the study and it is dependent on the research questions, research propositions and the research setting (Fletcher et al., 2011). Derived from the research questions, the units of analysis in this study are “adaptation of design”, “drivers for adaptation and standardization of marketing mix elements”, and “the balance between adaptation and standardization of marketing mix elements”.

5.1.2 Data collection and analysis

In the following the data collection method will be discussed in more detail. Both primary and secondary data were utilized in obtaining the research results.

Primary data was collected by using semi-structured interviews or, according to Patton’s (2002) categorization, a general interview guide approach. The interview guide comprises of a list of questions or issues that are to be explored during the interview. It helps making interviewing of several people more systematic and comprehensive by not limiting issues to be explored prior to the interview.

Open-ended interviews were selected as the data collection method due to 1) the limited information available on the operations of the case companies, and 2) the aim of the research which is to find out if and how the companies have adapted to foreign markets and to identify the drivers for their selected approach.

The purpose of interviewing is to find out about things that cannot be directly observed (Patton, 2002). The units of analysis in this study, the adaptation of design, drivers for adaptation and standardization of marketing mix elements, and the balance between adaptation and standardization of marketing mix elements, cannot be directly observed and thus interviewing is necessary to study these units. Had an open-ended

questionnaire been used instead of an interview, the responses might have provoked additional and clarifying questions or raise new issues that the researcher had not thought off, and could then not be dealt with. Furthermore, open-ended interviews aim in accessing the interviewees' perspective as opposed to putting the researcher's own ideas into another person's mind (Patton, 2002). Hence, in order to obtain as truthful and rich description of the units of analysis, open-ended interviews were seen as the most appropriate option.

The interviews were held both in Finnish and English, depending on which language was more comfortable and/or familiar to the interviewee. The first interview with Lumi Accessories was held in Finnish on Tuesday 22nd of May. The interviewee Sanna Kantola is the head designer and partner of the company. The researcher did not specifically choose the interviewee. An email inquiry was sent to the company's info email address which was then forwarded to the head designer. However, the interviewee could not be more suitable for the purposes of the research as she is, as previously stated, both the head designer and director.

The second interview with 2OR+BYYAT was held on the 18th of June. The interviewee YAT is the creative director and founder of the brand. Again an email enquiry was sent to a general email address which was then answered by YAT. The second interview was held in English from the request of the interviewee.

The third interview with Daniel Palillo was conducted on the 16th of August in Finnish. This time the enquiry e-mail was sent directly to the designer Daniel Palillo himself as this contact information was provided on the company blog.

The length of the interviews varied from half an hour to almost two hours. The relatively large variation resulted both from the personality of the interviewee; some of the interviewees were more conversational and shared information and ideas beyond the interview questions; as well as the fact that some companies had more examples of adapting their offering than others.

All interviews were recorded with the consent of the interviewees.

Company websites and social media sites were utilized as a secondary data source to obtain information on the case companies. In addition, in the data analysis phase the interviewees were contacted by e-mail with a list of complementary questions that arose during the analysis.

In order to analyze the data the findings from primary and secondary data collection regarding each case were summarized in a written form. Based on the written summaries of the cases, a figure displaying the main findings from all three cases was drawn. The analysis of the case study results was conducted in two phases. First, a within-case analysis was conducted. A within-case analysis typically includes detailed case study write-ups; however, no standard format exists for this type of analysis (Eisenhardt, 1989). This process allows for the emerging of unique patterns of each case before generalizing patterns across cases as well as gives the researcher familiarity with each case which in turn improves performing cross-case analysis (ibid). In the second phase, a cross-case analysis was performed, where the results of each case interview were compared with the results from the other cases. The main reasons for conducting cross-case analysis are to increase generalizability, and deepen understanding and explanation (Miles & Huberman, 1994). The findings from the case study analysis were then contrasted and compared to the theoretical findings of the literature review.

5.1.3 Ethical issues

Ethical issues to be considered in this research are mainly related to the interview situation and handling the information given by the case companies. First of all, the case companies were asked permission for revealing both the companies' and the interviewees' identities in the research report. Secondly, the interviews were recorded only with the permission of the interviewee. The recordings are to support the researcher in making her analysis and are not to be distributed to a third person.

5.2 VALIDATION OF THE STUDY

The aim of the research is to refine existing theory. The aim is not to build new theory nor conduct theory testing. The author does not claim that the topic has not been discussed in the literature prior to this research, but acknowledges the earlier research and aims to add on it with the research at hand.

The philosophical stance of the researcher, a critical realist, has an effect on the results of the study. A critical realist does not see reality as being objective but acknowledges that reality is perceived subjectively (Welch et al., 2011). In critical realism, expansion and generalization of the results come from “identifying the deep processes at work under contingent conditions via particular mechanisms” (Easton, 2010: 126). In this research the Finnish fashion industry provides the context within which the results of the study can to some extent be expanded on.

Generalization of case study results has been a topic of debate among scholars. However, Flyvbjerg (2006) asserts that it is often possible to generalize from a single case study, using examples such as Galileo’s rejection of Aristotle’s law of gravity. The author continues that formal generalization as a source of scientific development is overvalued whereas examples are underestimated.

All three case companies share similar traits: all companies are small and have 1-2 designers who also manage the company. All interviewees have a similar position in the company: designer/manager, and thus they can be said to have a similar and a comprehensive viewpoint of their business. All interviewees were conducted on the same themes. Some of the questions were tailored to the specific person/company and additional questions were asked during the interview based on the responses of the interviewee. These additional questions are, however, necessary in gaining more insight into the research topic and thus can be considered to raise the quality of the study. Due to the similarity of the case companies, and the consistency in the data collection methods, data collected from different companies can be compared to some extent. Therefore the results of the study can partly be transferred to companies with similar

traits as the case companies (small size, high-end fashion, exports to several countries) operating in the same industry (fashion industry) in Finland.

As the researcher had no connection to the case companies or the interviewees prior to the research process, there was no bias from this point of view. However, since interviews are a social process, some bias might develop during this process as the researcher and interviewee get to know each other.

5.3 LIMITATIONS OF THE STUDY

As with all academic research, also this study has its limitations. The most noticeable limitation of this study comes from the nature of case research. As the sample of the study comprises of three case companies, the results of the study cannot be generalized to a larger population as such. However, the results can be transferred to some extent to companies with similar traits as the case companies operating in the Finnish fashion industry.

The epistemological stance of the study also renders its limitation to the generalizability of the results. As the author's stance towards the research is subjective to some extent, the author's perception of reality has an effect on the results of the research.

As the study is concentrated specifically on Finnish companies, has the researcher's nationality, and through that, knowledge of the culture and national pride, an effect on how the researcher perceives the companies and the responses of the interviewees. A researcher with a different nationality might have less insight into the Finnish culture and the Finnish fashion industry, but they might look at the cases more objectively than the researcher in question, who might want to see the case companies in a more favorable light.

Differences between the disciplinary backgrounds of the interviewees and the researcher can pose some limitations to the results of the study. The interviewees were all designers who have a degree in or have studied Arts whereas the researcher has an

educational background in business. Due to different type of education the interviewees have a different view on reality as does the researcher. The difference in educational background also made the formatting of the interview questions more difficult as some of the interviewees did not respond well to marketing terms and concepts used in academic literature.

The primary data collection in this study is limited to interviews. One interview per case company was conducted for obtaining the results. Company websites and social media were used as observational tools in the selection of case companies as well as for gaining further information on the promotional activities of the companies. Observation of the adapted offering and the retail environment where the products are sold in on the other hand would have required traveling to the foreign market in question. Since the study had no external financial support, the budget for conducting the study was very limited and thus traveling to the case companies' foreign locations was not possible.

The case companies are all small Finnish companies operating in the fashion industry. Due to the special nature of the fashion industry and fashion companies, the results of this study can only be applied to companies of comparable size and features operating in the Finnish fashion industry.

5.4 THEORETICAL FRAMEWORK

In the following I will present the theoretical framework of the study which is based on the findings of the literature review.

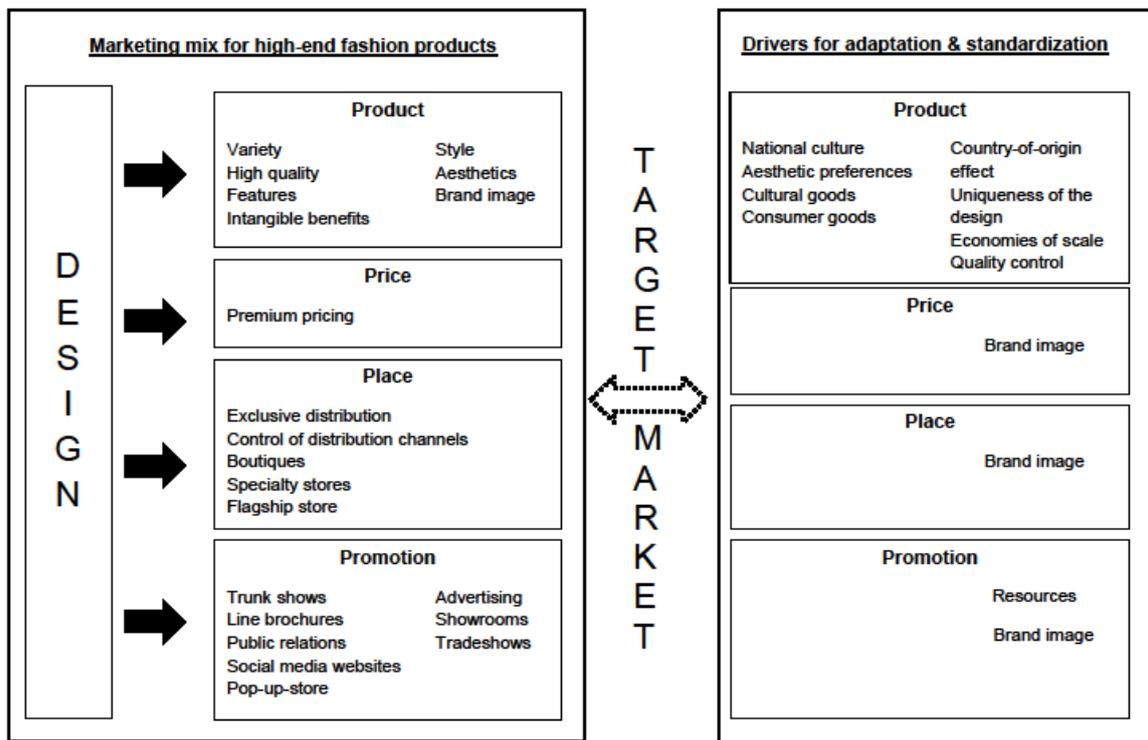


Figure 7. Theoretical framework: Marketing mix for high-end fashion products (adapted from Kotler & Armstrong, 2006, based on Drew & West, 2002; Bruce & Bessant, 2002; Okonkwo, 2007; Burns et al., 2011; Surchi, 2011, and Jackson & Shaw, 2009) and drivers for adaptation and standardization of marketing mix elements (based on several authors).

The theoretical framework of the study is displayed above. The framework comprises of two separate constructs. The first describes marketing mix for high-end fashion products which is adapted from Kotler and Armstrong's marketing mix; the frame consisting of product, price, place, and promotion follows the original marketing mix, however, the attributes within each element are adjusted for fashion products based on the findings of several researchers presented in the literature review. Some attributes from the original marketing mix, such as quality and variety under product element,

have been kept. The adjustments made to the marketing mix are explained in more detail in the following.

The product attributes are based on the following sources: variety (Kotler & Armstrong, 2006); features and aesthetics (Drew & West, 2002); intangible benefits (Okonkwo, 2007); brand image and quality (Jackson & Shaw, 2009); and style (Bruce & Bessant, 2002).

In Kotler and Armstrong's marketing mix, all elements are more or less equal whereas in the fashion marketing mix, product is the most important out of the four elements. Thus the elements are displayed in a vertical order with product placed on top; the product comes first and the remaining elements are dependent on it. Secondly, in the traditional marketing mix, design is listed as one of the attributes under the product element. Here design is central to and is seen as affecting all the elements of the marketing mix, and is thus placed as a separate element on the left side of the figure. Design is not merely an attribute of but the starting point for all elements.

The second construct provides a summary of the drivers for adaptation and standardization of marketing mix elements as presented on the literature review. Drivers for adaptation of each element are presented on the left and drivers for standardization on the right hand side. The drivers are based on the following authors: Terpstra & Sarathy, 1991; Hougan et al., 2000; Keillor et al., 2011; Falay et al., 2007; Lischenko et al., 2011; Jain, 1989.

6 EMPIRICAL STUDY

For the purposes of this study, three small Finnish fashion companies were interviewed. In this chapter I will present the case companies and the findings of the case study within each case. After presenting the cases I will analyze and discuss the results by comparing them to the main findings from the literature review, using the theoretical framework presented in the previous chapter.

6.1 CASE LUMI ACCESSORIES

6.1.1 The story

Lumi Accessories was established in 2000 in New York by designer duo Sanna Kantola and Bruno Beaugrand. Lumi is first and foremost known for its leather handbags that come in a large variety of colors but the brand also designs other accessories such as wallets and scarfs. The brand name “Lumi” comes from the snow-white felt used in their first products (bags and hats), manufactured in an old felt factory the designers found in Finland. After having made and sold their first products to New York downtown boutiques, the duo established their own company.

Sanna Kantola, the designer of the collection Lumi, studied fashion design in Helsinki and Paris. She started her career in Finland where she as a freelancer designed handbags for a Finnish brand Three Bags and cell phone cases to Nokia. She also worked as a fashion editor and stylist for several Finnish magazines during the 1990’s, as well as did internships in Paris for Promostyl and Louis Feraud. In 1998 Kantola moved to New York where she joined Ralph Lauren as the sole Handbag Designer for the brands Ralph, Polo Sport and Polo Jeans. (www.lumiaccessories.com)

Bruno Beaugrand who designs the Lumi Mhann line studied industrial design in Champagne and Paris. He also moved to New York in 1998 to work for a company called 4Sight, designing packaging for clients such as Pepsi, Unilever, and L’Oreal. (www.lumiaccessories.com) At the time of Lumi Accessories’ establishment he was working as a watch designer for Tiffany’s. According to Kantola, working in the US gave both designers valuable experience of the local business and dressing up culture and trained them for setting up their own business in accessories.

After establishing their own brand the designer duo were still holding on to their day jobs and designed for Lumi on the side. According to Kantola, the designers had no specific targets when setting up the company; at some point things just started “rolling”. A major breakthrough came when the designers met a Japanese American company called Destination New York which had a multi brand store and a showroom in New York. The main firm in Japan got excited of the Lumi products and wanted the brand to

be presented in showrooms in Japan. The designers discovered that the showroom in Japan was called HP France which is a major player in the business and they wanted Lumi to create a summer line in one month. The brand received orders for the summer line and things started “rolling” from then on as Kantola describes.

In 2002 the designer duo resigned from their jobs and focused all their time on the company. The following year Lumi participated in trade shows in Europe and started receiving orders from European customers. At this point Kantola and Beaugrand decided to set up a subsidiary in Paris. Five years later in 2007 Lumi established a company in Finland where the brand is now based. As most of the operations were now concentrated in Finland, the Paris subsidiary was shut down.



Left: Designers Bruno Beaugrand and Sanna Kantola. Image source: <http://lumiaccessories.com/> Right: Lumi Accessories logo. Image source: Sanna Kantola, Lumi Accessories

Nowadays Lumi has two own stores in Helsinki, Finland and its products are being sold in 25 countries through boutiques and department stores, and through an online store in the company’s website. In addition to the main office in Helsinki, Lumi operates in New York, US where it has an office and a showroom. Lumi has also recently opened a

store in Kyoto, Japan. In 2009 the brand also received the Finnish “Kultainen vaatepuu” fashion award.

Before the company moved its main operations to Finland, its products were mostly sold in other markets. Since then the setting has turned around with 80 per cent of the company’s sales coming from Finland and 20 per cent from export. Outside the domestic market the most popular market for Lumi products is Japan, followed by France, Netherlands, and Switzerland.

Asia	Europe	North America/United States
<ul style="list-style-type: none"> • Japan • Kazakhstan • South-Korea 	<ul style="list-style-type: none"> • Austria • Belgium • Czech Republic • Denmark • Finland • France • Germany • Greece • Ireland • Italy • Netherlands • Poland • Portugal • Sweden • Switzerland • United Kingdom 	<ul style="list-style-type: none"> • California • Cayman Islands • Connecticut • Illinois • Iowa • Massachusetts • Maryland • Maine • Nebraska • North Carolina • New York • Pennsylvania • Rhone Island • Virginia • Wisconsin <p>Countrywide:</p> <ul style="list-style-type: none"> • Neiman Marcus department stores • Anthropologie department stores

Table 1. Countries where Lumi products are sold.

6.1.2 Design concept

The company differentiates itself by designing leather goods in Finland; a market which traditionally is not known for high design leather products. “Finnishness” and natural materials are an essential part of the brand and the designs are inspired by everyday items such as plastic bags and sauna hats. Functionality of the products is highlighted; however, there is always a “twist” in the products. The target customers for the brand according to Kantola are design-minded people who are creatively and aesthetically conscious. The target customers are similar across markets. Kantola refers to their products as “niche products”, i.e. they are not meant for mass markets.

Lumi has a wide product selection of around hundred items, many of which have been a part of the selection for several years. As Kantola notes, the company does not “invent the wheel” every season; there are many classic models that stay in the collection. However, the colors might change and some adjustments be made on the models. In addition to the classics, every collection has to have something new and exciting that catches people’s attention.



From left to right: the classic Supermarket bag; Viivi Trifold wallet, and Compact Laptop Bag. Image source: <http://lumiaccessories.com/>

Lumi Accessories strive for improving the products in every collection and adding more colors to the selection. In the future Kantola would also like to expand the product assortment and open more Lumi stores both in Finland and international markets.

6.1.3 Adapting design at Lumi Accessories

Product

According to Kantola, the brand does not design new products especially for a certain market. All products follow the design and style concept of the brand; they need to look like Lumi products. However, the designers do think of consumers in different markets when designing their products and as a result the brand has a large variety of products with different sizes, colors, materials, and features to suit the wants and needs of international consumers. The brand also offers store buyers an option to decide on the color combinations themselves after a certain amount of purchase. In the following I will view the different adaptation drivers and how different markets are represented in the product collection.

Aesthetic preferences. In Japan the brand sells a lot of small products such as wallets. The Japanese customers also like quirky color combinations such as pink and yellow. The Japanese buyers have indeed been most interested in the option of customized color combinations.

In the US, on the other hand, the brand sells large and “trendier” bags. Bags for the US market are also made in a more rough quality of leather, which according to Kantola represents the cowboy culture of the country. American customers also prefer large and flashy features on the bags and thus Lumi products also have metallic details in gold and large zippers in the US market.

In European market the colors of Lumi products are more subtle and classic than in the Japanese market for example. In Europe silver is used in metallic details of the products as it is more popular than gold.

To the Russian market the products are adapted mainly in terms of material and colors. According to Kantola, Russian consumers prefer feminine, luxurious, and flashy accessories.

We do trade shows in Moscow, Russia, and ... it does have an effect; the coming season that we are designing, Spring 2013, we have more gold in it and we have more python and we have metallic and neon colors, ... and [the collection] is specifically targeted towards this particular market.

Culture/religion. In terms of culture, certain colors in Japan have a different meaning than in Western culture. For example, Kantola points out that a red wallet in Japan indicates bad luck whereas a yellow wallet means good luck. These meanings need to be taken into consideration in the design of the products.

According to Kantola the product adaptations are based on the designers' intuition and experience from the past ten years during which the brand has participated in several international tradeshows and met buyers as well as consumers. Furthermore, the designer duo have years of experience from living in US, France and Belgium which, according to Kantola, has also contributed to their knowledge of consumer preferences in different markets.

Price

Product prices are standardized within one country. Outside Euro countries the prices are adjusted to the local currency and the overall price level. The products are positioned the same way in every market and thus the prices are on the same level in every country despite small adjustments.

Place

The concept of the stores where Lumi products are sold is more or less similar across markets. According to Kantola the products are best sold in design oriented shops. In New York, e.g. the products are sold in MOMA and in Helsinki in the Finnish design shop.



On the left: Lumi Supermarket flagship boutique in Helsinki. On the right: Lumi Melumo boutique in Kyoto. Image source: <http://lumiaccessories.com/>

According to Kantola the retailers usually “select themselves”, meaning that as the buyers know their customers they are automatically interested in the right kind of products. To some extent the company conducts background research on retailers to find out the “wanted” stores and reliable partners. It is also important that other products sold in the stores follow the same style or design principles as Lumi.

As the most important and efficient sales channels Kantola names Lumi’s two flagship stores in Helsinki and big department stores such as Stockmann in Finland and Bloomingdales in North America. According to Kantola, the flagship stores offer the possibility to have a large range of their products on sale in the same place and also control over how the products are displayed and what other brands are possibly sold in the stores. The department stores on the other bring the products to consumers that otherwise would not necessarily find the products.

Lumi also has an online store on its website. The online store is only available in English; no adaptation is made for consumers in different countries.

Promotion

The largest investment in terms of promotion is brochures made for buyers presenting the next season’s products. Top professionals from models to photographers are hired for the project. Lumi does not conduct conventional advertising campaigns. This is mostly due to the limited budget the company has, as mentioned earlier.



On the left: Picture from the Spring-Summer 2012 collection lookbook. On the center and right: Pictures from the Fall-Winter 2012 collection lookbook. Image source: <http://lumiaccessories.com/>



On the left: Picture from the Mhann line Spring-Summer 2012 collection lookbook. On the right: Pictures from the Mhann line Fall-Winter 2012 collection lookbook. Image source: <http://lumiaccessories.com/>

The main promotional channel directed towards consumers is Lumi's website which is in English, and social media. Lumi is present both in Facebook and Twitter but out of these Facebook is more frequently updated. On the Facebook page the brand shares news on Lumi products featured in blogs or magazines, sales in the stores, as well as new arrivals and events the company is participating in. The page is updated in English, i.e. it is targeted towards both Finnish and international customers. Majority of the updates concerns Lumi stores and events in Finland. However, there are also news related to the Lumi store in Kyoto. These updates are both in English and Japanese. In addition to the brand's own Facebook site, the company has created a separate Facebook page for the Melumo boutique or Melumo-putiikki in Finnish, as the page is titled, which is located in Kyoto. On this page updates are mainly in Japanese, with some of the updates also shared in English.

The website of Lumi features a Japanese blog that was launched a year ago and is updated by a Japanese worker. The main reason behind establishing the blog was the opening of a Lumi store in Kyoto as well as the general popularity of Lumi products in Japan. According to Kantola Japan is "a special case" and not all Japanese consumers necessarily speak English, and hence the blog was set up for these consumers. When asked, Kantola also says it might be possible to have another blog e.g. in Russian. However, at the moment the company is not planning to start new blogs.

Lumi has also been visible in many design projects such as the Helsinki Fashion Village where a number of Finnish designers displayed and sold their products in the Senate Square in Helsinki. The event was part of the Design World Capital year. The brand has also been present in the Design Market held every year during Helsinki Design Week.

Lumi
544 likes · 34 talking about this

Bags/Luggage
When you love it, you keep it.

About Photos Likes

Highlights

Post Photo / Video

Write something...

Lumi
34 minutes ago

The SALE is ending! Be quick grab a bargain before it's too late!

Recent Posts by Others on Lumi

- Tontos Rb**
Yesterday Fashion Show
August 8 at 4:15am
- Virpi Kotro**
Ikävää, että sain ellen todistaa huonoa asiakaspalvelua lippul...
June 13 at 12:43pm
- Maria Del Carmen Hänninen**

melumo putiikki
Sunday

京都でちょっと足を止めて、ゆっくりした時間を過ごしてみる。
A happy Obon holiday for everyone!
See Translation

Like · Comment · Share

22 people like this.

View all 4 comments

Aiko Sugimoto ゆっくりとした時間を楽しみたいです。こんな所でゆっくり出来たら暑さも吹っ飛びますね。
See Translation

melumo putiikki shared a link.
August 10

本日発行の京都のフリーペーパー『go baan(ゴ・バーン)111号』に、melumo putiikkiが紹介されています☆
お店にも設置しておりますのでぜひチェックしてみてください！

http://www.go-baaan.com/shopnavi/gbdb.php?special_1=1
See Translation

Above: Lumi Facebook page. Below: A post on Melumo boutique's Facebook page wishing happy Obon holiday. Screenshot source: <http://www.facebook.com/ILove.Lumi>

6.2 CASE 2OR+BYAT

6.2.1 The story

2OR+BYAT is a highly acclaimed fashion brand (www.2orplus.com/site/) that landed in Helsinki in 2002. The products include ready-to-wear apparel and leather goods such as bags and belts. According to the designer YAT the unusual name of the brand comes from the elements of nature as two or more elements are needed to create something new. YAT has won several industry awards such as the Good Design award in Japan (www.2orplus.com). In 2009 the designer and the brand were nominated as one of the top 5 design brands in Scandinavia by the Danish GINEN IN Magazine (ibid).

YAT studied fashion design in London and after winning an esteemed competition by the Royal Society of Arts he moved to Japan. There he first designed for other labels before in 1992 he was offered to start his own brand in a partnership with a private investor who already had a fashion business with more than a hundred stores in Japan. Three years later in 1995 YAT wanted to quit the partnership and set up his own company for the brand. The team and supplier followed him from the partnership to the new company. In 2002 YAT moved the company to Helsinki where he started all over again. Like in the case of Lumi, YAT had no special goals when starting the brand, and becoming international was neither a goal.

It's difficult enough ... to get the first collection done. But after the show, after the trade show, to continue the brand, to continue the business is even more challenging.

Regardless of internationalization not being a goal, since the launch of the brand its collections have been sold continuously in more than 25 countries worldwide. The company has two flagship stores in Helsinki and one multi brand store in Lahti. The company comprises of two full time employees and two trainees who work part time. According to YAT, the most popular markets for the brand's products are Denmark, Germany, France, Hong Kong, Japan, and Korea. Up to 2009 a majority, 90%, of the

company's revenue came from exporting whereas nowadays the situation has leveled out with exporting covering 50% and sales in Finland covering the rest 50%.



Left: Designer and creative director YAT. Image source: <http://www.2orplus.com/site/> Right: Brand logo. Image source: www.designforum.fi

6.2.2 Design concept

The cornerstones of the brand are high quality fabrics and interesting cuts. YAT designs most of the fabrics himself starting from the weave and the mixture of compositions in the fabric. YAT refers to the designing of the fabrics as the most important part before designing the actual garment because the weave of the fabric determines how it “hangs” on the body.

There is a lot of knowledge in it. When you know all these little tricks and little knowledge, there is so much you can create.

The clothes are inventive without forgetting practicality. According to YAT the designs are not for everyone but for confident people who want to be different and look different than “the next door neighbor”. As in the case of Lumi, the products of 2OR+BYAT are targeted towards a niche market. YAT describes the brand's customers:

They appreciate the details we are paying attention to. They appreciate that we think differently.

To buy a piece of sculpture or a painting is much easier. You can be so avant garde to have that piece of painting at home. ... To put something avant garde on your body, you need to be very [confident].

You need to find the right people to love your work and are willing to pay for it.

According to YAT, what makes the difference between his brand and another, is not just what you look at, i.e. the final product but it is the people in the company. He describes himself as a curious person. Once a collection is finished, the designer is often already bored with it. This he describes as a positive feature since it drives him to create something new every time he starts the designing process.

You can see the similar strength and creativity in the products; that is something different.

However, YAT points out that there is no value in just being different; the products have to have a good purpose and beauty in them.



Items from the Spring-Summer 2012 collection. Image source: <http://www.2orplus.com/site/>



Items from the Fall-Winter 2011 collection. Image source: <http://www.2orplus.com/site/>

6.2.3 Adapting design at 2OR+BYAT

Product

The company aims to keep the design concept and style of the products same across markets. Nevertheless, some adaptations to local markets are made. As in the case of Lumi, no products are designed especially for a certain market but the brand offers a vast collection. According to YAT, the brand needs to have variation, “you need to cover everything”.

You want to create as much as possible, and to give them no excuse not to buy.

The consideration of consumers in different markets is displayed in the collections in terms of different sizes, materials, colors and paying respect to local religions. In the following the drivers for product adaptation will be reviewed.

Demographic factors. The brand adds suitable sizes and grading to suit the needs of different markets. For Asia and Southern Europe the brand needs to have smaller sizes whereas for Scandinavia and US markets larger sizes up to XL need to be available. Besides the body proportions, designer YAT pays attention to the facial area as well as the usually dark hair color of Asian consumers.

Culture/religion. The brand pays respect to local religions by adapting certain features of the products. For example in Middle-East clothes were adapted by having more coverage such as long sleeves and hems. Also certain design symbols such as “angel” and “+” were modified.

The culture and religions are different so therefore you need to think those elements.

Environmental factors. Differences in climate were taken into consideration in the designs: certain materials and items are planned for a certain country’s climate. YAT points out differences between Finnish summer which is often dry and rather cold, the hot and humid climate in South-East Asia, and the hot and dry climate in Central France.

Aesthetic preferences. Besides demographic and environmental considerations, also the aesthetic preferences such as color were taken into account in the adaptation of products.

In the Middle-East you have to have something longer. You need to cover your shoulders ... and you can’t show your knees. Basically you want to ... cover as much as possible but still, you know light. Because it’s really hot there. They also want to have something flashier, colors, prints, things like that. Also in Russia ...

What can be risky in adapting products to a specific culture, YAT points out, is that people do not always necessarily want to look like they are from a certain country; Finnish people do not necessarily want to look like Finnish as Japanese do not necessarily want to look like Japanese.

Price

The wholesale prices for buyers in different markets are the same but for the end customer the prices vary depending on the markups set by the buyers in different countries or even within a country. For example in Finland the company can provide the buyer with the suggested retail price which is the price they charge of a certain product in their own store, but the buyer ultimately makes the decision on which price to sell with. Thus, the company itself does not adapt prices to different markets but the prices are adapted by the buyers.

Place

2OR+BYAT has two flagship stores in Helsinki and one multi brand store in Lahti. The brand does not have its own stores in other countries outside of Finland. The flagship stores are important for branding since the customers can see what the brand is really about when visiting the store. The flagship stores are also the most efficient sales channels as the profit margins are higher than when selling to retailers. At the moment the company is working on an online store which is being set up as a request from both Finnish and international customers. However, the problem of the online store is that the specialty of the brand, fine fabrics, are not evident from the photos in the online store. As YAT says, the products need to be put on and felt in order for them to work in the right way.

The company tries not to “oversell” its products to buyers. According to YAT, overexposure of the products is dangerous. Retailers that the company is looking for need to have the “right image”, be forward looking and have a special clientele.



2OR+BYAT flagship boutique in Helsinki. Image source: <http://www.2orplus.com/site/>

Promotion

In terms of marketing the company tries not to do anything that costs them a lot of money, as YAT puts it, because they are such a small company. Furthermore, the company is not aiming for mass markets to which, according to YAT, conventional marketing would ultimately lead. YAT further explains that by targeting the mass audience the company would have to compete with other mass market brands such as H&M. This would force the company to increase production which it does not have the capacity for. Competing with mass market brands would also most probably cost the brand the interest of its current customers who desire to differentiate themselves from the mainstream.

Instead of conventional advertising, the brand utilizes other marketing channels. For example, the company participates in projects that YAT finds interesting such as sponsoring Finland's next top model competition. The designer has also given interviews to some Finnish magazines but is very selective on media exposure. The audience needs to be right for the brand.

The brand has its own Facebook page which is updated actively with news of product arrivals, competitions, and collaborations. The page is updated both in English and Finnish, though it is mostly directed towards Finnish customers. The brand has e.g. collaborated with a popular Finnish fashion blogger who was asked to design a window

display for the company's store in Helsinki. The design process was of course then featured in the blog.

News

Gloria Magazine / June 2012

Posted by 2OR+BYAT
23 May 2012 — No Comments

Posted in [News](#)

Tagged: [Press](#)

News Archive

- + [May 2012](#)
- + [April 2012](#)
- + [February 2012](#)
- + [January 2012](#)
- + [November 2011](#)
- + [October 2011](#)
- + [September 2011](#)
- + [August 2011](#)
- + [July 2011](#)
- + [June 2011](#)

Ihana Helsinki Week 9.-12.5. Kluuvissa

Posted by 2OR+BYAT
09 May 2012 — No Comments

Posted in [News](#)

Tagged: [Carousel](#), [Stores](#)

A news post on 2OR+BYAT website. Screenshot source: <http://www.2orplus.com/site/>

ZOR+BYAT
550 likes · 74 talking about this

Like Message

Clothing Store
ZOR+BYAT is young, original and dynamic Finnish fashion brand. Stores in Helsinki and Lahti. www.zorplus.com

About Photos Likes Events

Like · Comment · Share

ZOR+BYAT
May 8

Ihana Helsinki Kluuvissa 9.-12.5.!

Ke 9.5. Esitellään neljän eri muoti/muotoilubloggarin kukka-aiheiset stailauskokonaisuudet. Asiakkaat voivat äänestää suosikkiaan 12.5. mennessä. Äänestäneiden kesken arvotaan 4 kpl à 80 euron lahjakortt...[See More](#)

ZOR+BYAT
IHANA HELSINKI -VIIKKO 9.-12.5.2012
WONDERFUL HELSINKI WEEK 9-12.5
ZOR+BYAT KLUUVI KUKKII
ZOR+BYAT KLUUVI IS BLOOMING

Ihana Helsinki Kluuvi (10 photos)
Bloggers in action preparing their outfits for tomorrow.

Like · Comment · Share

ZOR+BYAT Facebook page. Screenshot source: <http://www.facebook.com/zorplus>

6.3 CASE DANIEL PALILLO

6.3.1 The story

Daniel Palillo is a Helsinki based Finnish designer of his own apparel line. His story is a rather different one than the two previous ones. Palillo became a fashion designer almost by accident. Palillo studied fashion design in Helsinki University of Arts and Design but never graduated. He set up an apparel store together with a friend in Helsinki and was determined to leave fashion design altogether. However, due to a diminishing budget Palillo himself had to design clothes to be sold in the store. His designs became popular items in the store and Palillo was contacted by several foreign buyers who had seen his designs in magazines and on the internet. Selling products to foreign buyers lead Palillo to set up his own company bearing his name in 2006. At this point he did not have time for the retail business anymore and he sold his share of the store to his friend in order to work full time on his own collection.

Palillo says he had no goals when starting his own line and still has none. According to Palillo, he has been lucky in the sense that he and his designs have received a lot of attention in various international publications from the beginning on. When Palillo started his business he established a blog for presenting his collections to a wider audience. Palillo recalls it was at the time when blogs were just starting to take off as a popular medium and everyone followed the few blogs that had been established. Thus his blog received a great deal of attention and followers. Also in this case Palillo refers to having good luck and good timing.

In 2012 the designer established Palillo Enterprises, a limited company, in order to reduce risks related to the business. Palillo still remains the sole person in the company; however, he utilizes the services of several freelancers in running the business.



Designer Daniel Palillo. Image source: www.prendaspublicas.com

Palillo's designs are sold by 60-70 retailers around the world. The products are most popular in Asia: Palillo lists South-Korea, Taiwan, Hong Kong, China, Singapore, and Japan as top export countries. As the reason for the success in Asia, Palillo points Asian celebrities who have worn his designs. In Finland Palillo estimates his sales to be only 1 % of the total sales.

Palillo himself does not sell his products as selling only through retailers carries less risk. He does not have his own store for example, as he finds it would not be profitable compared to the time needed to run the store. In Italy, Japan, and US Palillo has independent sales agents who are in charge of sales and sales related decision making in their own markets.

Palillo does not design products for a specific target group. According to him different kinds of people buy his designs; it is difficult to describe a typical customer. His products are not for the mass markets but they are neither unique according to the designer.

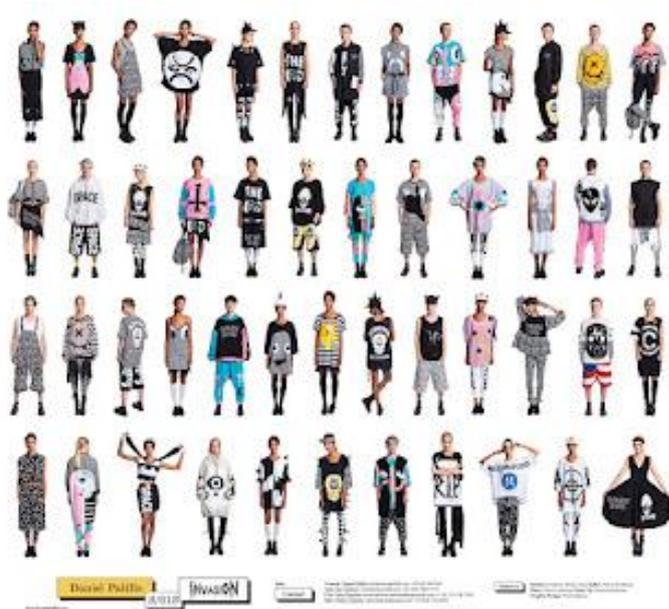


Left: Poster of the Borderline exhibition. Image source: <http://danielpalillo.blogspot.fi/> Right: Palillo's designs displayed at Beit Ha'ir museum in Tel Aviv. Image source: <http://danielpalillo.blogspot.fi/>

6.3.2 Design concept

Palillo has no design philosophy, as the designer himself puts it. When it comes to designing, he does whatever he wants to do, regardless of what is “in fashion” at that moment. According to himself, the designer does not follow fashion.

Regardless of the absence of a design philosophy, Palillo's designs do have common and very distinctive attributes. Many of the clothes are oversized and feature large and bold prints such as skulls. On the online site of Acolyth where Palillo's designs are being sold, the designer's style is depicted in the following way: “In Palillo's collection, prints and details that scream black humor are combined with oversized, street credible proportions and shapes” (www.acolyth.fi).



Above: Spring-Summer 2013 collection titled “Invasion” as presented on Daniel Palillo blog.
Image source: <http://danielpalillo.blogspot.fi/> Below: Item from Spring-Summer 2011 collection titled “Nightmares&Cowboys”. Image source: www.keepwobblin.com



Items from Spring-Summer 2011 collection titled “Nightmares&Cowboys”. Image source: www.keepwobblin.com

6.3.3 Adapting design at Daniel Palillo

Product

As mentioned earlier, Palillo does not design products for the customers but he designs the kind of garments he wants to. However, he does make some adaptations when it comes to Asian markets.

Demographic factors. As 2OR+BYYAT, also Palillo makes smaller sizes for Asian consumers. In other markets the sizes are standardized.

Culture/religion. Palillo’s designs often bear large prints of skulls etc. and thus religion is another factor that needs to be considered. As an example Palillo presents Saudi

Arabia where there cannot be any crosses on the garments and thus these features need to be removed from the products.

Apart from these two adjustments the products are standardized in every market. Both the size adaptations as well as removing certain prints from the garments due to religious considerations are both considered necessary adjustments. Other than that, Palillo does not feel the need to adapt his products to different markets.

I have never thought I would have to make changes.

Palillo does not explicitly indicate variation as important in exporting. Nevertheless, each of his collections nowadays includes 200-300 items.

Price

Both wholesale and retail prices for the products are same across markets except for in Japan. Palillo says that as the price level in Japan is generally higher, also the prices for his products are sold at a higher price in Japan.

Place

Palillo is very careful about what kind of stores his products are being sold in. Other brands in the store need to fit with the brand image which Palillo describes as “underground”. Palillo turns down buyers whose stores do not represent the right style for his products to be sold in. In Helsinki e.g. his designs are sold in Helsinki10 concept store. He also wants to maintain an image of an exclusive brand that is not sold in large volumes and in many locations. For this reason he does not share information on his sales and export figures.

Promotion

Contrary to the mainstream, Palillo does not have his own website. The blog is the sole marketing channel the brand utilizes. All the collections and collaborations are posted on the blog. Pictures have the leading role in the blog while text is minimal. Twice a year Palillo sends out a newsletter regarding the new collection. The collections are also posted on the blog. Palillo has neither a Facebook page for his brand. However, he has

been contacted by fans of the label through his personal Facebook profile and thus he has started to share information related to the brand there.

Palillo does not contact buyers himself but the buyers always contact him. Whenever a new collection is presented on the blog, the post includes a list of the showrooms where the designer will be appearing along with local sales contact information. Palillo himself does not update the blog but it is done by a freelancer.

DANIEL PALILLO

MONDAY, JULY 16, 2012

Daniel Palillo Underwear



CONTACT

- Sales and other enquiries contact:
danielpalillo@gmail.com
Tel: +358 40 4180139

- Japan sales contact:
roy@duomocoltd.com

- US sales contact:
info@internationalplayground.com

- Italy sales contact:
walterdapri@gmail.com

- Creative collaborations contact:
heli@viewmasters.fi

BLOG ARCHIVE

- ▼ 2012 (6)
 - ▼ July (1)
 - Daniel Palillo Underwear
 - June (3)

The blog. Screen shot source: <http://danielpalillo.blogspot.fi/>



Dear friends,

Here is my new collection for Spring/Summer 2012 titled -Never Mind-
I hope you love it as much as I do.

In NEW YORK, visit Capsule (548 West 22nd Street, New York) on 17-19
September or International Playground showroom to view the
collection. For further details, please contact International
Playground at info@internationalplayground.com or call +1 (0) 212 228
2700.

In PARIS, I will be at Rendez-Vous (Atelier Richelieu, 60 rue
Richelieu, Paris 2) on 29 September-2 October. Please let me know in
advance if you are coming.

danielpalillo@gmail.com or +358 40 418 0139

In TOKYO, the collection is on display at Tokyo Duomo Showroom (1F
2-29-7 Higashi Shibuya-ku 150-0011) on 18-21 and 24-28 October. Email
roy@duomocoltd.com or call +81 (0) 771 24 0157 for further
information.

In ITALY, the sales and showroom details are available through Walter
D'Aprile at walterdapri@gmail.com or +39 (0) 333 42 45 444.

Also, I'm happy to answer any additional questions!

Best wishes,
Daniel

Blog post presenting the Spring/Summer 2012 collection. Screen shot source:
<http://danielpalillo.blogspot.fi/>

6.4 DISCUSSION AND ANALYSIS

The objective of this section is to discuss and analyze the empirical findings of the case study by comparing them to the theoretical framework of the study, introduced in section 5.4. In order to provide a comprehensive answer to the research problem, the discussion and analysis will follow the three research questions presented in the introduction.

6.4.1 Adapting design and marketing mix elements

The purpose of the first research question was to find out how the case companies actually adapt their design, i.e. product, and other elements of the marketing mix to different markets. This question will now be discussed in the light of the high-end fashion marketing mix presented in the theoretical framework.

In terms of the first research question, three main findings surfaced from the case study: first of all, even though based on the results it can be said that all case companies adapted their products to some extent, none of the companies designed totally new products for a certain market. All companies had a certain style in their designs to which the designers wanted to remain true to. In other words, the companies offered variations of the designs that followed their original styles instead of designing different kind of products for different markets. Secondly, certain product attributes were adapted more often than others; size and product features were adapted by all case companies to some extent whereas material and color were adapted by two case companies. Thirdly, the degree of adaptation as well as which marketing mix elements were adapted varied between the companies. Furthermore, the degree of adaptation seemed to be connected with the goals and international experience of the designers. Finally, two out of three case companies experienced controversy between design and marketing aspirations.

I will now analyze each of these findings in more detail.

Importance of product variation

None of the companies reported having designed products from scratch for a particular market. Instead, the case companies adapted products by taking the needs and wants of local consumers into consideration when choosing and designing product attributes.

Sure we do make adaptations but in the limits of our products, we don't start making a totally different looking product for them. - Sanna Kantola, Lumi Accessories.

The companies also do not select products for certain markets themselves but it is up to the retail buyers to select which items end up in which market. In order to offer the buyers more possibilities to choose from, a vast collection with variety was found to be important especially by Lumi and 2OR+BYAT. Also Daniel Palillo has increased the number of items in his collections, which indicates the importance of variety. YAT mentioned that he does not want to give the buyers the possibility of not buying his products. Put simply, if the products would not be adapted to the preferences of a certain market, the buyers would not buy the products as their customers in turn would not buy them in the store. An illustrative remark of the importance of variety was made by YAT:

Beige is so important for the Japanese market that it's almost like: if you don't have the color beige, you don't sell to Japan.

Usually certain colors and models end up in the right store in the right country. However, YAT pointed out that buyers can also make mistakes.

The question of how design intensive companies adapt to international markets was not addressed in the literature review. Nevertheless, the finding that the case companies did take local market needs into consideration in their product designs supported the argument by Jun (2008) who stated that companies need to be sensitive to local tastes and consumer characteristics in order to create suitable products for different market needs. This view was shared by the majority of the design literature whereas in marketing literature the views regarding product adaptation were mixed with some

research findings supporting product adaptation and others being against it. These differing results will be discussed in more detail in part 6.4.1.

Size and features most adapted product attributes

The commonly adapted product attributes for all case companies were size and features. In addition, Lumi Accessories and 2OR+BYYAT also adapted the color and material of the products to suit target market wants and needs. Features that were adapted differed between the case companies: 2OR+BYYAT and Daniel Palillo adapted some prints and symbols. 2OR+BYYAT also designed longer sleeves and hems for certain markets. Lumi Accessories on the other hand designed different color and sized features such as metallic details to appeal consumers in different markets.

The question of whether all case companies adapted their *design* is debatable. Size of a garment can be adapted without touching the style and design concept of the product, whereas features, materials and colors are more linked to the actual design of the product. Adapting these attributes is therefore more risky for the uniqueness of the brand. Prints are one of the key features in the products of Daniel Palillo and therefore removing a print could be considered as altering the design of the product. On the other hand, Palillo did not design different kind of prints for a particular market whereas Lumi was more explicit in targeting certain markets, such as Russia, in the design stage by selecting colors and materials that were considered to be popular among local consumers. 2OR+BYYAT was also more active in adapting design starting from designing the actual fabric. However, all the companies stressed that despite these adaptations, the design concept and style of the products was kept same across markets. A product designed by the case companies should thus be recognized as their product whether it would be on sale in the US, France or Japan, even though there might be a different selection of colors and differing materials between these markets.

Promotion adaptation

None of the companies conducted conventional advertising in the domestic market and thus the question of whether marketing activities were adapted or standardized across markets was not as relevant as product adaptation. The promotional channels that were

directed towards both domestic and international customers were the website and social media site (Lumi and 2OR+BYYAT) and blog (Daniel Palillo) of the case companies. All of these channels were updated in English. Lumi was the only company that also had a Japanese blog on its website as well as a separate social media site directed towards Japanese consumers and thus adapted its promotional activities. Out of the three companies, Lumi is the only one with its own store outside the Finnish market. This kind of presence in the Japanese market explains why the company has made adaptations in its website and social media.

For Daniel Palillo, adapting promotion was not a consideration as the designer wanted to keep the promotional activities of the brand in a minimum. 2OR+BYYAT also mentioned the desire to keep the brand a niche brand; by overexposing the brand through media and conventional advertising the company would run the risk of losing its clientele who wished to exclude themselves from the mainstream. For all three companies, the products were by far the main element out of the marketing mix whereas promotion received little attention from the designers on average. Hence, when thinking about adapting to a foreign market, adapting promotion was not in the forefront of decisions to be made.

Price variations

In terms of pricing, the findings of the study supported the notions of Okonkwo (2007) and Jackson and Shaw (2009), according to which price is both dependent on the positioning of the brand as well as an indicator of it. All of the brands were positioned in the high-end of the fashion spectrum; e.g. YAT referred to his brand as a designer brand. According to Okonkwo, luxury fashion brands usually adopt a premium pricing strategy in order to emphasize the high quality and exclusivity of the brand as well as differentiate themselves from mass market brands. Urban and Hauser (1980) pointed out that the price should fit with other elements of the marketing mix. All case companies designed high quality products with unique concepts which, in the case of Lumi and 2OR+BYYAT, were also targeted towards a niche market. The higher than average price level the companies charged of their products thus matched the product characteristics and positioning of the brands. Even though the adaptation of price of

fashion products was not discussed in the literature review, it can be argued that for a brand that aims to differentiate itself from mass market and stress the high quality of its products, it is not beneficial to dramatically change the positioning of the brand and lower prices in different markets.

Despite the positioning of the brands being similar across markets, there were some variations in the prices. For 2OR+BYYAT the wholesale price was standardized in every market; however, the buyers adapted the prices depending on the different markups. Lumi slightly adjusted its prices to the local market but in general the products were within the same price category in every market. Daniel Palillo only adapted prices for the Japanese market. However, the adaptation was done in order to keep the products on a high enough price level, or the same price level as in every other market where the prices were standardized. Thus, the goal of the price adaptation was to support the positioning of the brand as opposed to alter it. None of the companies had radical differences between prices charged in different countries. It can be said that the price *level* was standardized with all companies.

Goals and international experience linked to degree of adaptation

The results indicated a link between the goals and international experience of the designers, and the degree of adaptation. Out of the three case companies, Lumi Accessories and 2OR+BYYAT shared most similar features in their product adaptation strategies whereas Daniel Palillo had a clearly different kind of approach to product adaptation. One marked difference between the case companies was that as a designer Palillo was the most concentrated on his own style and doing what he wanted in terms of design, whereas Kantola and YAT also considered the end-users in their product design in addition to preserving their unique styles. Hence, adaptation was more extensive for Lumi and YAT whereas for Palillo the degree of adaptation was minimal.

One explanation for this might be that both Lumi and 2OR+BYYAT have more invested in the business than Palillo and thus have more incentive to think of the end-users, and reach sales targets. The first two companies both have their own brick-and-mortar stores whereas Palillo engages only in exporting. Furthermore, Lumi and 2OR+BYYAT also had future aspirations of establishing more stores both within and

outside the Finnish market while Palillo had no future plans, which further deepens their engagement in the business and its success.

Another reason behind the different degree of adaptation might result from the extent of international experience of the companies. Both Cavusgil et al. (1993) and Calantone et al. (2004) found a positive link between product adaptation and the international experience of the firm. Lumi Accessories and 2OR+BYYAT were established and operated in a foreign market for several years whereas Daniel Palillo has only operated in the Finnish market. In addition, the personal experiences of the designers might have an effect on the degree of adaptation. Both Kantola and YAT have studied and worked several years in more than one foreign country as opposed to Palillo who has studied and worked in Finland. The international experience gained by Kantola and YAT contributes to not only their knowledge of but also acknowledgement of different cultures which is displayed in the designs.

Controversy between design and marketing aspirations

In the literature review Moalosi et al. (2005) pointed out that the integration of socio-cultural values into product design is not necessarily conscious. This unconscious integration of culture and aesthetic preferences in the products was evident in the case of Lumi. Kantola notes on taking different aesthetic and cultural factors into consideration in the designs:

It is part of it [designing] but not necessarily on such a conscious level.

For 2OR+BYYAT the consideration of cultural and aesthetic factors was more explicit. The conflict between design and marketing aspirations that was discussed in the literature review by Beverland (2005) also rose in the surface during the interviews when product adaptation was discussed. The controversy between the design aspirations and commercial goals was perhaps most evident in the case of 2OR+BYYAT:

I try not to [think about customers], but in reality I have to.

Even [when] you're an artist, you still hope for people to buy your work. Or in other words to appreciate your work.

-YAT, 2OR+BYYAT.

Both Lumi and 2OR+BYYAT found the functionality and salability of the products important, in addition to aesthetic and design considerations. Daniel Palillo on the other hand was strongly focused on the design aspect. Hence, for Daniel Palillo this conflict did not exist as the designer followed his own design aspirations as opposed to thinking about what the customers want to buy. The adaptations that were made were executed on a more conscious level.

6.4.2 The balance between standardization and adaptation of the marketing mix elements

The second research question aimed at finding and analyzing interrelationships between the adaptation and standardization of different marketing mix elements. The main observations derived from the case study regarding this question were: first of all, all three case companies adapted their products to foreign markets whereas other elements of the marketing mix were less adapted. Secondly, the case companies combined adaptation and standardization in the designs and within the marketing mix elements. In other words, none of the companies offered a completely standardized product selection nor had they completely localized products in their selection. Thirdly, while overall the marketing mix elements supported the brand image of the case companies, findings on the interrelationships between the elements were mixed and no clear balance between the adaptation and standardization of the elements was detected.

Product the most adapted element

The case interviews revealed that out of the four marketing mix elements, product was the most adapted one whereas place was the most standardized element. This result poses an opposite to the findings of Theodosiou and Leonidou (2003) and Powers and Loyka (2010) who found distribution to be the most adapted element and product the most standardized. Other studies (Cooper & Kleinschmidt, 1985; Calantone et al., 2004) on the other hand found product adaptation to improve the export performance of a firm. However, the results regarding which elements were most and least adapted varied

between researchers and no final conclusion could be made based on the literature review on the optimal level of adaptation and standardization of the marketing program.

The findings of this study also contradict the argument of Lishchenko et al. (2011) based on which design oriented firms are more likely to adapt other elements of the marketing mix than the product as product adaptation might damage the competitive advantage of these firms. All the case companies in the study engaged in product adaptation whereas the remaining marketing mix elements were less adapted. However, products were adapted only within the design concept and style of the brands; in other words, the elements that make the brands unique were standardized. Hence, product adaptation was not seen as hampering the competitive advantage of the companies. Regarding the standardization of the other elements such as distribution and price level, this was seen as supporting the image of the brands, whereas Lishchenko et al. found product standardization to be most important for maintaining the uniqueness of the brand. Nevertheless, Daniel Palillo's approach was mostly in line with Lishchenko et al.'s argument as his products were standardized in the majority of export markets. He also adapted the least number of product attributes.

Place the most standardized element

Place was the most standardized element of the marketing mix for all case companies. Okonkwo (2007) noted that for luxury brands controlling of the distribution channels is extremely important in order to retain the exclusivity of the brand. Having the right kind of retailers was also indicated as very important by all three case companies. Other brands sold in the stores needed to fit with the brand image of the company. Whereas it was pointed out by Kantola that the "right kind" of buyers are usually automatically interested in their products, all companies mentioned having declined offers from buyers whose stores they did not consider as a proper environment for their products.

Combining adaptation and standardization in products

The case companies combined adaptation and standardization of the marketing mix elements rather than having a completely standardized or adapted marketing program. This finding was in line with the notion that companies operating in foreign markets

should seek to integrate different approaches instead of complete standardization or adaptation of the marketing strategy (Alimiene & Kuvykaite, 2008). As noted earlier, no case company designed completely localized products, but product attributes that mostly supported the design concept and style of the brand were standardized. Daniel Palillo had the most standardized product collection out of the case companies.

Promotional activities in each company were on a small scale. Thus, price and place had more effect on the brand image of the companies in addition to products. The standardization of these elements as well as the style of the products allowed for adjustments made in the product features, sizes, and materials.

Interrelationships between elements

Interrelationships between the adaptation and standardization of each element differed between the case companies. Japan was the only market where Lumi adapted its promotion but not the only market where it adapted its products. The reason behind the adaptation of promotion in Japan as opposed to other markets is the huge popularity of Lumi products in Japan. As Lumi also has a store in Japan, adapting the website as well as social media activities to Japanese market is suitable. In 2OR+BYYAT's case, product adaptations were made mainly in Asia but both wholesale prices and promotion were standardized across markets, indicating no connection between product adaptation and adapting promotional activities and price. There was also no clear connection between price adaptation in Japan and product adaptations in certain Asian markets by Daniel Palillo.

The only clear interrelationship between adaptation and standardization of different elements seems to be the standardization of place and price level which supported each other. Even though prices were slightly adapted by all companies, the prices in every market were in a similar price category and thus supported the brand image of the companies together with the consistent style of the retailers.

6.4.3 Drivers for adaptation and standardization of marketing mix elements

The purpose of the third and final research question was to investigate why certain elements of the marketing mix were adapted and others standardized. The findings of the empirical research indicate that: first of all, in accordance with the literature review findings, culture was the main driver for product adaptation for the case companies, affecting adaptation decisions within all companies. Secondly, brand image was the most prominent driver for standardization of all elements. This relates to the finding that when adaptations were made, they were executed within the boundaries of the brand's style and design concept.

These findings will now be compared to the drivers presented in the theoretical framework.

Drivers for adaptation

Culture/religion as main driver

In accordance with the literature review findings, national culture was a prominent driver for product adaptation. Within national culture, especially religion had a strong impact on the adaptation of products. Jackson and Shaw (2009) noted that in some countries cultural and religious codes would not allow certain styles to be worn in public. These codes were taken into account especially by 2OR+BYYAT and Daniel Palillo. 2OR+BYYAT designed garments with more coverage such as long sleeves and hems in order to offer wearable outfits for markets where religious considerations would not permit the use of revealing clothing. The brand also modified certain design symbols and Daniel Palillo removed some prints from clothing sold to Islamic countries where the prints could be considered offensive.

For Lumi Accessories religion was not a factor as such. However, some colors in certain type of products were avoided and others preferred in Japan, as the combinations would have been considered to bring either bad or good luck by the Japanese consumers. This was in accordance with the notion made by Terpstra & Sarathy (1991) according to which certain colors can have different meanings in different cultures due to religious, patriotic, or aesthetic reasons.

In the case of Lumi, national culture was also the main driver for adapting promotion in Japan. English language was not considered to be well known by all Japanese consumers and thus both the blog and social media site were in the local language. The social media site was also localized by e.g. taking Japanese holidays into notice.

Aesthetic preferences

Drew and West (2002) described the role of aesthetics in product design as providing emotional satisfaction such as status and self-actualization to the consumer. Okonkwo (2007) further noted that these intangible benefits are important especially for consumers who buy luxury products. Both Lumi and 2OR+BYYAT display an understanding of local aesthetics (Hogan et al., 2000) in their product designs. Aesthetic preferences were most prominent drivers for product adaptation in the case of Lumi Accessories, where differences in aesthetic preferences translated into different colors, color combinations, product features, and materials. Aesthetic preferences were also behind the size differences of Lumi Accessories' products whereas for YAT and Palillo, adapting the size of the garments was more of a necessity as the products were meant to be worn on the body. For 2OR+BYYAT color was the only product attribute that was adapted due to differing aesthetic preferences. Daniel Palillo was the only case company that did not consider aesthetic preferences in different markets in the design of the products.

Demographic and environmental factors

Demographic factors were not discussed in the reviewed literature as factors affecting product adaptation. For 2OR+BYYAT and Daniel Palillo, however, differing demographics was a driver for product adaptation, the most prominent demographic factor being body built. Both companies made smaller sizes for Asian markets. In addition, 2OR+BYYAT added small sizes for Southern Europe and large sizes for Scandinavia and the US. Besides the general smaller size of Asian consumers, 2OR+BYYAT also took other demographic factors such as facial features and hair color into account in the designs.

Kotler (1986) listed environmental factors such as government regulation, climate, and competition as drivers for customization. Out of these factors climate was a driver for product adaptation in the case of 2OR+BYYAT. The consideration of climate was shown in the adaptation of product material; 2OR+BYYAT designed garments with lighter fabrics to certain Asian countries due to the generally hot and humid climate. In other words, adaptation was done in the very initial phases of product design by designing the weave of the fabric. The designer YAT is originally from Hong Kong and has also worked several years in Asia which might explain the thoroughness with which the special characteristics of Asian consumers were taken into consideration in the products.

Drivers for standardization

Concerning product adaptation or standardization, costs were not mentioned as an issue by the case companies. Daniel Palillo noted that as he only exports and does not own a store, there is almost no financial risk as he only manufactures the designs that buyers order and these orders are paid for in advance.

Hence, for a small fashion company, the question of standardization and adaptation of the product is not necessarily as much about cost as following the design concept.

Brand image the most prominent driver for standardization

Brand image was the most significant driver for standardization, affecting the standardization of all marketing mix elements. In terms of product standardization, all case companies insisted on preserving their own style and brand image of the products across markets. The companies aimed to keep the price level same in every market. Daniel Palillo had higher prices in Japan in order to maintain the positioning of the brand same as in other markets. Regarding distribution, the importance of brand image is well demonstrated by the rejection of retailers on the basis of their image which was not considered suitable for the brand.

Design concept and style driving product standardization

In the case of Daniel Palillo, product standardization was highly driven by the designer's personal design aspirations. The designer stressed that he wanted to do whatever he wanted in terms of designing and not think about what the customers want to buy. Both Lumi Accessories and 2OR+BYAT also stressed that product adaptations were only made within the style and design concept of the brand. This was done by altering features, colors and materials for the preferences of different markets, but never the style of the products. In the literature review, country-of-origin effect was indicated as a driver for standardization by Terpstra and Sarathy (1991). While Finnishness was one of the differentiating brand elements of Lumi, the adaption of products was not seen as harming this effect as the design concept itself was not altered. Hence, preserving the country-of-origin effect was not in itself a driver for standardization for Lumi, as this effect was included in the design concept of the brand.

Furthermore, none of the companies designed new products for one particular market. Both Lumi Accessories and 2OR+BYAT offer a niche product targeted for a specific audience. Altering the style of the designs would not fit with this strategy as the customers expect a certain style from the brands. These findings are partly supported by Lishchenko et al. (2011) according to whom a design-oriented firm should retain the uniqueness of its products by not adapting them. Even though the case companies did adapt their products to some extent, the overall design concept and style that differentiate the brand from others were kept the same.

Terpstra and Sarathy (1991) noted that standardization is appropriate when customers are similar in all markets. Regarding the standardization of products, the argument did not receive much support among the case companies. The companies that adapted their products the most, Lumi and 2OR+BYAT, both described their target customers being similar across markets. Daniel Palillo whose products were mainly standardized, on the other hand, described having a vast range of customers.

Shortage of resources driving promotion standardization

In the literature review, cost savings were indicated as one of the primary reasons for standardization of marketing program (Jain, 1989; Terpstra& Sarathy, 1991). For the case companies, the issue was not as much about cost savings as about shortage of resources, especially regarding conventional advertising. Both Lumi and 2OR+BYAT pointed out the lack of resources for setting up marketing campaigns. The designer of Lumi made the following note:

We don't have any advertising campaigns abroad as such, unless there is a special collaboration. It would require such a large budget and we definitely do not have resources for that. (Sanna Kantola, Lumi Accessories)

Out of the case companies, Lumi Accessories was most engaged in promotional activities. It was also the only company that did in fact adapt some promotional activities, namely its website and social media site, for a foreign market. Daniel Palillo on the other hand was not keen on promoting the brand beyond updating his blog and sending newsletters when a new collection was available for viewing. In his case, the question was not about shortage of resources but rather wanting to maintain an “underground” image of the brand. Furthermore, as the designer explained, he did not have to market the brand in other ways as buyers contacted him. Moreover, he did not have any such plans for the brand that would have motivated him to promote it more.

Brand image driving price standardization

The main driver for standardization of price was brand image. See part 6.4.1 regarding price variations.

In the introduction of this thesis report, design was defined as being both a creative act and an instrument to explore the future. According to the case study findings, creativeness was definitely a strong part of the design process of the case companies, especially for Daniel Palillo whose designs were an outcome of his desires as a designer. For Lumi and 2OR+BYYAT there was also another aspect in the design process, namely the salability of the products. Hence, regarding Lumi and 2OR+BYYAT the definition can be altered to include also the technical act of design; design as an answer to specific requests. Even though the designers of these case companies are not specifically required to design certain features or materials, they have done so in order to cater for consumers in different markets with varying needs and wants.

Table 2 summarizes the findings of the empirical research.

Case company	Degree of adaptation	Drivers for adaptation	Drivers for standardization
Lumi Accessories	Multiple product characteristics adapted in several markets; Promotion adapted in Japan; Price slightly adjusted to several markets, however maintaining a certain price level; Place standardized with the exception of Japan	National culture (product & promotion); Aesthetic preferences (product);	Brand image (all elements); Design concept (product) Shortage of resources (promotion)
ZOR+BYAT	Multiple product characteristics adapted in mostly Asian markets; Promotion and place standardized; Wholesale price standardized, retail price might vary depending on retailer/country	National culture /religion (product); Environmental factors (product) Demographic factors (product)	Brand image (all elements); Design concept (product) Shortage of resources (promotion)
Daniel Palillo	Few product characteristics adapted in Asian markets; Promotion and place standardized; Price adapted in Japan	National culture/religion (product); Demographic factors (product); Positioning/brand image (price)	Brand image (all elements); Design concept (product); Remaining true to design
Summary - balance between adaptation and standardization	Product most adapted element; Place least adapted element	National culture/religion main driver for adaptation	Maintaining brand image main driver for standardization

Table 2. Summary of case study findings.

6.5 ADDITIONAL FINDINGS

The case study revealed many interesting findings also outside the scope of the research questions. These findings are briefly discussed in the following.

First of all, an interesting observation was made regarding the relationship between the degree of internationalization and adaptation. For Daniel Palillo, the degree of product adaptation was the smallest out of the three case companies; however, a great majority of the brand's revenue came from exporting. Lumi and 2OR+BYAT for whom the degree of product adaptation was markedly higher than for Palillo, exporting covered 80% and 50% respectively of the revenue. Based on this finding, product adaptation would not seem to be connected with firm export performance in the case of these companies. This observation is aligned with the findings of Hultman et al. (2009) according to which product adaptation as such is not related to export performance. However, the subject requires further research before any conclusions can be made.

Another interesting finding was that the case companies did not make product adaptations in every market. Some elements were only adapted in certain markets and standardized in others. The degree of adaptation was most significant in Asian markets where all case companies reported the highest degree of product adaptation. Even though the adaptation degree for Daniel Palillo was generally low, Asia was the only market where the brand made some adaptations to products in terms of size and product features. For Lumi Accessories and 2OR+BYAT adaptations made for Asian markets were also more extensive in comparison to other markets. For Lumi it was avoiding certain colors and preferring others in its products, for 2OR+BYAT it was adding more coverage while favoring lighter fabrics and modifying certain symbols in the garments. Furthermore, Japan was the only market outside Finland where Lumi had established its own store. In connection to this, Lumi also adapted its website and social media for Japan.

Finally, the case study revealed issues concerning internationalization and international goal setting which were controversial to previous research. Regarding internationalization, Daniel Palillo is the only company that established his business in

Finland whereas Lumi Accessories and 2OR+BYYAT started off in a foreign market before moving to Finland. In the literature review on internationalization of Finnish design firms, Salimäki (2003) noted that acquiring of a competitive skill level and financial means sufficient for the investment needed for internationalization must be done in a familiar market which, according to the author, usually means operating in the domestic market. Even though Lumi and 2OR+BYYAT internationalized from a foreign market, both companies had gained several years of experience on the markets in question, and thus those markets can be considered to be familiar to them. Interestingly, all the companies said that they did not have goals related to internationalization or the business in general in the beginning whereas Salimäki (2003) indicated international goal-setting by management as one of the five strengths of Finnish design firms.

6.7 REVISED FRAMEWORK

In the methodology part of the study, a theoretical framework was presented which was based on the findings of the literature review. Based on the findings of the case study, the theoretical framework was revised in the following way.

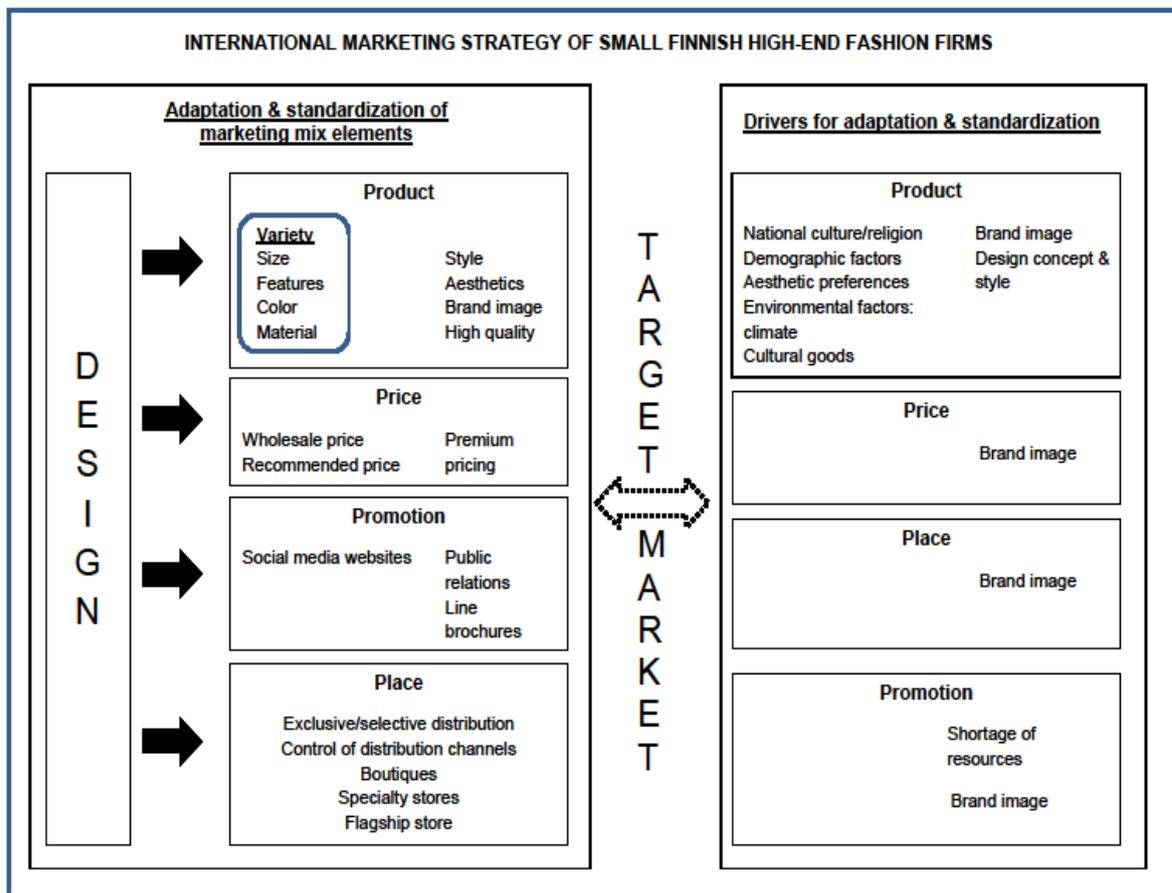


Figure 8. Revised theoretical framework.

First of all, in the original framework, product was placed on top of the marketing mix elements in order to signal its importance in a high-end fashion company. After reviewing the case study results, the marketing mix elements have been placed in order based on the degree of adaptation. Product remains on top as the most adapted element, followed by price, promotion and place. Secondly, the marketing mix attributes in the original framework were derived from the reviewed literature. Based on the results of the study, some of these attributes were removed and others added based on which attributes were discussed by the case companies. Furthermore, the attributes that were adapted by the case companies were placed on the left side and standardized elements of the right side of the box. The drivers for adaptation and standardization were modified in the same way.

7 CONCLUSIONS

In this final chapter I will summarize the findings of the case study and present my conclusions by answering the three research questions. Furthermore, I will discuss the theoretical contribution and managerial implications on the study. Finally, I will present suggestions for further research.

7.1 MAIN FINDINGS AND THEORETICAL CONTRIBUTION

Design firms and the competitive advantage brought by design have been popular research topics among scholars both in Finland and abroad. In Finland, several small fashion companies have risen to the spotlight in recent years by succeeding internationally. Nevertheless, these firms have received more attention in media than in academic research. When fashion firms have been included in research they have usually been discussed as design firms and not fashion firms. Even though a part of the design industry, there are unique characteristics involved in the fashion business that separate fashion firms from design firms. Thus, in order to understand the operations of these companies properly, they need to be studied within the context of fashion industry.

The discussion on whether to adapt or standardize marketing strategy has been blooming for decades; however, a sufficient solution for the problem is yet to be found. Adaptation has been identified as a source of competitive advantage in the international operations of Finnish design firms (Salimäki & Gabrielsson, 2005), however, there is a shortage of research on how and why these companies have adapted their offering to different markets.

The aim of this thesis was to fill this gap and increase knowledge on the international strategies of Finnish design companies by studying how small Finnish fashion companies adapt design and marketing mix elements to foreign markets. To the knowledge of the author, this particular topic has not been researched earlier. In order to

obtain a coherent view on the design and marketing strategies of the firms and be able to observe and analyze interrelationships between adaptation and standardization of the elements, all four marketing mix elements were included in the study.

The research problem of the study as stated in the beginning of the report is as follows:

How do small Finnish fashion firms adapt design and marketing mix elements to foreign markets, and what are the drivers for adaptation and standardization of marketing mix elements.

In order to provide a solution to the research problem the following research questions were addressed: first of all, how do fashion firms adapt design and marketing mix elements to foreign markets; secondly, what is the balance between adaptation and standardization of the elements, and finally, what are the drivers for adaptation and standardization of marketing mix elements.

The main findings of the study are as follows:

1. The fashion firms studied in this thesis adapted to foreign markets by designing a vast product selection with variety. The case companies adapted the size, features, color and material of the products in order to respond to the needs and wants of the local consumers while design concept and style of the products were standardized in order to maintain the uniqueness of the brand.
2. Product was the most adapted marketing mix element while other elements were less adapted, with place being the most standardized element.
3. National culture was the main driver for adaptation whereas brand image was the main driver for standardization.
4. The degree of adaptation is to some extent linked to the company goals and international experience of the designers.

As there was no prior study regarding how small Finnish fashion firms adapt to foreign markets, the findings of the first research question can be considered unique. However, in the literature the linkage between culture and design was stressed and design firms were encouraged to take local tastes and consumer characteristics (Jun, 2008) into account when designing their products. Hence, the finding that the case companies did actually take these differences into consideration is supported by the design literature.

The finding of product being the most adapted element is also to a large extent supported by the design literature. However, not all scholars were supportive of the adaptation of design-oriented products as it was seen as damaging for the uniqueness of the brand. However, it was pointed out by Jackson and Shaw (2009) that it is often wrongly assumed that all fashion is accepted by every nation and culture. Furthermore, Falay et al. (2007) indicated variability in tastes in fashion as a challenge especially for globalizing Finnish design companies. By combining adaptation and standardization in the product designs, the case companies in this study demonstrate how the issue of differing fashion preferences can be addressed in the designs without losing the uniqueness of the brand.

In accordance with the literature review findings, national culture was the main driver for adaptation. In addition, the case companies also took differing aesthetic preferences and demographic factors into account in their product adaptations. The results supported the findings of Hougan et al. (2000) and Terpstra and Sarathy (1991) who indicated aesthetic preferences as drivers for adaptation.

The drivers for adaptation and standardization of a high-end fashion company differ from those of a company selling consumer goods. For a consumer goods company the choice between adaptation and standardization is mainly dependent on which option is more profitable whereas for a high-end fashion company the goal is not to sell as much as possible. Hence, while cost savings are a prominent driver of standardization for a consumer goods company, for a high-end fashion company preserving the brand image by selecting the right type retailers, keeping the price level of the products similar, and maintaining the design concept and style of the products across markets is more important than maximizing profit.

Finally, the adaptation and standardization strategies seemed to be connected with the goals and motivation of the firm, or more specifically, the designer. Two of the case companies, Lumi Accessories and 2OR+BYAT both operated stores in Finland, Lumi also in Japan, and had commercial goals and/or plans to expand the business. These firms also adapted their products the most and Lumi also adapted some promotional activities in Japan. Daniel Palillo who only exported products and had no goals for the brand on the other hand had the most standardized products in addition to other marketing mix elements. Also the international experience of the designers seemed to be linked to the degree of adaptation. The designers of Lumi and 2OR+BYAT had years of experience from living and working in different countries while Daniel Palillo had mainly worked in Finland.

The findings of this case study contribute to the existing literature on the international competitiveness of Finnish design companies in the following way: the focus of the study has been on the international marketing strategies of Finnish high-end fashion firms that, to the knowledge of the author, have not earlier been researched within the concept of high-end fashion industry. This study provides knowledge on how firms in this particular industry operate internationally. Regarding literature on international marketing and design this study adds knowledge on how high-end fashion firms adapt to foreign markets and how design can be adapted without losing the differential advantage of the company.

7.2 MANAGERIAL IMPLICATIONS

On the basis of the case study, there are three main implications that a manager/designer of a small fashion company should consider when exporting to several markets.

The first implication that can be taken from the case study is the importance of variation in product collections. When exporting to several markets, fashion companies should consider the needs and wants of local consumers in different markets and design a large variety of products to match these needs. Lehtinen (1995) noted that analyzing the customs of different cultural target groups is important when designing consumer

products, and fashion products especially are considered cultural goods that are deeply integrated in the lives of consumers (Falay et al., 2007). Hence, differences between markets should be taken into account by companies designing fashion products. However, while adaptation was seen necessary regarding certain product attributes, a fashion company should hold on to its design concept and unique style when designing the products in order not to lose the quality that makes the brand special and different from others.

Secondly, a company targeting niche markets should bear in mind that in terms of other marketing mix elements quantity is not necessarily superior to quality. The case study demonstrated that having the right type of retailers is important in order to maintain and support the brand image of the company. A fashion company with a unique concept should not accept all retailers merely in order to sell more but also be able to turn down retailers that would not suit the design concept and brand image of the company. Regarding advertising and other promotional activities, a fashion company should also be careful about not overexposing the brand. Instead, right channels for promotion should be selected with care.

Adaptation of promotion received less support among the case companies. However, in the literature review it was pointed out in several occasions that Finnish design companies lack skills in marketing and customer orientation. Hence, the author of this study would also recommend fashion companies to adapt at least promotional activities on social media and the website, as these require only small investments but offer an extended opportunity for the firm to interact with consumers outside the domestic market.

7.4 SUGGESTIONS FOR FURTHER RESEARCH

This case study has revealed some interesting issues on the international strategies of small Finnish fashion firms. The balance between standardization and adaptation of marketing mix elements was discussed in the second research question. A relationship was found between standardization of place and price level. However, regarding the other elements, no clear interrelationships were detected and thus this topic would require further research. In order to indicate recurring relationships between the elements, a larger population would be needed for the study.

The effect of product adaptation on export performance was discussed in the literature review. The findings of this study did not indicate a clear connection between product adaptation and export performance. It would therefore be interesting to study how the adaptation of design has affected the performance of the firms. The focus of the existent research on the subject has been on multinational companies rather than small design-driven companies. This would also require a larger sample of firms in order to prove connection between firm strategy and performance.

Thirdly, the study revealed adaptation to be most extensive in Asian markets. It would be interesting to conduct a similar case study to the present one that focused more in-depth on how design is adapted in one particular market and what are the reasons behind the adaptation decisions.

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APPENDICES

APPENDIX 1

List of interviews.

Company	Interviewee	Role in the company	Time of interview
Lumi Accessories Oy	Sanna Kantola	Founder, designer	22.05.2012
2OR+BYAT	YAT	Founder, Creative director	18.06.2012
Daniel Palillo/ Palillo Enterprises Oy	Daniel Palillo	Founder, designer	16.08.2012

APPENDIX 2

Structure of the semi-structured interview.

Theme 1: Background information

- Establishment of the company
- Initials goals when setting up the company
- Differentiation from other brands

Theme 2: Internationalization

- Challenges of internationalization/operating internationally
- The effect of being international on design

Theme 3: Adaptation & marketing mix

- How are differences between markets considered in a) product design
b) promotion c) prices d) distribution channels
- Selection and importance of retailers
- Most important marketing / sales channels and why
- Target customers
- Positioning of the brand in different markets

How do you see the future of the brand?