

**The Internationalization Strategies of Fast Fashion Clothing Retailer
Brands: A Cases Study of ZARA, H&M, UNIQLO, and Gap**

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Wenzao Ursline University of Languages, 2020

Abstract

It is said that global consumers purchase about 80 billion outfits per year due to the fast fashion industry. Fast fashion is a rapidly evolving and highly competitive industry. ZARA, H&M, UNIQLO, and Gap as most significant fast fashion clothing retailer brands in the global market through the decades have expanded to plenty of countries and own thousands of physical stores around the world. However, there are many domestic fast fashion clothing retailer brands that fail to internationalize or get into debt after internationalization. So, the aim of this research is to explore how to internationalize successfully in the fast fashion industry. This research gathered information about the internationalization strategies of four brands from internal annual reports, news, interviews, and field survey. The findings of this research are (1) Fast fashion clothing retailer brands need to expand their markets from nearby countries with similar cultures to far countries with long cultural distances. They need to mainly expand by investing 100% ownership companies but expand to high-risk countries by franchising. (2) In the value chain activities, every section needs to be global integrated while logistics and selling also need to respond local customer demands. (3) They need to adopt marketing strategies about deepening and widening product assortment. They need to hold sales promotions frequently and so on. This research is expected to contribution to help domestic fast fashion clothing retailer brands internationalize successfully.

Keywords: internationalization strategy, fast fashion industry, clothing retailer brand

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INTRODUCTION

Background

If you ever walked into clothing retailing shops and get some cheap fashionable clothing, then you are one of people participating in the fast fashion industry. In the book, *Overdressed: The Shockingly High Cost of Cheap Fashion*, Elizabeth Cline writes: “In 1930, the average American woman owned an average of nine outfits. Today, we each buy more than 60 pieces of new clothing on average per year.”¹ Fast fashion industry has led this transformation since 1980s. Fast fashion can be defined as the industry that clothing retailers design their clothing products in response to the latest trends and produce inexpensive clothing rapidly.

Nowadays, clothing retailers in the fast fashion industry add 3-5 mid-seasons and more phases to the existing seasons which means Spring/Summer and Autumn/Winter seasons.² Because of the shorter product life cycles and inexpensive products with design of latest trendy, customers are willing to purchase fast fashion clothing frequently. Therefore, fast fashion clothing retailers can make a huge profit (see Table 1). In this industry, many fast fashion retailer brands were founded in different countries such as Spain, Sweden, Japan, and the United States but they are all successful and explore their markets to many countries. According to the newest fast fashion industry ranking from the Uniqlo official website, more than ten international fast fashion retailer brands earn net sales which are much more than one billion US dollars in 2018. In the end of latest fiscal year, INDITEX(ZARA), Hennes & Mauritz, FAST RETAILING (UNIQLO), Gap, and Limited Brands are the top five of best-selling companies(brands). INDITEX(ZARA), Hennes & Mauritz earn 29.10 billion

¹ Elizabeth L. Cline, *Overdressed: The Shockingly High Cost of Cheap Fashion* (2013).

² Bhardwaj, Vertica, and Ann Fairhurst. "Fast Fashion: Response to Changes in the Fashion Industry." *The international review of retail, distribution and consumer research* 20, no. 1 (2010): 165-73.

US dollars and 22.05 billion US dollars respectively while FAST RETAILING(UNIQLO), Gap, and Limited Brands earn more than ten billion US dollars.

Table 1. The Fast Fashion Industry Ranking³

Company Name (Flagship Brand)	Country	End of Fiscal Year	Sales (Billions of USD)
INDITEX (ZARA)	Spain	Jan. 2019	29.10
Hennes & Mauritz	Sweden	Nov. 2018	22.05
FAST RETAILING (UNIQLO)	Japan	Aug. 2018	19.48
Gap	USA	Feb. 2019	16.58
Limited Brands	USA	Feb. 2019	13.24
PVH (Calvin Klein)	USA	Feb. 2019	9.66
Ralph Lauren	USA	Mar. 2019	6.31
NEXT	UK	Jan. 2019	5.25
AMERICAN EAGLE OUTFITTERS	USA	Feb. 2019	4.04
Abercrombie & Fitch	USA	Feb. 2019	3.59
Esprit	Hong Kong	Jun. 2018	1.97

It is believed that fast fashion is a very successful industry and clothing retailer brands make huge profits on it. However, some of domestic fast fashion clothing retailer brands cannot internalize and some of international brands sustain losses or even go bankrupt. NET is a domestic fast fashion clothing retailer brand which was founded in 1991 in Taiwan. Since 1991, NET had spread quickly in the first four year and had more than 60 stores in Taiwan in 1996.⁴ However, nowadays NET just owns 154 brick-and-mortar stores in Taiwan and cannot spread its market overseas. In addition, Forever21, the US fast fashion clothing retailer brand, had developed its international markets since 1984. Yet, it had closed many

³ Official website of FAST RETAILING CO., LTD.,
<https://www.fastretailing.com/eng/ir/direction/position.html>

⁴ RUI-TANG, WANG. "The Management Rights of NET Will Be Changed or Not Is in the Spotlight."
Economy Daily News, May 21, 1996.

stores in 21th century. For example, Forever21 closed its Scottish flagship store which was just opened for three years in 2016.⁵ Many fast fashion clothing retailer brands cannot internationalize successfully while ZARA, H&M, UNIQLO, and Gap are extremely successful.

It is said that fast fashion is a new industry started in 1980s but achieve success in decades. ZARA, H&M, UNIQLO, and Gap are four fast fashion clothing retailer brands as role models for other clothing brands. They became most successfully clothing retailer brands in their home country in a short time and then spread international markets to become global brands. However, there are still a lot of fast fashion clothing retailer brands cannot internationalize successfully. As a consequence, the research wants to understand how to internationalize successfully through a cases study of ZARA, H&M, UNIQLO, and Gap.

Motivation

According to the background, this research wants to explore the internationalization strategies of fast fashion clothing retailer brands. The researcher reviewed the important paper of Barlett and Ghoshal's, *Managing across Borders: The Transnational Solution*. While the corporations internationalize, they face pressure of the global integration and local responsiveness. Corporations focus on global integration can develop the economies of scale and build same brand images globally while corporations focus on local responsiveness can get closer to customers and meet all customer demands in different markets. There are pros and cons of focusing on global integration or local responsiveness. So, I am wondering that fast fashion clothing retailer brands have to focus on global integration or local

⁵ Samantha Croal. "US chain Forever21 to close Glasgow flagship store with hundreds of job losses; THE retail giant has announced its closure after it branched out to Scotland just under three years ago on Glasgow's shopping haven Buchanan Street.". *dailyrecord.co.uk*. April 8, 2016

responsiveness and what sections of their value chain should be integrated globally or be responded locally. These issues are what the research want to explore further about.

Research Purpose

In recent year, Fast fashion clothing retailer brands such as ZARA, H&M, UNIQLO, and Gap are very famous for its inexpensive fashionable clothing products. They are four successful brands that can represent fast fashion industry. People believe that most of fast fashion clothing retailer brands can be as successful as these four brands are. However, some domestic fast fashion brands cannot internationalize and some international fast fashion brands suffer huge loses. As a result, the purpose of this research is to analyze internationalization strategies of ZARA, H&M, UNIQLO, and Gap to construct an internationalization strategy model to help domestic brands internationalize.

Research Questions

1. What are the internationalization strategies about the order of countries to expand to and market entry modes of fast fashion clothing retailer brands? How do fast fashion clothing retailer brands internationalize successfully?
2. While fast fashion clothing retailer brands face pressure of global integration and local responsiveness through the internationalization process, which sections of a value chain about designing, manufacturing, delivering, and selling should be globally integrated or locally responded?
3. How do fast fashion clothing retailer brands develop their marketing strategies to make themselves to internationalize successfully?

Contribution

Through the cases study about ZARA, H&M, UNIQLO, and Gap as significant fast fashion clothing retailer brands, the research gives following suggestions of internationalization strategies for domestic fast fashion clothing retailer brands. (1) Fast fashion clothing retailer brands need to expand their markets from nearby countries with similar cultures to countries with long cultural and geographical distances. They also need to mainly expand markets by investing 100% ownership companies but expand to high-risk countries by franchising. (2) They need to adopt global integration to designing and manufacturing sections in value chain activities and focus on both global integration and local responsiveness of logistics and selling sections. (3) They need to adopt marketing strategies such as deepening and widening product assortments, providing different products to northern and southern hemisphere due to the climate factors, cost-based pricing, opening warehouse stores at prime locations in cities, and holding sales promotions frequently.

Limits

There are numerous fast fashion clothing retailer brands such as ZARA, H&M, UNIQLO, Gap, Mango, C&A, Promod, FEVERE21, NET, Roots, Esprit, Topshop, Urban Outfitters, and so on. However, the researcher chose ZARA, H&M, UNIQLO, and Gap as four cases in this research because of the time limits and resources constraints. Due to the non-disclosure agreement of between fast fashion clothing retailer brands and their employees, the managers of ZARA, H&M, UNIQLO, and Gap did not have strong willingness for interviews. So, the researcher collected secondary data in order to make the research more complete. The researcher collected internal operation annual reports, financial data, corporate governance annual reports, and managers' presentation of conferences of ZARA, H&M, UNIQLO, and Gap. The secondary data this research collected also included

the news about interviews of brands' managers and transcription of conference calls from databases of Nexis Uni and United Daily News.

Delimits

This research is a cases study of ZARA, H&M, UNIQLO, and Gap due to the time limits and resources constraints. These four fast fashion clothing retailer brands were chosen due to three main reasons. Firstly, they are most profitable clothing retailer brands in the fast fashion industry. Secondly, they had taken domestic markets by storm and then have spread to international market successfully. Thirdly, they all have high popularity around the world. Therefore, ZARA, H&M, UNIQLO, and Gap was chosen to do research.

LITERATURE REVIEW

Fast Fashion Industry

Before 1760s, success of fashion industry was based on providing cheap standardized style products due to customer demand of basic clothing. However, the industrial revolution about garment factory and sewing innovation from about 1760 to 1840, the fashion industry could change the manufacturing methods from hand-making production to machines. Afterwards, progressive bundle system and other standardized production systems was introduced during the second world war. Because of the technical progress, retailers of fashion industry could improve their product designs and supply large quantities of product with low prices.⁶ In addition, there was a sudden increase in the pursuit of fashionable clothing for young women in the 1980s so the demand for classic clothing was reduced. At that time, clothing retailers shortened the life cycle for fashion and shifted from product-driven to buyer-driven chains in order to quickly respond to customer demand. So, the fast fashion industry was created.⁷

Fast fashion which started from Europe can be defined as a new industry which is able to provide clothing designed based on catwalks so people can purchase trendy clothing at the affordable prices. The principle of fast fashion are reproducing clothing from fast fashion shows, reducing the lead time and keeping the cost down. Firstly, fast fashion designers do not design new products by themselves. Fashion shows have traditionally been the inspiration for designers and they reproduce fashionable clothing. Designers also need to response customer demand by new products at the same time. Secondly, fast fashion clothing retailers adds many phases in a year then there are about 52 micro-season per year. So, they

⁶ Doeringer, Peter, and Sarah Crean. "Can Fast Fashion Save the Us Apparel Industry?". *Socio-Economic Review* 4, no. 3 (2006): 353-77.

⁷ Bhardwaj, Vertica, and Ann Fairhurst. "Fast Fashion: Response to Changes in the Fashion Industry." *The international review of retail, distribution and consumer research* 20, no. 1 (2010): 165-73.

integrate their supply chain for production cycle time reduction and updating products throughout seasons consistently.⁸ Thirdly, cutting cost is the most important issue for corporations in fast fashion industry. Many corporations and brands manufacture their products from overseas to reduce cost as a competitive advantage. For instance, ZARA offshore its assembly lines to Portugal, Turkey, and east India and this reduce manufacturing cost dramatically.⁹

ZARA, H&M, UNIQLO, and Gap as four representative brands of fast fashion industry reach a high level of success. These brands dominant their domestic markets and spread quickly to global market in decades. They all have thousands of stores around the world. Become globalizing does not only aim to boost revenue but also aim for other reasons. Fast fashion retailers globalize to offshore manufacturing to cheap-labor countries. By globalization, they can also get information about latest trendy of different areas to design new products as soon as possible. In fast fashion industry, globalization is a key factor for clothing retailers make a success.¹⁰

Clothing Retailer

At the beginning, clothing retailer is defined as an entity that sells clothing to customers directly through various distribution channels. Clothing retailers can sell products in physical stores and online as well. They earn a profit by selling higher prices than they pay for manufacturing to ultimate consumers. In general, clothing retailers do not manufacture products by themselves. However, there are more and more clothing retailers try to control

⁸ Barnes, Liz, and Gaynor Lea-Greenwood. "Fast Fashion in the Retail Store Environment." *International Journal of Retail & Distribution Management* 38, no. 10 (2010): 760-72.

⁹ Barnes, Liz, Gaynor Lea-Greenwood, Margaret Bruce, and Lucy Daly. "Buyer Behaviour for Fast Fashion." *Journal of Fashion Marketing and Management: An International Journal* (2006).

¹⁰ Cachon, Gérard P, and Robert Swinney. "The Value of Fast Fashion: Quick Response, Enhanced Design, and Strategic Consumer Behavior." *Management science* 57, no. 4 (2011): 778-95.

sections of design, manufacturing, and delivery or even do them by themselves. After all, selling products to final consumers is what clothing retailers must do.

The combination of various factors does not only transform the clothing retailing system but change the relationships among clothing retailers, suppliers and customers. Because of the continuous technological improvements, garment factories learned new skills and technology to manufacture low-cost but high-quality production in a short period of time. So, clothing retailers can purchase clothing from manufacturing with lower prices. Clothing retailers can choose to cooperate with garment factories which provide lower-price products to reduce the production cost. Meanwhile, the mass market was fragmented into small diverse markets so the relation between clothing retailers and markets was changed. Clothing retailers realized the importance of product differentiation. If they could maximize product differentiation from competitors, they would have a big competitive advantage. A successful product differentiation usually based on consumers' perceptions and what they value at. As a result, clothing retailers were product orientation in the past; yet, clothing retailing industry become customer orientation. Clothing retailers have been transformed a lot about relationships with manufacturers and customers.¹¹

Because of the customer demand are various, clothing retailers try to gain product diversity. In clothing retailing industry, the "fashion triangle" (figure 1.) represents three kinds of products clothing retailers sell. On the top of triangle are fashion products include clothing in fashion shows and trendy clothing for the mass market. At the bottom of fashion triangle are basic products. These kinds of products without design are the majority for

¹¹ Crewe, Louise, and Eileen Davenport. "The Puppet Show: Changing Buyer-Supplier Relationships within Clothing Retailing." *Transactions of the Institute of British Geographers* (1992): 183-97.

clothing retailers sell for many years. Fashion-basic products are in the middle of triangle. Fashion-basic products are basic products but add some fashionable elements.¹²

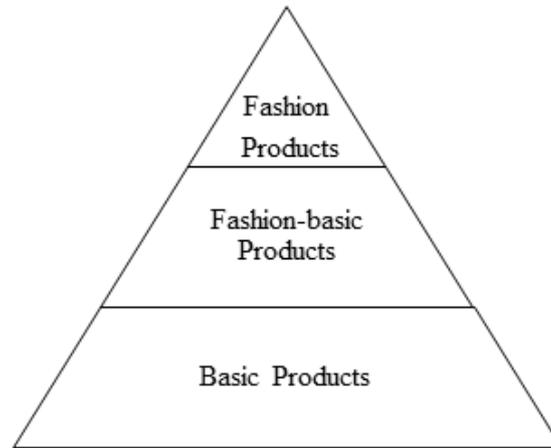


Figure 1. The Fashion Triangle

Although clothing retailers are defined to sell products to final consumers, fast fashion clothing retailers nowadays control their value chains from design to marketing. Many fast fashion clothing retailers internationalize for global sourcing. They can source productions and services across geopolitical boundaries to find lower-cost labor and cheaper raw materials than what they get in domestic markets. Clothing retailers nowadays is not confined to domestic markets. They must internationalize to gain competitive advantages. International clothing retailers are considered as the key drivers of globalization of the clothing industry.¹³

¹² Abernathy, Frederick H, John T Dunlop, Janice H Hammond, and David Weil. *A Stitch in Time: Lean Retailing and the Transformation of Manufacturing--Lessons from the Apparel and Textile Industries*. Oxford University Press, 1999.

¹³ Tokatli, Nebahat. "Global Sourcing: Insights from the Global Clothing Industry—the Case of Zara, a Fast Fashion Retailer." *Journal of Economic Geography* 8, no. 1 (2008): 21-38.

Internationalization Strategies

Christopher A. Bartlett and Sumantra Ghoshal stated the model of international strategies in 1998. In the research, Global integration and local responsiveness are two kinds of forces make corporations choose a different type of strategies when they internationalize. Since countries made policies of open trade, the market does not only limit to the national market but the global one. So, corporations sell their products to countries. While the demand of customers worldwide becomes homogeneous, integration becomes more and more important. Besides, the technological intensity of the production process by manufacturing scale economies is certain to global integration. Global integration can help corporations work efficiently.¹⁴ On the other hand, sometimes the local responsiveness is important despite the rise of global integration. Although global integration can reduce costs and make huge profits, corporations also need to consider the differences between homeland and host countries and they should meet the demands of customers in different countries. Local responsiveness is necessary for some situations.

Due to the force for global integration and local responsiveness, Bartlett and Ghoshal claimed for kinds of strategies four internationalize which are global strategies, international strategies, transnational strategies, and multidomestic strategies. These strategies are suggestions for corporations when they meet different situation. A corporation choose the global strategies when it can operate subsidiaries by itself and all resources are centralized. The global strategies can response the homogenous demands in the global market and make a corporation develop economics of scale. In addition, international strategies are suitable for corporations who have low pressure for global integration and local responsiveness. On the contrary, corporations need to choose transnational strategies when the have high force of

¹⁴ Sachs, Jeffrey D, Andrew Warner, Anders Åslund, and Stanley Fischer. "Economic Reform and the Process of Global Integration." *Brookings papers on economic activity* 1995, no. 1 (1995): 1-118.

both global integration and local responsiveness. Lastly, multi-national strategies are for corporations who need to respond to local demands hardily. If a corporation chooses these strategies, it means the demands from different markets are different so they have to respond to complex customer demands. These corporations must develop a multi-dimensional organization to maintain viability and effectiveness. The corporations also need to adopt a decision from any perspective without bias.¹⁵ Corporations need to find out the most appropriate strategies from this international strategy model.

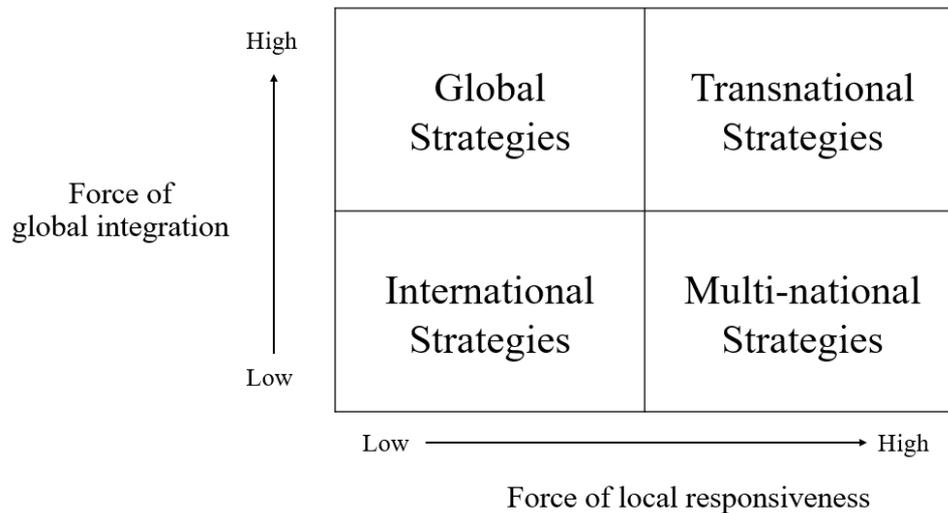


Figure 2. Bartlett and Ghoshal’s model of international strategies

While small or medium enterprises dominate the national market or the national market is becoming increasingly saturated, they need to expand to international market. Internationalization strategies are the methods or plans for domestic enterprises to internationalize successfully. However, international strategies are complicated. All the strategies corporations use in the process of internationalization can be defined as internationalization strategies. These strategies include market entry strategies, marketing mix

¹⁵ Bartlett, Christopher A, and Sumantra Ghoshal. *Managing across Borders: The Transnational Solution*. Harvard Business Press, 2002.

strategies, value chain managements, and so on. The internationalization strategies can be divided into four stages: evaluation, market entry, marketing, and value chain activities.



Figure 3. Four Stages of Internationalization Strategies

The Evaluation

While domestic enterprises decide to internationalize, there must be some motivations. From an internal operating environment perspective, the motivations may be managers' expectation or the pursuit of higher revenue. On the other hand, there are also other motivations from the external environment. Market divers, competitive drivers, cost drivers, technology drivers, and government drivers are major five kinds of motivations. Firstly, market divers are the most important one for domestic enterprises. Due to the homogeneity of demand, consumer demand around the world becomes similar. Free trades can also drive enterprises to internationalize. Secondly, competitive divers mean that other foreign enterprises get into enterprises own domestic markets and this is a motivation. Thirdly, cost drivers make enterprises internationalize to seek for cheaper resource or economies of scale.

Besides, the technological improvement about communication and delivery can also drive enterprises internationalize. Finally, governments can also drive enterprises internationalize by beneficial international trade policies.¹⁶ The motivations behind internationalization are diverse and different, so enterprises need to have motivations for internationalization.

After having motivations for internationalization, domestic enterprises have to observe the internal organization and competitive environment to evaluate whether they can internationalize or not. Enterprises' motivations for internationalization are linked to their prior experience about expansion and the internal operating environment.¹⁷ As a result, they need to evaluate both internal and external environments before they enter the international market. While evaluating internal organizations, enterprises list their competitive advantages and inspect their operation and systems. Meanwhile, enterprises have to evaluate what parts they do better than competitors in the international market to ensure they have more advantages than others do. At the evaluation stage, domestic enterprises evaluate their internal operating organization and the external environment to ensure the feasibility of internationalization. This stage is the first part of internationalization.

Market Entry

The strategies of market entry contain many aspects. Enterprises need to decide the timing of entering the international market, market selection, and the modes of entry to different countries. The choices of entry modes have to depend on the considerations about environmental variables, including country risks, location unfamiliarity, demand uncertainty, and competition intensity.¹⁸ After the cautious evaluation for internationalization, the first

¹⁶ Yip, George S. "Global Strategy... In a World of Nations?". *MIT Sloan Management Review* 31, no. 1 (1989): 29.

¹⁷ Fernández, Zulima, and María J Nieto. "Internationalization Strategy of Small and Medium-Sized Family Businesses: Some Influential Factors." *Family Business Review* 18, no. 1 (2005): 77-89.

¹⁸ Kim, W Chan, and Peter Hwang. "Global Strategy and Multinationals' Entry Mode Choice." *Journal of International Business Studies* 23, no. 1 (1992): 29-53.

overseas market and the entry mode are quite important. If enterprises enter the first overseas market successfully, then they will expand the international market step by step to become global enterprises. In the internationalization process, the order of countries they choose to enter is one of the factors that decide whether enterprises succeed or not.

The enterprises need to find the most appropriate entry modes which are on the balance between exercising its authority and reducing costs. There are many choices, including exporting, wholly-owned subsidiary, a joint venture, licensing, franchising. Enterprises selling their domestic products to the overseas countries is defined as exporting. Exporting does not need any investment in host countries, so it is the easiest way for enterprises to expand their markets. Wholly-owned subsidiary is that enterprises invest 100% ownership companies in host countries. These companies are operated independently by enterprises in most of the time. So, the wholly-owned subsidiary is a kind of entry mode that offers the highest degree of control. On the other hand, enterprises need to take the highest risks when they enter a country by the wholly-owned subsidiary. There are some medium-control entry modes for enterprises while some enterprises do not take so much risk when they enter new markets. Joint venture, licensing, and franchising are three kinds of modes that have different degrees of control and these modes can help enterprises reduce cost. Firstly, joint venture is an entry mode that enterprises find partners to share risks and technology and develop new products together. In some areas, governments make foreign investment policies to restrict foreign enterprises. So, enterprises can form a venture with local enterprises to conform to governance regulations. Secondly, licensing is an agreement that enterprises agree that cooperate local enterprises can use their property. Local cooperate enterprises need to pay for exchanging property or technical assistance. Thirdly, franchising is a medium-controlled agreement. Enterprises can give the right of selling products or service to an individual or groups in the new market. Besides,

franchising allows a high degree of monitoring of franchisees by rules and systems.¹⁹ There are various entry modes enterprises can choose when they enter overseas markets but exporting, wholly-owned subsidiary, a joint venture, licensing, and franchising are the most common modes to enter new markets.

According to the research of Uppsala internationalization process by Jan Johanson and Jan-Erik Vahlne, market selection is related to the psychic distance between the home and the host countries. Psychic distance is the number of factors such as language, business environment, industrial development and culture. Enterprises choose countries have shorter psychic distance at the beginning of internationalization. Because of the short psychic distance, it is much easier to enter markets successfully than to enter long psychic distance countries. Enterprises can also learn knowledge and gain experience from short psychic distance markets and then they will use what they gain from experience to make entering long psychic distance markets successful.²⁰ In addition, in the research, the basic mechanism of internationalization assumes that market knowledge and market commitment affect commitment decisions and current activities. Enterprises will gather market knowledge of the country they want to enter. After gathering enough market knowledge and having a cautious evaluation, then they will have commitment decisions and enter to new markets. Afterward, enterprises will make next market commitment based on current activities in new markets. In the basic mechanism of internationalization, the state aspect and the change aspect can influence each other.²¹

¹⁹ Anderson, Erin, and Hubert Gatignon. "Modes of Foreign Entry: A Transaction Cost Analysis and Propositions." *Journal of international business studies* 17, no. 3 (1986): 1-26.

²⁰ Johanson, Jan, and Jan-Erik Vahlne. "The Uppsala Internationalization Process Model Revisited: From Liability of Foreignness to Liability of Outsidership." *Journal of international business studies* 40, no. 9 (2009): 1411-31.

²¹ Johanson, Jan, and Jan-Erik Vahlne. "The Internationalization Process of the Firm—a Model of Knowledge Development and Increasing Foreign Market Commitments." *Journal of international business studies* 8, no. 1 (1977): 23-32.

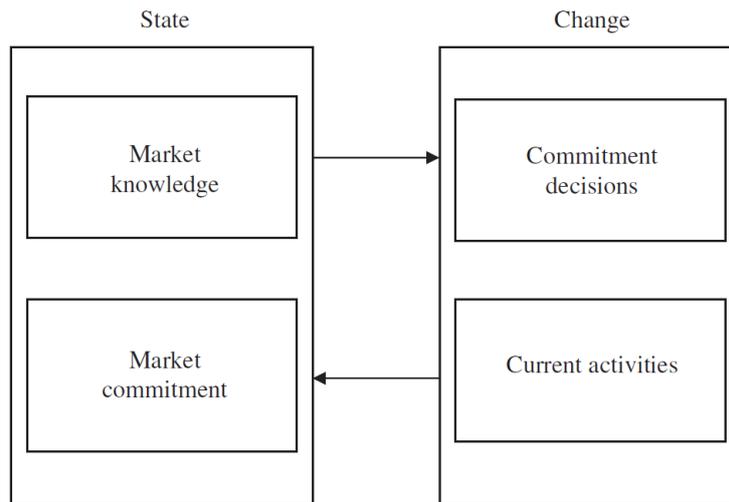


Figure 4. The Basic Mechanism of Internationalization: State and Change Aspect²²

Marketing

Market positioning is an important part of marketing strategies. Market positioning means that an enterprise gives costumers a unique and impressive brand image or identity based on what the target market cares about. At the beginning, corporations position their products. Then, a service, a brand, or a corporate was also positioned. Ries and Trout argued that positioning was not only for products or service but it was a marketing for corporations to build the specific image to customers.²³ Corporations notice those demand in the target market and try to make a link with their own products and brand images. The positioning is believed to constrain corporations. After corporations choose their position in the market, they will not only make their products emphasize the concept of the position but also need to use various marketing strategies to convey ideas to customers.²⁴

After developing a unique positioning concept by meeting the demand of target customers and comparing with competitors, enterprises need to find their core value. Core

²² Johanson, Jan, and Jan-Erik Vahlne. "The Internationalization Process of the Firm—a Model of Knowledge Development and Increasing Foreign Market Commitments." *Journal of international business studies* 8, no. 1 (1977): 23-32.

²³ Trout, Jack, and Al Ries. *Positioning: The Battle for Your Mind*. McGraw-Hill, 1986.

²⁴ Kalafatis, Stavros P, Markos H Tsogas, and Charles Blankson. "Positioning Strategies in Business Markets." *Journal of Business & Industrial Marketing* 15, no. 6 (2000): 416-37.

value is a principle or a concept that helps the internal organization conduct well and build a connection with customers and suppliers. Corporations can make people understand what they value mostly by conveying the core value. In the corporate internal organization, the brand internal identity, the vision, and goals are related to the core value. So, core value can help corporations gel the internal organization. Besides, corporations can build brand awareness and loyalty of customers if the core value resonate powerfully with them.²⁵ In order to convey the core value to customers, corporations need to plan the complete plan about marketing mix.

Different corporations are in different operating situations. Therefore, they need to seek the most profitable pattern of marketing for themselves. The marketing of a corporation is composed of various ingredients so the term of marketing mix was created. Neil H. Borden indicated the twelve elements of the marketing mix, including product, price, branding, and so on. He also regarded that the important forces for corporations' marketing were consumers, trade, competitors, and government. Corporations needed to fully understand these four forces and their behaviors if corporations wanted to have a successful marketing mix.²⁶

Afterwards, E. Jerome McCarthy reduced complex variables of marketing mix to four basic elements: Product, Price, Promotion, and Place. When talking about products in marketing, it means corporations need to provide right products to the target market. In addition, products do not only mean the physical goods but also service. It is important that products must meet the customer demand. Corporations also need to set up the right price for products. They need to set up the price after consider about the competition in the target market and the cost of production and marketing mix. Besides, they also need to estimate the

²⁵ Urde, Mats. "Core Value-Based Corporate Brand Building." *European Journal of marketing* 37, no. 7/8 (2003): 1017-40.

²⁶ Borden, Neil H. "The Concept of the Marketing Mix." *Journal of advertising research* 4, no. 2 (1964): 2-7.

possible price customers accept. Promotion aims to acquire new customers and retain current customers. It is a kind of communication between corporations and customers. The promotion includes personal selling, mass selling, and sales promotion. The last one, places, is said that corporations provide products to final consumers through diverse distribution channels.²⁷

Value Chain Activities

When corporations expand to the international market, corporations have to be aware of the performance in different countries. There are different issues or problems about the performance in different countries so corporations need to fix problems individually. They can learn experience from these performances and use those experiences to improve performance in the future. In value chain activities of internationalization, organization of value chain and control of internationalization are two sections need to pay attention for.

The value chain is a performance model that describes all the activities from concept to consumer that corporations need for products or service. Corporations reduce cost and make profits by subdividing or integrating the sections of value chains. According to the research of Michael Eugene Porter, the generic value chain is divided into primary activities and support activities. The primary activities are those what corporations do through the whole process from concept to consumer as well as after-sell service. The process from concept to consumer includes product design, delivery, and sale. When corporations perform each activity, they aim to reduce cost, meet the customer demand, and hence differentiation. Support activities are those who providing purchased inputs, technology, human resource to support primary activities.²⁸

²⁷ McCarthy, Edmund Jerome, Stanley J Shapiro, and William D Perreault. *Basic Marketing*. Irwin-Dorsey, 1979.

²⁸ Porter, Michael E. *Competitive Advantage of Nations: Creating and Sustaining Superior Performance*. Simon and Schuster, 2011.

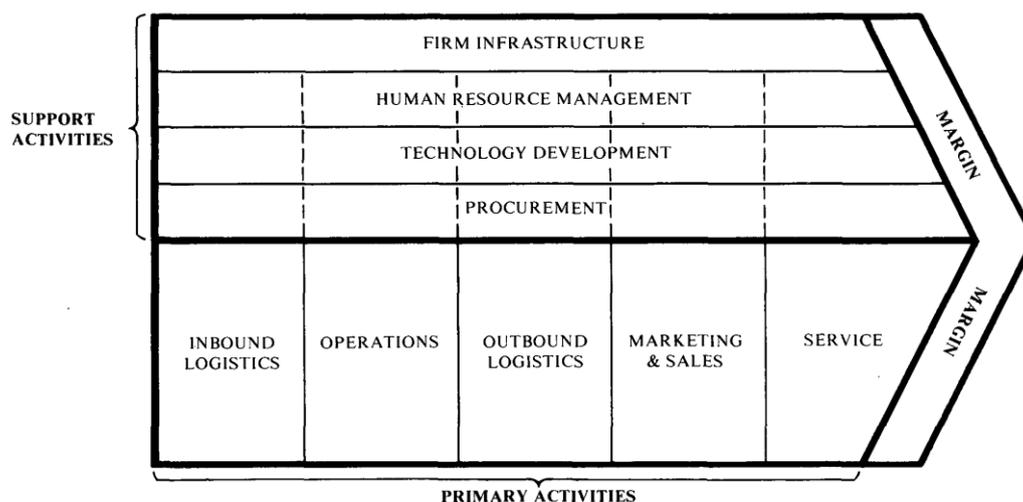


Figure 5. The Generic Value Chain²⁹

In the past, corporations focused on improving to efficient movement with firms in the industry. Most corporations purchased those activities like assembly, product design, and advertising from others directly. However, these days many of them aim to formulate a big organization with others through the whole value chain. Nowadays, more and more corporations formulate multi-firm network organizations to share knowledge and technology with their partners in the value chains. The multi-firm network organization is a new strategies choice and corporations become much stronger competitors in the market due to the cooperation with specialist providers in an integrated supply chain. Integrating the value chain does not only aim for the cost reduction but also for the improvement of capabilities for products, innovations, and knowledge sharing. So, corporations need to select partners carefully and build confident relationships with partners because there may be problems such as revealing knowledge by partners.³⁰ Therefore, corporations need to evaluate their own capabilities to decide whether they need to cooperate with others in value chains.

²⁹ Porter, Michael E. *Competitive Advantage of Nations: Creating and Sustaining Superior Performance*. Simon and Schuster, 2011.

³⁰ Miles, Raymond E, and Charles C Snow. "Organization Theory and Supply Chain Management: An Evolving Research Perspective." *Journal of operations management* 25, no. 2 (2007): 459-63.

METHODOLOGY

Research Design

This research is a multi-cases study of fast fashion clothing retailer brands. ZARA, H&M, UNIQLO, and Gap are chosen as the representative brands because they are highly profitable and most popular fast fashion clothing retailer brands and they also dominate their domestic markets and internationalize successfully. By analyzes internationalization strategies of four cases, the researcher generalizes their strategies and gives suggestions of internationalization strategies to domestic fast fashion clothing retailers. Although this research is a cases study, it is combined with interview, field survey, and content analysis. The major research method is content analysis, but using interview and field survey to collect primary data. Then, this can enrich the research. It is a qualitative research but includes a quantitative analysis to find the relationship between market selection and culture differences. Overall, the research design is complex but complete.

Sources of Data

The study population of this research are ZARA, H&M, UNIQLO, and Gap. These four international fast fashion retailer brands were founded during 1945 to 1975 and have been considered as representations for a long time. They have abundant history about internationalization and they have complete management and financial information.

The researcher collect data from official websites of ZARA, H&M, UNIQLO, and Gap, Nexis Uni database, United Daily News database, field survey, and interview with the H&M store manager.

Data Collection

Primary data is from interview and field survey. The interview with the H&M store manager can provide the data about operational strategies of stores. It was an hourlong face-to-face interview. Additionally, there are some observations from fast fashion clothing retailer shops through the field survey. The researcher conducted field survey at different stores of ZARA, H&M, UNIQLO, and Gap in Kaohsiung, Tainan, and Taipei. The researcher went to stores of ZARA, H&M, UNIQLO, and Gap twice a week from July 1st, 2019 to July 20th, 2019 to do field survey.

Secondary data includes corporate internal data and news. The corporate internal data includes annual reports, presentation of conferences, financial data, and corporate governance reports. This research gathers internal data of ZARA, H&M, and UNIQLO from 2001 to 2018. However, it gathers data of Gap from 2011 to 2018 due to the lack of internal information. This research also gathers news about interview with brands' managers and transcription of conference calls from Nexis Uni, the news database. In addition, this research also collects the Hofstede cultural insights of countries in order to find the relationship between cultural differences and market selection. The Hofstede cultural insights are collected from the website, <https://www.hofstede-insights.com/country-comparison/>.

Method

1. Content Analysis: Classify and analyze all the secondary data after gathering adequate data.
2. Face-to-face Interview: To acquire more information about brick-and-mortar stores. Face-to-face interview can ask the interviewee more detail or new questions immediately.
3. Transcription: Transcript the recording of interview after interview to ensure the transcription is correct.

4. Field Survey: Field survey is observing the environment of physical stores of ZARA, H&M, UNIQLO, and Gap. The researcher went to fast fashion clothing retailer shops twice a week from July 1st, 2019 to July 20th, 2019 to do field survey.
5. Quantitative Analysis: Based on the method of Uppsala entry theory, corporates will entry countries from those with similar cultures to those with different cultures. So, this research uses cluster analysis to prove that fast fashion clothing retailer brands will entry markets from similar to different.

Tools for Data Analysis

The tool for data analysis is SPSS. It helps the research prove the theory that ZARA, H&M, UNIQLO, and Gap entry international market from countries with similar cultures to those with different cultures.

Data Analysis

ZARA

Introduction

ZARA, a fast fashion clothing retailer brand of Inditex, was founded by Amancio Ortega in Spain in 1975. The brand positioning is the brand that can combine fashionable elements into products and shorten the product cycles to provide new products rapidly. ZARA is well-known for only 14-days lead time. This is also one of the factors that leads ZARA to succeed. Compared with annual closings of other fast fashion clothing retailer brands at the end of 2018, ZARA earned 180.21 billion euros (201.24 US dollars). It has 2131 physical stores in 96 countries over Europe, America, and Asia.

Amancio Ortega opened the very first ZARA store in A Coruña of Spain in 1975. ZARA then chose Portugal as the first overseas market and opened stores in Porto, the second large city of Portugal. Afterward, ZARA expand its market to different countries and became an international fast fashion clothing retailer brand. The clothing ZARA designs do not aim to create trend but aim to reproduce the clothing in the fashion show. ZARA gather the information about latest trades and add those elements in their products to provide customers most fashionable clothing. ZARA's target customers are higher-educated young generation. The main characteristics of those people are that they like similar songs and movies and they also have same views with trends despite different races. Due to the homogeneity of demand in the international market, ZARA provides standardized products and service. ZARA has a matured and outstanding operating system to make itself become the irreplaceable clothing retailer brands in the fast fashion industry.

Development

ZARA's brand development can be divided into three stages: being a domestic brand, expanding to overseas markets, and becoming a global brand. In the first stage of being a domestic brand, ZARA was opened as a clothing shop in A Coruña of Spain in 1975. ZARA then opened several stores in big cities in Spain and promote the brand awareness. After the successful expansion in Spain, ZARA has the headquarter and first garment factory in A Coruña. ZARA founded Inditex Group and established a logistics center respectively in 1984 and in 1985. The equipment set-ups were aim to handle amounts of orders and using those resources to respond to changes in the fast fashion market. These are the preparation for ZARA to expand to overseas markets.

In the second stage about enter foreign countries' markets, ZARA chose Portugal as the first foreign market to expand due to the similar culture and the short geographical distance. Then, ZARA chose to enter France and the United State as leading markets to gather the information of latest trends immediately. In the early stage of ZARA's internationalization, it focused on the European markets and widely established stores to build a strong brand image. After expanding European markets successfully, ZARA started to expand overseas markets about Americas, Middle-east, and Asia.

ZARA had expanded its market to many major cities. It had had stores in Europe, Americas, Middle-east, Asia, and African area. ZARA has become a global brand. In the stage of being a global brand, ZARA has a complete operating system to support itself as a world-top fast fashion clothing retailer brand.

Table 2. The Important Development of ZARA

1975	Opening the first store in A Coruña, Spain
1977	Having a headquarter and the first garment factory in A Coruña, Spain
1984	Investing in a most advanced logistics company in A Coruña, Spain
1985	Founding the Inditex Groups
1988	Opening the first overseas shop in Porto, the second largest city in Portugal
1989	Entering the United States by opening stores in New York
1990	Opening stores in Paris, France
1992-	Widely expanding European markets
1997	
1998	Starting to expand markets in Americas, Asia, and Africa region
2002	Establishing new distribution center in Zaragoza, Spain
2007	Establishing new distribution center in Madrid and Lyon
2009	Establishing an advanced logistics center in Barcelona
2014	Establishing a logistics platform and a technology center in Cabanillas

The evaluation for internationalization

The motivation for ZARA to internationalization

There must be motivations and cautious evaluations before ZARA decides to internationalization. ZARA established stores in Portugal in 1988 as the first step of internationalization. It has expanded to different countries for decades since 1988 and becomes a global fast fashion clothing retailer brand today. The research discusses the drivers and internal factors for ZARA to internationalize.

External environment

Jose Maria Castellano mentioned that the major factor led ZARA to internationalize was market saturation of Spain in the interview. When ZARA's first store was opened, the fashion clothing market had approached to saturation. So, Amancio Ortega, the founder of ZARA, decided to expand the international market at the beginning. The limit to growth of Spanish fashion clothing industry market is the major factor for ZARA to expand to the international market. In addition, the demand homogeneity of the global market was one of

market drivers for ZARA to internationalize. Because the rise of globalization, the consumers demand became homogenous. ZARA could sell same products to different countries and then it could develop standardized products and mass production. Finally, joining the European Union of Spain was one of market drivers to internationalize. Some trade policies of European countries became similar so ZARA could expand to other European countries without barriers.

There were technological drivers and cost drivers of internationalization. ZARA chose to expand to Portugal, France, and the United States as the first steps of internationalization process. ZARA established garment factories in Portugal due to the cheap labor-cost. Additionally, Paris of France and New York of the United States were the two major places to have fashion show. Consequently, ZARA could gather information about latest trends from New York and Paris immediately.

Internal Factors

When the first ZARA store opened, Amancio Ortega, the founder of ZARA, had noticed the saturation of the fashion clothing market so he saw the internationalization is what ZARA must do. Besides, Amancio Ortega, stated that internationalization is necessary because brand internationalization and market expansion can enrich the corporate culture and vision in the 1998 annual report.

The Evaluation for Internationalization and the Market Entry Timing

Internal Analysis

SPA (Specialty Retailer of Private Label Apparel)

SPA is a unique business model of fast fashion clothing retailer brands. It is mainly to integrate their value chains efficient by establishing complete information collection systems, logistics distribution systems, and warehouse management systems. The SPA business model

of ZARA adopts those of Gap and Uniqlo but reduces disadvantages to makes its SPA business model more efficient.

The Extremely Lead Time

It is the major competitive advantage for ZARA that it can accomplish design, manufacturing, and delivery of products in only 14 days. It has 250 clothing designers to provide more than 40,000 design sketches for its own garment factories nearby the headquarter. After manufacturing, clothing will be sent to the logistics center 24 hours a day by underground pipelines connecting garment factories and the logistics center and then clothing will be packaged. In order to deliver products to stores around the world as soon as possible, all products will be delivered by the logistics center of ZARA's headquarter. ZARA formulate the rule that products need to be sent to stores in Europe and Americas in 24 hours and they also need to be sent to stores in other areas in 48 hours. Because ZARA require every section to be high-speed and standardized, it can shorten the lead time in 14 days as its major competitive advantage.

Unique Marketing and Promotion

ZARA does not spend much money on marketing or promotion. In the interview, ZARS's executive president, Jesus Echevarria, mentioned that ZARA transfers its expenditure from marketing to renting prime locations and decorating storefronts. It is also said that the marketing expenditure of ZARA is only 0.3 per cent of the revenue per year. What's more, Amancio Ortega, the founder of ZARA, believes that stores are the most directly way to communicate with customers. As a result, physical stores are not only approaching for customers purchasing products and giving feedback but also important channels for ZARA to send messages of brand awareness to customers. Through the field survey, it is obvious that all the details such as light, decoration, and window display are similar. The design of window displays is made by the headquarter. All the sizes od show

windows are the same and seasonal topics and samples are sent by the headquarter to ensure the standardization of every show windows. So, ZARA can convey the consistent brand information to customers.

External Analysis

Due the improvement of technology and faster information flow, the demand of global customers becomes homogenous. ZARA can meet the demand of core customer easily and provide standardized products to every market in different countries because of the homogeneity of global customers. What's more, it also increases the feasibility of internationalization that ZARA's homeland, Spain joined the European Union in 1986. This built the connection between the economy and industry of Spain and other European countries. It can help ZARA expand to other European countries.

Market Entry

Market Entry Strategies

ZARA adopts similar strategies in most of time when it expands to different countries. ZARA expands its markets rapidly. Besides, ZARA opened first Portugal store in Porto which is the second largest city of Portugal and expanded to the United States by established a store on the Fifth Avenue in New York City. According to the first stores ZARA opened in different countries, it is obvious that stores are in the prime locations of countries' main cities. Because ZARA can build brand awareness strongly and rapidly when its first stores stand in prime locations, it opened stores in big cities and regard prime locations as a necessary factor of opening first stores. After the first stores in major cities are successful, ZARA will open stores rapidly to other cities of those countries.

ZARA separates its international market by countries. It expands to different countries every year since 1988 and it has expanded to 96 countries in the end of 2018. According to

the annual reports, ZARA expanded to Portugal for the cheaper labor and expanded to the United States and France which were lead markets in fashion industry to gather latest fashion information promptly. As a result, technology drivers led ZARA expanded to countries in the early time. Afterwards, ZARA focused on expanding European countries and then expanded to Middle East, Asia, Africa, and Oceania respectively.

In the Financial Data of 2018, ZARA has opened 2131 stores. There are 1881 company-owned stores and 250 franchising stores. The ratio of company-owned stores is 88%. This shows that ZARA's entry mode is prefer to company-owned stores to control operations.

Table 3. All Countries ZARA Has Expanded to till 2018

Europe	Spain (1975), Portugal (1988), France (1990), Greece (1993), Belgium (1994), Malta (1995), Cyprus (1996), the United Kingdom (1998), Turkey (1998), Netherland (1999), Germany (1999), Poland (1999), Andorra (2000), Austria (2000), Austria (2000), Demark (2000), Luxembourg (2001), Iceland(2001), Ireland (2001), Italy(2001), Czech Republic (2001), Finland (2002), Switzerland (2002), Slovenia (2002), Sweden (2003), Estonia (2004), Latvia (2004), Romania (2004), Hungary (2004), Lithuania (2004), Monaco (2005), Serbia (2006), Norway (2006), Slovakia (2007), Croatia (2007), Montenegro (2007), Ukraine (2008), Bulgaria (2010), Macedonia (2012), Georgia (2012), Bosnia (2012), Armenia (2012), Albania (2013), Belarus (2017)
North Americas	The United States (1989), Canada (1999)
South Americas	Mexico (1992), Argentina (1998), Venezuela (1998), Brazil (1999), Chile (1999), Uruguay (1999), Dominican Republic (2002), El Salvador (2002), Panama (2004), Puerto Rico (2005), Costa Rica (2005), Guatemala (2007), Honduras (2008), Peru (2011), Ecuador (2012), Aruba (2016), Nicaragua (2016), Paraguay (2016)
Middle East	Israel (1997), the United Arab Emirates (1998), Kuwait (1998), Lebanon (1998), Saudi Arabia (1999), Bahrain (1999), Qatar (2000), Jordan (2001), Oman (2007), Syria (2009), Azerbaijan (2011)
Asia	Japan (1998), Singapore (2002), Russia (2003), Malaysia (2003), Hong Kong (2004), Indonesia (2005), the Philippines (2005), China (2006), Thailand (2006), South Korea (2008), Macao (2009), Kazakhstan

	(2010), India (2010), Taiwan (2011), Vietnam (2016)
Africa	Morocco (2004), Tunisia (2006), Egypt (2009), South Africa (2011), Algeria (2015)
Oceania	Australia (2011), New Zealand (2016)

It is obvious that ZARA focuses on expanding the European markets through decades. ZARA expanded from nearby regions so that it expanded to Americas, Middle East, Asia, Africa, and Oceania respectively. The following is the analysis of market entry strategies to different regions.

Europe

Compared to other fast fashion clothing retailer brands from other areas such as Gap and UNIQLO, ZARA has a considerable competitive advantage that ZARA is a European brand. Because of ZARA's geographical position and the homeland's participation to the European Union, the lack of trades or the gap of cultures can be reduced and ZARA can do business in European countries easily. So, ZARA chose Portugal as the first foreign country and ZARA mainly expanded the European countries in the early time of its internationalization. The strategy of expanding to Portugal aimed to establish garment factories aims for cheap labor. This can make customers consider its products are luxurious and high-quality. Besides, the strategy of expanding to France aimed for the knowledge of latest trends. While ZARA expanded to these countries, it did not only want to increase its global market share but also pursue the location economies.

Americas

Zara opened first American store in New York in 1989. The managers regarded that the New York City was the lead country in fashion industry and ZARA could gather information about latest trends in fashion show promptly. So, ZARA expanded to the United States after expanding European countries. Its purpose was to build brand awareness and reputation in the lead country.

However, ZARA could not open its stores rapidly to extend to everywhere in the Americas because of the huge geographical area. As a result, ZARA provide the online sale to make up for this disadvantage.

Asia and the rest of areas

After expanding to other European countries and American countries, ZARA expanded to middle east in 1997. According to researches, per capita consumption expenditure of Israel and the United Arab Emirates were high and the average age of people in Saudi Arabia are quite young so there were many potential customers in the middle east market. However, the culture of middle east is extremely different from the culture of ZARA's homeland and there were many countries had conflicts in the middle east. These increased the risk for ZARA to expand to the middle east so it expanded through franchising or joint venture. Apart from the low-risk entry modes, ZARA just opened one or two stores per year at a slow speed.

ZARA expanded to Japan in 1998 as the first step for expansion of Asia. ZARA opened more than 90 stores in Asia per year and it also opened many flagship stores in major shopping locations in China, Japan and other Asia countries. It is obvious that Asia region is a quit important market for ZARA. Asia market has numerous potential customers especially in China. China has high population density and the number of middle class in China is rising. So, the rise of purchasing power in China can increase ZARA's revenue and the feasibility of large-scale production. So, ZARA move some of assemble lines to China. This cannot only respond the demand of Asian customers but also increase the brand awareness by publicizing that some assemble lines are in China.

While ZARA expanded to India, it adopted totally different strategies. The risk of expanding to India was high. India government made a lot of policies to restrict foreign corporations enter its market. The government also requested foreign corporations to enter into joint venture with local corporations. As a result, ZARA expanded to India by having a

joint venture agreement with the local India corporation, Trent Limited. ZARA and Trent Limited owned 51% of shares and 49% of shares respectively. They can share technologies and information so ZARA can grasp information and trend in the India market. Besides, the customers in India preferred to their traditional clothing which was very different from ZARA's products. Indian customers also preferred to bright-color clothing while most of ZARA's productions are black, white, and Khaki. So, ZARA changed its strategies in the India market. It designed some bright-color clothing. Moreover, ZARA used printed advertisements and commercial messages to promote its brand and products. ZARA also worked on new promotional strategy that offering discounts twice a week to increase the purchase intention of Indian customers.

Due to factors of geographic locations, climates, and cultures, it is difficult for ZARA to expand to markets of Asia and the rest of countries. The market entry strategies Asia countries are similar to the original ones while ZARA changed market entry strategies for expanding to India, Middle East, and the Africa.

The culture variation is also a factor that ZARA considers when it decides the order of countries it is going to expand. The research analyzes whether the culture variation influences the decision of the order for ZARA to expand to. The research gathers the Hofstede's cultural insights to analyze by Cluster analysis.

Table 4. ANOVA Analysis Chart

	F-Test	P Value
Power Distance	52.087	.000***
Individualism	56.661	.000***
Masculinity	22.820	.000***
Uncertainty Avoidance	37.648	.000***

N=78, * p<0.5, ** p<0.01, *** p<0.001

Table 5. Final Centroids of Each Cluster

	Cluster1	Cluster2	Cluster3	Cluster4	Cluster5	Cluster6	Cluster7
Power	34	89	33	90	76	53	64
Distance							
Individualism	67	23	75	36	25	60	26
Masculinity	15	49	65	77	54	59	39
Uncertainty Avoidance	50	80	51	54	35	83	84

Table 6. The Outcome of Clustering

Number	Country	Cluster	Number	Country	Cluster
1	Spain	6	40	Slovenia	7
2	Portugal	7	41	Sweden	1
3	United States	3	42	Russia	2
4	France	6	43	Malaysia	5
5	Mexico	2	44	Morocco	6
6	Greece	7	45	Hong Kong	5
7	Belgium	6	46	Estonia	1
8	Malta	6	47	Latvia	1
9	Israel	6	48	Romania	2
10	United Kingdom	3	49	Hungary	6
11	Turkey	7	50	Lithuania	1
12	United Arab Emirates	2	51	Panama	2
13	Kuwait	2	52	Indonesia	5
14	Lebanon	4	53	The Philippines	4
15	Japan	6	54	Puerto Rico	5
16	Argentina	6	55	Costa Rica	7
17	Venezuela	2	56	Serbia	2
18	Netherlands	1	57	China	5
19	Germany	3	58	Norway	1
20	Poland	6	59	Thailand	7
21	Saudi Arabia	2	60	Guatemala	2
22	Canada	3	61	Slovakia	4
23	Brazil	7	62	Croatia	7
24	Chile	7	63	Ukraine	2
25	Uruguay	7	64	South Korea	7
26	Austria	3	65	Honduras	5

27	Demark	1	66	Macao	5
28	Qatar	2	67	Egypt	7
29	Luxembourg	6	68	Syria	2
30	Iceland	1	69	India	5
31	Ireland	3	70	Bulgaria	7
32	Italy	6	71	Australia	3
33	Czech Republic	6	72	Taiwan	7
34	Jordan	7	73	Peru	7
35	Finland	1	74	South Africa	3
36	Switzerland	3	75	Ecuador	2
37	Dominican Republic	5	76	Albania	4
38	El Salvador	7	77	New Zealand	3
39	Singapore	5	78	Vietnam	5

In the Cluster analysis, all countries ZARA has expanded to are divided into seven clusters. The outcome is that ZARA's homeland, Spain is in the sixth cluster. The sum of score's distance between other clusters and the sixth cluster can represent the cultural distance between the sixth cluster and other clusters. So, the sum of score's distance of first cluster, second cluster, third cluster, fourth cluster, fifth cluster, and seventh cluster to the six cluster is 133, 83, 73, 108, 111, and 66 respectively. So, the order of cultural distance between other clusters and the sixth cluster from short to long is seventh cluster, third cluster, second cluster, fourth cluster, fifth cluster, and first cluster. In the outcome of clustering, the order of clusters ZARA expanded to is as same as the order of cultural distance between other clusters and sixth cluster from short to long. As a result, it can be proved that the cultural distance influences the countries ZARA chooses to expand to. ZARA expanded to countries with similar cultures and then expanded to countries that have high cultural distance with Spain.

Marketing

Market Position and Brand Value

ZARA's market position is a fast fashion clothing retailer brand. It mainly provides high-quality but medium-price products with fashion elements of boutiques. It can meet the demand that customers want to follow the latest fashion trends but they do not want to spend too much money. The core value of ZARA is that integrating sectors about design, manufacturing, delivery, and marketing not only to make information flow through every sector rapid but also shorten the lead time to 14 days. As a result, ZARA can provide customers new products every week and keep pace with latest fashion trends of every season. This makes ZARA build a strong awareness as a fast fashion clothing retailer brand in customers' mind.

Since there are new products every week and old products will be replaced rapidly, ZARA does not need to manufacture massively or produce the same product twice. Through the field observation, it can clearly be seen that each product will be replaced by a new one in a few weeks. This can make customers have a concept that they need to purchase clothing they like immediately or they cannot find the same products next time. It is obvious that ZARA uses hunger marketing as its strategy to let customers desire strongly for limited-stock products.

Product

ZARA primarily provides products by responding to customer demand rapidly and reproducing clothing from fashion shows. Because ZARA's products need to be added with the latest fashionable elements from fashion shows, its designers attend to fashion shows in Paris or observe celebrities' wearing from magazines, TV programs, and Oscar award ceremonies to seek inspiration. What's more, ZARA has POS systems in every store and gives store managers PDA to make information about orders, thoughts about products, and customer

demand be sent promptly to the headquarter. ZARA gather information from various aspects to ensure its products combine with fashionable elements and responses to customer demand.

ZARA makes its lead time of products become 14 days that other fast fashion clothing retailer brands cannot achieve. Since the lead time is short, ZARA can provide new products for customers every week. In the field survey, the researcher founded that there is no regular time for stores to release new products. They must release new products every week but there may be some new products are released day by day. So, ZARA always provide new products for customers. This strategy makes customers go to ZARA at least once a week to seek for new products.

ZARA's brand position is very clear for the differentiation strategy which focuses on the middle-class young consumers following the latest fashion. As a result, ZARA always provides reproduce clothing from fashion shows with a lot of fashionable elements. Most of ZARA's clothing is black, white, and khaki. Besides, ZARA regards that every customer pursuing latest fashion trends in the global market has the same demand for clothing so it adopts global integration strategy on products to provide same products globally.

Price

One of the important messages ZARA want to convey to customers is that they can purchase the latest trendy products at an affordable price in ZARA's stores. ZARA adopts value-based pricing. It prices products based on the perspective about the value of its products and service from customers. the value-based pricing is opposite to the cost-based pricing that most corporations adopt. In order to work on the value-based pricing, ZARA needs to adjust the cost of its supply chain after fixing the prices.

Place

The channels of ZARA are physical stores and the online store. At the end of 2018, ZARA has 2131 physical stores in the global market. There are 1881 company-owned stores

and 250 franchising stores and the ratio of the company-owned stores is 88%. Besides, ZARA opens its stores at prime locations in every country. Its stores are also adjacent to luxury brands such as GUCCI and Louis Vuitton. ZARA wants to express the brand image of high quality and the concept that products combine with fashionable elements from luxury brands by site selection.

ZARA needs some characteristics in physical stores to attract customers' attention. The key point for ZARA designs window display is having a strong sense of fashion to make customers understand the fashion trend of that season while they see the window display. Moreover, the display of products is to divide them into different styles so that ZARA can convey the ideas and suggestions of outfits directly.

Apart from the physical stores, ZARA also has the online store as its virtual channel. ZARA provides online shopping for customers in 46 countries. Due to the vast territories of China, the United States, and some countries, ZARA cannot open stores rapidly to all the cities. So, ZARA provide online shopping to those customers who cannot go to physical stores. ZARA uses physical stores and the online store to complement each other and increase its revenue.

Promotion

ZARA's marketing strategy is concentrated global marketing. It focuses on the target market by focusing on understanding demands and satisfaction of target customers and then to find the best methods for marketing. The target customers of ZARA are high-educated young customers who all have the same view about fashion. So, ZARA can adopt standardized marketing strategies in different countries since customer demand in different countries are similar. ZARA adopts product extension-communication extension strategy. It provides same products, same service, and same promotion to all customers in global market.

This strategy is the easiest and cheapest one. It can reduce cost and develop the economies of scale at the same time.

Unlike other fast fashion clothing retailer brands cost about 5% revenue every year for advertisement, ZARA controls the cost under 0.3% of revenue. It never hires spokespersons or hold promoting events for marketing. ZARA promotes the brand image and builds brand awareness with its physical stores. According to the interviews, CEOs of ZARA in different periods of time all agree that site selection of stores are much more important than advertisements because physical stores are the most directly way to communicate with customers. It opens stores next to stores of luxury brands at the prime locations. ZARA also promote the brand image of profession and fashion by display its products in different styles. As a result, the major promotion of ZARA is via physical stores.

Value Chain Activities

The Organization of Value Chains

The unique specialty retailer of private label apparel, known as SPA system was created by the other fast fashion clothing retailer brand, Gap. Afterwards, ZARA intensifies the SPA system from Gap and more integrates its value chain. The SPA system of ZARA can circulate information more rapidly and response the latest fashion trends more promptly.

The ZARA's organization of the value chain can be divided into four parts: designing, manufacturing, delivering, and selling. Jesus Echevarria, the executive president of ZARA mentioned that they do not consider how high the cost is but how many profits they can earn. This shows that ZARA focuses on providing clothing meeting latest fashion trends and customer demands in time which aims to make customers be more willing to purchasing ZARA's products. In order to provide new products to customers promptly, ZARA has its own research and development centers, suppliers of apparel fabrics, garment factories, and

stores. ZARA seldom signs low-cost outsourcing with others while it has its own operating system around the headquarter. The strategy of making the value chain be adjacent to the headquarter is appropriate for ZARA's demand of high speed.

ZARA's headquarter and R&D center (research and development center) are in Corunna in Spain. There are more than 250 designers per year in ZARA to develop about 40,000 new products every week. In the section of designing new products, ZARA aims to design products for all customers in the global market. The founder of ZARA, Amancio Ortega, noticed the homogeneity of global customer demands and he positioned ZARA as a fast fashion clothing retailer brand for global customers at 15-35 years old, so he decided to develop standardized products that can sell to different countries. ZARA adopts the strategies of global integration on researching and developing products.

Most of garment factories were established in Spain, Portugal, and Morocco where are all nearby Spain. ZARA established 20 highly automatic dyeing factories to deal with fabrics. Then, ZARA outsources the labor intensive sewing to other tailoring factories nearby the headquarter. In order to deliver clothing from factories to the headquarter for packaging, ZARA established 24-hour intelligent transport system between them. Afterwards, ZARA moved some assembly lines to China when it expanded to China in 2006. This cannot only help ZARA quickly response the changing of Asian customer needs but also build brand awareness in Chinese market. In the 2018 annual report, it shows that 51% assembly lines of ZARA still locate nearby the headquarter and 49% assembly lines are in China and India. In the past, ZARA manufactured all products nearby the headquarter to integrate its manufacturing globally. However, it has moved its assembly lines partly to China and India due to the pressure of local responsiveness. ZARA needs to deliver its products to different countries as soon as possible to ensure its products keep up with the latest fashion trends. So,

ZARA can deliver products and response demands of Asian customers faster while it manufactures some products in India and China.

In the section of logistics, ZARA established its own logistics centers and delivery centers while delivering is outsourcing. ZARA owned two advanced logistics centers in Corunna and Barcelona of Spain and delivery centers in Zaragoza, Madrid, and Lyon of Spain so that it can deliver products to stores efficiency. Besides, ZARA established warehouses in Brazil, Argentina, and Mexico in order to store products due to the opposite climate of southern hemisphere. ZARA has higher pressure of local responsiveness on logistics since customer demands of northern hemisphere and southern hemisphere are totally opposite. So, ZARA established delivery centers not only in Spain but also in Brazil, Argentina, and Mexico to face the pressure of local responsiveness.

ZARA develops physical stores and online shopping platform to provide products to customers globally. ZARA's managers all stated that physical stores do not only sell products and express brand images but also be the most direct approach for customers to give feedbacks and they aim to build standardized images through physical stores. Through the field survey, it is obvious that ZARA's stores are located at prime locations and are adjacent to luxury brands' stores. This can make customers associate ZARA with fashion and high quality. What's more, ZARA uses window display to attract people and promote its concept of fashion and advice of dressing up. ZARA designs the standardized size of windows, standardized clothing to display, and standardized designs of window display for all stores in the headquarter to ensure it can convey the same concept to customers. In order to build standardized brand images globally, ZARA globally integrate physical stores and online shopping platform to make them standardized.

Control of Internationalization

ZARA sets rules for board of directors and employees to follow. ZARA also has audit and control committee hold conferences to analyze the financial statement and risk assessment annually. In conferences, managers of every sector need to submit evaluation reports of finance, the validity of internal control, and risks. ZARA sets up the audit and control committee to supervise the operation and to improve the effectiveness. The committee also analyze the financial statement to lower operational risks.

H&M

Introduction

Hennes & Mauritz (H&M) is a fast fashion clothing retailer brands founded in Sweden in 1974. At the beginning, the founder, Erling Persson opened the first Hennes female clothing store in Vasteras of Sweden. H&M then acquired Mauritz Widfross, a Swedish hunting and fishing store, in 1968 and was renamed Hennes & Mauritz. Afterwards, H&M became a fast fashion clothing retailer brands providing products for males, females, and kids.

In the end of 2018, H&M has expanded to 71 countries and established 4433 physical stores. H&M provides customers inexpensive fashionable products. H&M provides new products of various styles every week in order to attract customers purchase clothing of latest fashion trends constantly. H&M reproduce clothing of fashion shows instead of creating fashion trends. It does not target its customers strictly but most customers are who are interested in fashion and their ages are 15 to 35 years old. The styles and colors of its products are simpler than some fast fashion clothing retailer brands. This aims to make customers can pursue fashion but have their own styles at the same time.

Development

The development of H&M can be divided into three stages: being a domestic brand, expanding to overseas markets, and becoming a global brand. Erling Persson, the founder of H&M opened the first female clothing shop called Hennes in Vasteras of Sweden in 1947 and then opened another two shops in Stockholm, the capital of Sweden, in 1952 and 1954. Hennes placed advertisement in the newspaper to build brand awareness in Sweden so that its revenue increased and opened numerous stores. In the stage of being a domestic brand, Hennes expanded rapidly in Sweden and it also built strong brand awareness in customers' minds. Due to the big success, Hennes expanded to two nearby countries, Norway and Denmark, in 1964 and 1967 respectively. So, Hennes moved into the next stage of expanding to the international market and began to expand to about three European countries per year. In 1968, Hennes acquired Mauritz Widforss, the hunting and fishing shop, to gain the technology of developing clothing for males and kids and renamed the brand as Hennes & Mauritz (H&M). Erling Persson handed over Hennes to his son, Stefan Persson. As a result, H&M can meet demands of younger generations and develop products more closely to fashion trends. Then, H&M expanded to the Americas by opening the first store in the New York city in the United States in 2000 and opened the first store in Hong Kong to expand to Asian market in 2007. H&M then became a global brand by expanding to many countries around the world. These days, H&M still opens physical stores globally and contributes to transform to a sustainability fashion brand.

Table 7. The Important Development of H&M

1947	Erling Persson opened the first Hennes female clothing shop in Vasteras
1952, 1954	Opening two stores in Stockholm, the capital of Sweden
1964	Expanding to Norway as the first foreign market
1968	Acquiring Mauritz Widforss, a hunting and fishing store, to develop male and kids' products and renaming to Hennes & Mauritz (H&M)
1982	Erling Persson handed out H&M to his son, Stefan Persson
1969- 1999	Expanding actively to other European countries
2000	Expanding to the Americas by opening the first American flagship store on the Fifth Avenue
2007	Expanding to Asia countries by opening stores in Hong Kong at the first

The Evaluation for Internationalization

The Motivation for H&M to Internationalize

H&M opened the first foreign store in Norway as the first step of internationalization. at that time, H&M was still a female clothing brand. After acquiring Mauritz Widforss and rename as H&M, it expanded to other countries rapidly. This part is the analysis the external environment and Internal factors that influence H&M to internationalize.

External Environment

Market drivers are hug motivation for internationalization. Erling Persson, the founder of H&M, opened the first Hennes female clothing store in Sweden. Opening more and more stores in Sweden and build high brand awareness made the market in Sweden became saturated so H&M needed to expand to other markets to increase its revenue. Because of the market saturation, H&M must internationalize.

In addition, there are competitive drivers and cost drivers impacted on the decision of internationalization. H&M regarded budget product prices is a competitive advantage. So, in order to reduce cost as much as possible, H&M needed to outsource its manufacturing to garment factories in countries with cheapest labor force because it did not have own garment

factory. Because H&M needed to move its assembly lines to other countries, it must internationalize to reduce cost and to gain the competitive advantage.

Internal Factors

Erling Persson did not plan to internationalize at the beginning when he founded Hennes in 1947. He considered it is important to operate stores steadily. He once mentioned that everything needs cautious evaluations and long-term plans instead of just caring about short-term outcomes about revenues. So, it took a long time for Erling Persson to determine to internationalize. Because of the decision made by Erling Persson and the cautious evaluation of feasibility of internationalization, H&M expanded to nearby countries.

The Evaluation for Internationalization and the Market Entry Timing

Internal Analysis

Low Total Product Cost

H&M makes a great effort to control and adjust every section in the value chain in order to reduce the total product cost. H&M outsources its manufacturing to other garment factories in countries with cheapest labor force. H&M gives up some sections in the value chain. In order to reduce cost. For example, it communicates with garment factories directly without intermediaries and it also sells products in its own stores instead of selling products by agents. Most of decisions H&M made are based on the cost reduction so it becomes the fast fashion clothing retailer brand which providing products with low price.

SPA (Specialty Retailer of Private Label Apparel)

H&M improves the functions of SPA systems from Gap and UNIQLO. H&M integrates the whole value chain from designing to selling and applies a flat organization to make operation efficient. H&M does not only integrate the value chain but also the internal organization by the SPA system to reduce cost and improve the efficiency at the same time.

Focusing on Marketing and Building the Brand Image

One of the most important strategies for H&M is marketing to build brand images and awareness. H&M spends about 4% of revenues for marketing. Before the internationalization, H&M had published big and colorful advertisements on newspapers which customers read every day at that time. This attracted people's attention and promoted H&M's brand images successfully. Besides, H&M also collaborates with famous designers to develop new products frequently to cause great sensations.

External Analysis

Due to the improvement of technology and transportation, it is much easier to sell products to foreign countries than before. In addition, the customer demand is more and more homogeneous in the global market due to the rapid information flow. So, no matter which country H&M expands to, it can provide same products to customers in different countries due to the homogeneity of customer demand.

H&M had built brand awareness and had opened numerous stores in its homeland, Sweden. The market is saturated so that H&M must need to expand to other markets in order to increase its revenue.

Market Entry

Market Entry Strategies

At the beginning, H&M was a female clothing shop called Hennes and it only expanded to nearby countries, Norway and Denmark, before it acquired Mauritz Widforss and be renamed as Hennes and Mauritz (H&M). After the acquisition, H&M develops male and kids' products and expands to foreign countries actively. In the end of 2018, H&M has expanded to 71 countries and owns 4433 physical stores globally.

H&M does not expand to other countries by mergers and acquisitions to gain technology or knowledge about local markets. H&M regards that develop internationalization by itself can control all the details about administration and finance. As a result, H&M never adopts strategies of mergers, acquisitions, and joint ventures.

H&M aims to make all-out effort to help every store achieve sales targets and increase sale volume. Meanwhile, H&M also make a great effort to opened new stores about 15% of stores that was already opened in order to expand its market rapidly. While expanding to new countries, H&M also opens new stores in countries that it had already expanded.

Table 8. All Countries H&M Expanded to till 2018

Europe	Sweden (1947), Norway (1969), Demark (1970s), the United Kingdom(1970s), Switzerland (1970s), Germany (1980s), Netherland (1980s), France (1980s), Belgium (1990s), Austria (1990s), Luxembourg (1990s), Finland(1990s), Spain (2000), Poland (2003), Czech Republic (2003), Portugal (2003), Italy (2004), Slovenia (2004), Hungary (2005), Ireland (2005), Greece (2007), Slovakia (2007), Iceland (2007), Oman (2008), Turkey (2010), Romania (2011), Croatia (2011), Bulgaria (2012), Latvia (2012), Serbia (2013), Estonia (2013), Lithuania (2013), Cyprus (2016), Georgia (2017), Ukraine (2018)
North America	the United States (2000), Canada (2004), Mexico (2012)
Middle East	the United Arab Emirates (2006), Kuwait (2006), Qatar (2007), Saudi Arabia (2008), Bahrain (2008), Lebanon (2009), Israel (2010), Jordan (2011), Bahrain (2015)
Asia	China (2007), Japan (2008), Russia (2009), South Korea (2010), Singapore (2011), Malaysia (2012), Indonesia (2013), the Philippines (2014), Hong Kong (2015), India (2015), Taiwan (2015), Macao (2015), Vietnam (2017), Kazakhstan (2017)
South America	Egypt (2008), Morocco (2011), Chile (2013), Peru (2015), Puerto Rico (2016), Colombia (2017), Uruguay (2018)
Oceania	Australia (2014), New Zealand (2016)
Africa	South Africa (2015), Egypt (2018)

H&M's market selection is influenced by the geographic location. H&M expanded to European countries first and it expanded to the north Americas later. Then, it expanded to Middle East, Asia, south America, Oceania, and Africa.

Europe

In other European countries, H&M maintains the same strategies which it used when it opens stores in Sweden. It opens company-owned stores in the European countries. H&M chose Norway as the first foreign country to expand because H&M can easily control the local market and the physical stores in nearby countries. When H&M expands to new countries, it will open the first store there in the major city where it can build brand awareness easily. H&M focuses on marketing so it will have a grand opening ceremony of the first store when it expands to new countries in order to draw the public's attention.

Americas

While expanding to the Americas, H&M opened the first American store on the Fifth Avenue in the New York city of the United States. The Fifth Avenue is the prime location of New York City where opens a lots of luxury brand stores. It can build brand awareness rapidly while opening stores in prime locations. It can also build brand images about fashion into Americans' minds due to its stores are adjacent to luxurious fashion brand stores. H&M also opens company-owned stores in the Americas as what it does in the Europe. H&M hired a lot of employees as the preparation to open numerous stores at the beginning of expanding to the United States. In order to training employees quickly, H&M leads some European employees to the United States to guide the new employee orientation. This helped H&M ensured that American employees would follow the standardized process.

Middle East

After expanding to the Americas, H&M expanded to the Middle East in Kuwait in 2006. In the end of 2018, H&M has expanded to 8 countries of the Middle East, including Kuwait,

Qatar, Saudi Arabia, Bahrain, Oman, Lebanon, Israel, and Bahrain. While expanding the market of Middle East, it adopts different entry modes from what they chose to expand to Europe and Americas. Because countries of the Middle East are considered as high-risk markets, H&M expands to countries in the Middle East by opening franchising stores for risk spreading.

Asia

H&M opened stores in Hong Kong and Shanghai in 2007 as the beginning of expanding to the Asia market. While the first Asian store opened in Hong Kong, newspaper reported that it took Hong Kong by storm and people lined up for 48 hours to get into H&M's store. This built great brand awareness of H&M in some Asian countries. What's more, H&M develop new products with famous designers or corporations frequently so that customers are interested in H&M constantly. For instance, it cooperated with McDonald in spring in 2007 and developed new products with Italian legendary designer, Roberto Cavalli, in autumn in 2007. Except for Indonesia, H&M expands to Asia countries by company-owned stores. In the interview, Karl Johan Persson, managing director and the chief executives of H&M, said "Indonesia is a super-interesting market with over 250 million people and a growing economy but it takes time to be slotted in the total expansion plan and also to find the right location." In order to solve market entry problems and spread risks, H&M chose Hindo as a local partner to open franchising stores.

H&M also considers about the culture differences between its homeland and host countries when it chooses countries to expand to. The research observes that culture variation influences the decision of H&M by Cluster Analysis of Hofstede's cultural insights.

Table 9. ANOVA Analysis Chart

	F-Test	P Value
Power Distance	52.087	.000***
Individualism	56.661	.000***
Masculinity	22.820	.000***
Uncertainty Avoidance	37.648	.000***

N=55, * p<0.5, ** p<0.01, *** p<0.001

Table 10. Final Centroids of Each Cluster

	Cluster1	Cluster2	Cluster3	Cluster4	Cluster5	Cluster6
Power Distance	34	97	56	33	72	77
Individualism	67	42	64	75	27	26
Masculinity	15	82	63	65	41	55
Uncertainty Avoidance	50	48	84	51	88	30

Table 11. The Outcome of Clustering

Number	Country	Cluster	Number	Country	Cluster
1	Sweden	1	29	Turkey	5
2	Norway	1	30	South Korea	5
3	Demark	1	31	Romania	5
4	United Kingdom	4	32	Singapore	6
5	Switzerland	4	33	Croatia	5
6	Germany	4	34	Mexico	5
7	Netherlands	1	35	Malaysia	6
8	France	3	36	Bulgaria	5
9	Belgium	3	37	Latvia	1
10	Austria	4	38	Chile	5
11	Luxembourg	3	39	Serbia	5
12	Finland	1	40	Estonia	1
13	United States	4	41	Lithuania	1
14	Spain	3	42	Australia	4
15	Poland	3	43	The Philippines	2
16	Czech Republic	3	44	Hong Kong	6
17	Portugal	5	45	India	6

18	Italy	3	46	South Africa	4
19	Canada	4	47	Peru	5
20	Slovenia	5	48	Taiwan	5
21	Hungary	3	49	Macao	6
22	Ireland	4	50	New Zealand	4
23	China	6	51	Puerto Rico	6
24	Greece	5	52	Colombia	5
25	Slovakia	2	53	Vietnam	6
26	Iceland	1	54	Uruguay	5
27	Japan	3	55	Ukraine	5
28	Russia	5			

In the Cluster analysis, all the countries H&M has expanded to are divided into six clusters. The outcome is that the homeland, Sweden, is in the first cluster. The sum of score's distance between other clusters and the first cluster can represent the distance between cultures of different clusters. So, the sum of score's distance between second to sixth clusters and the first cluster are 157, 107, 60, 142, 144. So, the order of cultural distance between other clusters and the first cluster from short to long is fourth cluster, third cluster, fifth cluster, sixth cluster, and second cluster. In the outcome of clustering, the order of clusters H&M expanded to is fourth cluster, third cluster, fifth cluster, sixth cluster, and second cluster. Because of the orders are the same, it can be proved that the cultural distance influences the countries H&M chooses to expand. H&M expanded to countries with similar cultures and then expanded to countries that have high cultural distance with Sweden.

Marketing

Marketing Position and Brand value

Erling Persson opened the female clothing shop, Hennes, in Sweden in 1947 and then expanded to Norway as the first step to internationalize. In 1968, Hennes acquired Mauritz

Widforss. Hennes was renamed as Hennes & Mauritz and then expanded to other countries actively.

The market position is a fast fashion clothing retailer brand. H&M aims to provide various low-price fashionable clothing to customers. through the field survey, it can be observed that the product assortment of H&M is extremely wide and deep. It provides female clothing, male clothing, kids' clothing, cosmetics, and accessories and its products have different sizes, colors, and styles. Due to the deep and wide product assortment, H&M can satisfy customers at different ages. H&M does not aim to create fashion and guide trends but it aims to follow the latest trends and adding fashion elements into products.

The brand images and most important elements of products are fashion, high quality, and budget price. H&M spends a large amount of money on hiring celebrities as brand representatives to build fashion and high-quality images in customers' minds. H&M also focuses on reduce the total product cost in order to make its products' price low. H&M outsources its manufacturing to garment factories in countries with cheapest labor force. It also adopts SPA system to integrate its value chain for cost reduction.

Product

As a fast fashion clothing retailer brand, H&M focuses on develop high-quality fashionable products with budget price. It does not want to design products to create fashion. Designing clothing will increase the cost largely. So, H&M reproduces clothing from fashion shows instead of designing products by itself. In order to have differences from other fast fashion clothing retailer brands, H&M makes it product assortment wide and deep. It provides customers cosmetics, accessories, and clothing for males, females, and kids. Products are in different sizes, colors, and styles. In the interview, a store manager in

Kaohsiung mentioned that H&M cannot only meet demand of customers at 15-35 ages but it can meet all kinds of customer demand due to its wide and deep product assortment.

That store manager in Kaohsiung also mentioned that H&M does not only provide new products to customers once a week but sometimes it even provides new products every day. A store will stock what kinds of products and how many are decided by the headquarter. Stocks of stores are different. For example, stores in Taipei can provide co-branded products while there are no co-branded products in stores of southern Taiwan. This is because H&M considers that the customers in the southern Taiwan do not have demand of co-branded products.

While H&M develops products, it adopts the principle of the fashion triangle. It manufactures basic products around 60% to 70% of all products it manufactures. 25% are fashionable products and less than 10% are predictive fashion products. Following the fashion triangle principle aims to control risks and reduce cost.

Price

The demand of H&M's customers is that purchasing latest trendy clothing by an affordable price. According to customer demands, it is better when the price is lower. So, H&M focuses on cost reduction. H&M outsources manufacturing to garment factories in countries with cheapest labor cost. It evaluates garment factories in different countries about working time, place and labor cost to find the most ideal factories for manufacturing. Although H&M emphasize that it is a budget fast fashion clothing retailer brand, it seldom has sales promotion because managers regard sales promotion will influence the image of fashion and high-quality.

Place

It has physical stores, online shopping, and mail order as channels to sell products to customers. Physical stores are the most important channel for H&M. H&M opens physical

stores as many as possible as a strategy to expand its market. While H&M expands to a new country, it will open a store at a prime location in a major city such as the Fifth Avenue in the New York City of the United States, the Regent Street in London of the United Kingdom, and Queen Victoria Street in Hong Kong. The aim is to build images of fashion and luxury and build awareness rapidly. The scales of physical stores are different. H&M evaluates the demand of that area to decide to open small stores, big store, or flagship stores. H&M adopts warehouse stores to display all stocks so that customers can clearly know what products that store provides. It can be observed that H&M display its products by dividing into different styles through the field survey. According to the interview with the store manager in Kaohsiung, the headquarter will decide several styles that physical stores need to present to customers. Then, employees in stores use new products and old products to design the display to present styles the headquarter requires. So, each store presents same styles on display but the designing is different.

The online store and mail orders are the complements for physical stores. Mail order is a channel that provide to European customers. Because the European countries are close to Sweden, the homeland of H&M on geography, it is convenient to use mail order. Besides, some of European customers have a habit on using mail order so H&M only develop mail order in European countries. In addition, online shopping is a way for H&M to break limits about time and region so that customers can go online shopping anytime and anywhere.

Promotion

H&M focuses on marketing brand images and products. it costs 4% of revenue per year. H&M convey to customers that it provides budget products with high-quality and fashionable elements. Its advertisements are simple and clear in order to make customers know the types and price of new products and its brand name, H&M. all the advertisements are made from the headquarter in order to build a standardize brand image globally.

In order to attract consumers' attention, H&M cooperates with famous designers and celebrities to develop a series of new products (see Table 12.). This strategy can help H&M build brand awareness rapidly and attract the public's attention.

Table 12. series of co-branded products

2004	Karl Lagerfeld	2012	Marni
2005	Stella McCartney	2013	Maison Martin Margiela
2006	Viktor and rolf	2013	Isabel Marant
2007	Roberto Cavalli	2014	Alexander Wang
2008	Comme des Garcons	2015	Balmain
2009	Matthew Williamson	2016	Kenzo
2009	Jimmy Choo	2017	Erdem
2010	Lanvin	2018	Moschino
2011	Versace		

H&M also invites some celebrities to be brand representatives to build brand images and attract consumers. For example, H&M chose David Beckham as a representative to convey the image about high quality and fashion. This also increased 23% sale volume in the United Kingdom. So, H&M invites celebrities to be representatives as a marketing strategy can build brand images and increase the sale volume.

H&M seldom hold sale promotion. In the interview, the store manager in Kaohsiung said that the sale promotion of H&M is regular. It does not hold sale promotions specially. Sales and discounts only hold in the end of seasons and specific events such as Chinese New Year.

Value Chain Activities

The Organization of Value Chains

H&M needs to improve technology constantly in order to respond the dynamic customer behavior nowadays. It makes a great effort on organization integrations and improvement of

digitize information systems. It also develops physical stores and online shopping as channels to provide customers products. H&M tries to find the balanced strategies between global integration and local responsiveness.

In the sectors of purchasing and designing, there are fabric buyers and designers to develop series of new products. H&M has its own research and develop center in the headquarter in Sweden. H&M's designers develop all new products for the global market in the headquarter. The market position of H&M is a fast fashion clothing retailer brand provides products in various styles for all customers at different ages, so products developed by designers in the headquarter are designed for global customers. H&M develops standardized products for global customers to face the pressure of global integration.

H&M does not have any garment factories by its own. It outsources all the manufacturing to garment factories in countries with cheapest labor force. It aims to reduce cost by location economies. Most of garment factories H&M outsources are in China, India, and Africa. These garment factories manufacture same products for different countries because designers develop new products for global customers. They do not manufacture different products to some specific countries and adopt the strategy of global integration on manufacturing since H&M considers customer demands in different countries are homogeneous.

In the delivering section of the value chain, H&M also adopts outsourcing. The whole logistics system is outsourced to famous logistics companies, DHL Express and Green Cargo. Despite outsourcing the logistics and transportation, H&M's headquarter hold authority to control the delivering of products through the unique internet platform for management of suppliers. All products are sent to the central warehouse in Hamburg of Germany and then they will be delivered to stores around the world. In annual reports, managers of logistics sector stated that the strategy of delivering all products from the central warehouse to

different countries aims to ensure quality of all products. Besides, this strategy also helps H&M shorten the delivery time because the delivery systems of the central warehouse can analyze the best routes to deliver products to different countries. So, H&M globally integrates all the logistics and delivery.

There are physical stores and online shopping as main channels for H&M to provide products to customers. H&M combines the online and offline channels to meet all demand about different customers' consumption habits. The headquarter will require physical stores to present what kinds of themes and styles but employees in different stores can design how to display products with new and old products. According to the interview with the store manager, they can decide how to display products and they will emphatically display the products which are not sold well in that store although the headquarter requires same themes and styles of display. So, H&M gives authority of displaying products to store managers in order to face the pressure of local responsiveness. The online shopping platforms for different countries have same layout of websites but perform in local languages. H&M face the pressure of global integration by designing standardized layout of online shopping platforms and face pressure of local responsiveness by performing online shopping platform with local languages in different countries.

Control of Internationalization

H&M usually evaluates and adjusts its operation of control to improve it. The employees of H&M are all required to follow the rules to work so that they can work efficiently. In the interview, the store manager in Kaohsiung said that new employee orientation follows its SOP systems. For example, the new employee orientation for general staff are learning about sale of products, narration of products, cash register operation, and so on. The new employee orientation will be around two weeks. Due to the standardized new employee orientation,

H&M can control the operation of physical stores globally and ensures that all employees can provide same service to customers.

In addition, the audit and control committee hold conferences every year to analyze the financial states and to evaluate all kinds of risks. In the conferences, board of directors and chief executive needs capabilities to analyze finance data through years and operational reports. They need to discuss the solutions and preventions for risks and mistakes, to analyze the validity of control of internal organization, and to evaluate the whole year performance of internationalization. The audit and control committee aim for control and improve the operation of internationalization of H&M.

UNIQUE CLOTHING WAREHOUSE

Introduction

Unique Clothing Warehouse, known as UNIQLO, one of the fast fashion clothing retailer brands of Fast Retailing Co., Ltd., was founded by Tadashi Yanai in Japan in 1984. UNIQLO sets its market position as a fast fashion clothing retailer brand providing high-quality clothing that every customer at different ages can wear. In order to provide customers inexpensive but high-quality products, UNIQLO directly integrates the value chain by the SPA system and opens warehouse stores to reduce cost.

Tadashi Yanai opened the first store in Hiroshima of Japan in 1984, and then he opened another 30 stores in a year of Japan's economic depression that impressed the public. Because of the increasing of product demands, Tadashi Yanai moved the place of manufacturing products to China to pursue lower cost and more productivity. UNIQLO opened the first foreign store in the United Kingdom in 2001 and then expanded to China, South East Asia, and other regions for internationalization.

Different from design-oriented clothing retailer brands, UNIQLO is market-oriented. It analyzes customer demands and the latest fashion trends to develop new products. Besides, UNIQLO make efforts to transform itself to digitalized retailer brand recently. It cooperates with global technology companies to import data into information of its value chain in order to analyze mass information for customer demands and fashion trends.

In the end of 2018, UNIQLO has 2068 stores globally. Its revenue of 2018 is about 16 billion US dollars. In the future, it will still expand to more new countries and open more stores globally.

Development

The brand development of UNIQLO can be divided into three parts: being a domestic brand, expanding to overseas markets, and becoming a global brand. In the stage of being a domestic brand, Uniqlo Clothing Warehouse was founded in Jane, 2984 and then expanded to founded Fast Retailing Co., Ltd. In 1984. UNIQLO expanded its market and opened numerous stores rapidly. It built brand awareness and increased the sales volume in the national market. In the expanding to overseas markets stage, UNIQLO opened the first foreign store in the United Kingdom in 2001 at the beginning and then expanded to other countries constantly. UNIQLO wanted to expand to lead countries in the fashion industry at the first so it expanded to the United Kingdom. However, expanding to the United Kingdom was not as successful as UNIQLO predicted. As a result, UNIQLO changed its strategy to expand to Asia countries first and then it expanded to the Europe and Americas market. UNIQLO grew rapidly in this stage and gradually established global marketing system. So, UNIQLO became a successful global fast fashion clothing retailer brand. UNIQLO focuses not only on building standardized brand images but also adjusting some strategies for local responsiveness.

Table 13. The Development of UNIQLO

1984	The first store opened and UNIQLO was founded in Hiroshima, Japan
1998	Opening the first store in Tokyo, Japan
2001	Opening the first foreign store in London, the United Kingdom
2002	Establishing the research and development center in Japan Opening a store in Shanghai for expanding to China
2004	Establishing the research and development center in New York Acquiring American Link Theory company
2006	Opening a store in New York for expanding to the Americas Developing series of Heattech by cooperating with Toray Industries, Inc.
2007-2013	Opening numerous stores in different Asian countries constantly and opening some stores in Europe and the Americas
2014-2015	Expanding actively to Europe, Americas, and Oceania
2017	Starting Ariake Project to transform to a digitized clothing retailer brand

The Evaluation for Internationalization

The Motivation for UNIQLO to internationalize

External Environment

UNIQLO had become the biggest clothing retailer in Japan. When it was a domestic brand, it had already earned 3.8 billion US dollars as its revenue and had opened 519 stores in Japan. Besides, the fertility rate of Japan was 19.4 in 1973 and has been decreased since then. The fertility rate of Japan only left 9.4 in 2000. The decreasing of the fertility rate led Japan become an aging society. This social structure made UNIQLO cannot earn more money from the national market. In order to break limits in the national market, UNIQLO decided to expand to overseas market. As a result, these were market drivers for UNIQLO to internationalization.

In addition, competitive drivers also led UNIQLO internationalize. While internationalization, UNIQLO can gain competitive advantages by experience transferring, economies of scale, and resource utilization. UNIQLO outsources its manufacturing to the garment factories in China to develop economies of scale. Besides, UNIQLO can establish

research and develop centers in lead countries of fashion industry to gather information about fashion immediately while it internationalizes. Internationalization can help UNIQLO to find best resources globally as a competitive driver.

Finally, UNIQLO aims to provide customers inexpensive but high-quality clothing so it needs to reduce cost to gain a competitive advantage. Due to cost reduction, UNIQLO outsources 85% of its manufacturing to garment factories in China. In this way, UNIQLO does not only reduce manufacturing cost but also reduce the delivering cost because China is nearby Japan. Moreover, UNIQLO can pursue higher revenue through internationalization so that it can develop economies of scale to reduce cost as well.

Internal Factors

The plan for internationalization was much more important while UNIQLO earned more and more profits and became the biggest clothing retailer brands in Japan. In the annual report of 2000, Tadashi Yanai mentioned that the internal organization made a great effort on increasing the revenue to make UNIQLO have enough funds for internationalization.

Besides, Tadashi Yanai also set a clear goal to become a top fast fashion clothing retailer brand globally since 2000. Because of the supporting and vision of UNIQLO's managers and the efforts of its internal organization, UNIQLO could expanded to overseas markets since 2001 and becomes a global brand nowadays.

The Evaluation for Internationalization and the Market Entry Timing

Internal Analysis

Cost Leadership Strategy

UNIQLO makes great efforts on increasing efficiencies of its operational process and reducing manufacturing costs below the average in fast fashion industry or their closest competitors. UNIQLO develops economies of scale and outsources 90% manufacturing to

China and 10% to South East Asia. It utilizes the economies of scale and the cost leadership strategy to increase profits and gain competitive advantages.

SPA (Specialty Retailer of Private Label Apparel)

The headquarter of UNIQLO controls the whole process through the value chain. The integration helps UNIQLO reduces cost to provide budget products and control the quality of products to ensure it can provide high-quality products to customers.

Researching and Developing New Fabrics

Although UNIQLO is a fast fashion clothing retailer brand, it also focuses on researching and developing new fabrics. For instance, it developed high hygroscopic and quick-dry fabrics to manufacture new products for summer in 2001. It also cooperated with Toray corporation to develop Heattech fabrics which can preserve body heat and keep warm. The products manufactured with new functional fabrics can attract customers to purchase.

External Analysis

It is not doubt that UNIQLO has become the most successful clothing retailer brand in Japan. It always opened a lot of stores in Japan while it was still a domestic brand. In 2001, UNIQLO opened 111 stores in national market but the operational reports showed that opening too many stores caused counter-effects because of the market saturation. So, UNIQLO must need to internationalize to increase revenues.

Market Entry

Market Entry Strategies

UNIQLO expands to other countries with the same brand name and images. The markets it has expanded can be divided into five areas: the Europe, Great China (China, Taiwan, and Hong Kong), the Americas, South Korea, and South East Asia. Although UNIQLO adopts

some standardized strategies and operational processes, it makes some adjustment for local responsiveness in order to make local customers accept it.

Europe

UNIQLO wanted to get into the lead countries in the fashion industry so it expanded to the United Kingdom as the first foreign market. However, UNIQLO did not achieve a success in the market of the United Kingdom. Through the analysis based of the Hofstede's cultural dimension theory, it is obvious that cultures of Japan and the United Kingdom are extremely different so that UNIQLO could not be succeed at the beginning. After analyzing the cultural dimension insights of Japan and the United Kingdom and ranking the insights of all countries in the world, it can be observed that the only similar Hofstede's cultural insight is Masculinity and other cultural insights are in the opposite way (see Table 14.). UNIQLO's homeland, Japan, and the United Kingdom are extremely different since three of four Hofstede's cultural insights are opposite. What's more, the differences in the cultural insight of individualism seriously causes obstacle for UNIQLO succeeding in the market of the United Kingdom. Since the individualism insight of Japan is 46 shows that Japan is a collectivistic society, UNIQLO provides customers products that are suitable for every customer in different styles and at different ages. However, the cultural insight of individualism shows that the United Kingdom is 89 and it is amongst the highest of the individualist scores. So, the British are highly individualist and they purchase special products or famous brands' products. As a result, the products UNIQLO provides to British customers do not meet customer demands. This is the reason why UNIQLO could not succeed when it expanded to the United Kingdom. After understanding the factor for failure, UNIQLO improve the marketing strategies to retrieve the error. UNIQLO makes various advertisements to promote itself to build the brand awareness. It adopts the diversified marketing strategies to advertise on television,

transportations, and newspapers. The most important thing is focusing on convey the brand images of individualism and the connection with the United Kingdom.

Table 14. The Hofstede’s Cultural Insight of Japan and the United Kingdom

Cultural Insight	Score of Japan	Ranking	Score of the U.K.	Ranking
Power Distance	54	77	35	92-94
Individualism	46	34-36	89	3
Masculinity	95	2	66	13-15
Uncertainty Avoidance	92	11-13	35	95-96

Although the marketing strategies with local responsiveness helped UNIQLO overcome the differentiation of cultures, UNIQLO still decided to change the strategy of market entry. It decided to expand to countries with similar cultures instead of expanding to lead countries in the fashion industry. So, UNIQLO then expanded to Asia countries after expanding to the United Kingdom.

After the success of expanding the Asia market, UNIQLO expanded to France as the second European countries in 2007. Before expanding to France, UNIQLO had gathered a lot of knowledge about the local market. It acquired a local female clothing retailer brand, COMPTOIR DES COTONNIERS in 2005. According to the statistics, COMPTOIR DES COTONNIERS had expanded to France, Belgium, Luxembourg, Spain, Germany, the United Kingdom, and South Korea and had opened more than 210 stores globally. So, UNIQLO could gather the information about markets of these countries that COMPTOIR DES COTONNIERS had expanded to. As a result, UNIQLO cannot only gather information about local markets but also evaluate the entry risks to local markets so that it can expand to the European market successfully. Although UNIQLO still opened company-owned stores in France, it adopted conservative strategy of opening the first French store on the periphery of Paris. Then, UNIQLO opened the flagship store in central Paris after the first store had

succeeded. After expanding to France, UNIQLO then expanded to Germany, Belgium, Spain, Sweden, and Netherlands as well.

Great China

UNIQLO expanded to China by opening the first Chinese store in Shanghai of China in 2002. However, the outcome was not as good as prediction. According to the data of price level ratio of PPP conversion factor from World Bank, the ranking of price level ratio of PPP conversion factor of China is in the last half from 1998-2002, the five years before UNIQLO expanded to China (see Table 15.). As a result, customers in China did not pursue inexpensive products that UNIQLO provided. Makoto Hayashi, the general manager of the UNIQLO subsidiary in China mentioned that quality of products was what Chinese customers valued at after the market survey to customers in China. Makoto Hayashi also mentioned that some of competitors set their price around 2 US dollars but UNIQLO would not join this competition. On the contrary, UNIQLO sets price in China higher than price in Japan but the outcome is that UNIQLO gain a competitive advantage in China.

Table 15. The Price Level Ratio of PPP Conversion Factor of China from 1998 to 2002

	1998	1999	2000	2001	2002
Involved Countries	179	181	187	188	189
Price level ratio	0.336249	0.327291	0.326730	0.326300	0.323166
Ranking	108	108	106	101	103

UNIQLO opened the physical store and the online store in China at the same time. It cooperated with the biggest shopping platform, Taobao, and this increases the sales. UNIQLO expanded to China, Hong Kong, and Taiwan by opening stores at the prime locations in major cities in order to build brand awareness rapidly. Besides, there are amounts of potential customers in China, Hong Kong, and Taiwan. So, the chief executive of UNIQLO,

Tadashi Yanai considered that the sales volume in Great China will be more than that in Japan so UNIQLO adopts the strategy that opening numerous stores in Great China rapidly.

Americas

UNIQLO make a great effort on investment for the preparation to expand to the United States. In 2004, UNIQLO established the second research and develop center in the New York City for gathering information about latest fashion trends and preparing for market entry. Moreover, in the annual report, Tadashi Yanai stated that UNIQLO always sought for opportunities to acquire local companies as strong basis for UNIQLO expanding to the United States. So, UNIQLO acquired the Link Theory Holdings Co., Ltd. In 2004 in order to gather the United States market. In 2005, UNIQLO opened three stores in shopping malls as conservative strategies and then opened the flagship store at the prime location in New York. UNIQLO conveys the brand image to customers though the same products and service as it does in Japan. Meanwhile, Satou Kashiwa, the creative director of UNIQLO, proposed the idea to cooperate with American contemporary artists to develop new products to interest American customers and this achieve a big success.

South Korea

UNIQLO expanded to South Korea in September, 2005. UNIQLO did not open company-owned stores in South Korea. It did not acquire any local companies to gather information before expanding as well. UNIQLO adopted different market entry strategy to expand to South Korea. It cooperated with local corporation, Lotto Inc., to open three stores in Lotto shopping mall. Signing joint venture agreement with Lotto is also an entry mode to gather information of local market in a short time.

South East Asia

Since 2009, UNIQLO started to expand to countries of South East Asia and the Oceania. According to the information from annual reports, UNIQLO expands to those countries

through signing joint venture agreements with local corporations. Due to the risk evaluation, countries of South East Asia are high-risk countries to expand, UNIQLO cooperate with local corporations to spread risks.

Table 16. The Market Entry Mode UNIQLO used to expand to South East Asia

	The year of entry	Partner	Investment ratio
Singapore	2009	Wing Tai Retail Pte. Ltd.	51%
Malaysia	2010	DNP Clothing Sdn Bhd	55%
Thailand	2011	Mitsubishi Corporation	75%
The Philippines	2012	SM Retail, Inc.	75%
Indonesia	2013	Mitsubishi Corporation	75%

Marketing

Market Position and Brand Value

The whole name of UNIQLO is Unique Clothing Warehouse and the meaning is opening warehouse stores to provide inexpensive but unique clothing to customers. The market position of UNIQLO is a fast fashion clothing retailer brand to provide products that are suitable for all customers in different styles at different ages. Although there are different life styles, different consumer behaviors and different market trends, UNIQLO still persists to provide standardized products and build same brand images of providing inexpensive but high-quality products to customers globally.

UNIQLO adopts various marketing to convey the brand images that it provides budget but high-quality products to customers' minds. UNIQLO makes the public know that its 90% products are manufactured in China and the other 10% are manufactured in South East Asia. Due to China and the South East Asia are regions with cheap labor force, the image of products that manufacturing in China and South East Asia can make customers consider UNIQLO's products are budget. UNIQLO even emphasizes that UNIQLO is a Japanese brand to provide products made from China in the European market and the American

market. This image will also make customers in the Europe and the Americas consider it provides inexpensive but high-quality products because of Japan is a country focuses on quality and China is a country that can provide cheap products. as a result, UNIQLO builds a strong brand image globally.

UNIQLO uses red and white color on trademark and packages to express it is from Japan because the national flag of Japan is white and red. So, the message that UNIQLO is from Japan can be sent to global customers easily.

Since UNIQLO was founded, its founder, Tadashi Yanai, adopts strategies of opening stores rapidly and mass sale to make UNIQLO internationalization and clearly positioned UNIQLO as a fast fashion clothing retailer brand. As a result, UNIQLO chose the market position, value, and elements that can be standardized when it internationalizes.

Product

The products of UNIQLO is budget but high-quality and they are also suitable for all customers in different styles at different ages. Different from other fast fashion clothing retailer brands, UNIQLO focuses on quality and functional fabrics. So, UNIQLO cooperates with others to develop new functional fabrics such as the Heattech, Ultra Light Down, 3D Knit and AIRism. UNIQLO also applies its different fabrics in different products in different seasons. For example, it applies Heattech fabrics to develop products to help customers keep warm in winter and applies AIRism fabrics to develop products in summer.

UNIQLO is a market-orientated fast fashion clothing retailer brand. It collects all the responses from customers and analyze these data to develop products that meet the customer demands. Take the series of UT as an example, the series of UT are developed by artists from different cultures. UNIQLO cooperates with artists to design unique T-shirts to satisfied customer demands of different countries.

Besides, UNIQLO also adjust the size of its products for different customers. in the annual report in 2001, UNIQLO adjusted the size of products and add elements of British culture into products since it observes the differences between the demands of Japanese and British customers. Because UNIQLO adjusts its products and develops new functional products constantly, it can succeed in different countries and meet all the customer demands globally.

Price

The research picked 31 similar products from ZARA, H&M, UNIQLO, and Gap on September 17th, 2019 and then to calculate the average prices of products from four brands. The average prices of products of UNIQLO, ZARA, H&M, and Gap are 820 new Taiwan dollars, 1263 new Taiwan dollars, 1112 new Taiwan dollars, and 1666 new Taiwan dollars respectively. As a result, products of UNIQLO are cheapest and this becomes a big competitive advantage for UNIQLO.

UNIQLO sets up sales planning for each product every week and then it will analyze the actual sales volume with the sales planning. If the actual sales volume does not reach the goal, it will release sale promotion or discount for the products to increase the sales volume. UNIQLO is a budget fast fashion clothing retailer brand and it also have sales promotion and discount of products frequently so customers are more willing to purchase products from UNIQLO.

Place

There are physical stores and the online store for UNIQLO to provide products to customers. Tadashi Yanai, the chief executive of UNIQLO, set up a plan to open 30 stores per year while UNIQLO is a domestic fast fashion clothing retailer brand. During the internationalization, he also sets up a plan to open 300 stores globally per year. Tadashi Yanai stated that opening stores rapidly could build brand awareness and increase sales volume

efficiently. UNIQLO has expanded to Great China, South East Asia, the Oceania, the Europe, and the Americas. It expanded to 20 countries and owned 2068 stores globally.

UNIQLO opens warehouse stores to reduce cost. It aims to provide products that customers can present different styles while they wear the same product. So, the display of UNIQLO in physical stores is divided into tops, dresses, pants, and so on. Customers then can create unique styles by finding products of different styles by themselves.

There is also an online store for customers to purchase products anywhere and anytime. In the annual report of 2018, UNIQLO analyzed that the sales volume of the online store is 20 % of the whole sales volume. Although UNIQLO focuses on opening physical stores, the online store is also a necessary channel for UNIQLO to provide products to customers.

Promotion

UNIQLO adopts product extension-communication adaptation strategy. This strategy is suitable when UNIQLO sells products to countries with different cultures and environments but the customer demands and the functions of products are the same. This strategy can keep the economies of scale but can also meet different customer demands through communication. In the physical stores, UNIQLO adopts localization strategies for promotion. UNIQLO opens flagship stores in each big city in countries. These flagship stores hold some events and exhibition combined with regional features. For example, the flagship store in New York holds different exhibition to express the combinations of Japanese culture and local cultures to promote the brand images of UNIQLO. What's more, the store in Taichung provides the service of shuttle bus and maps designed by hundreds of local designers for tourists so that this can also help to promote UNIQLO itself.

It also uses some aggressive promotion to promote the brand and products. It will hold some discounts or sales when the sales volume does not achieve the goal. The short-term

sales and discounts can make customers impulse to purchase products in a short time to make the sales volume reach the goal.

The advertisements are all made by UNIQLO itself instead of outsourcing to advertisers. Managers of UNIQLO consider that advertisements will be better to produce by its own advertising sector because the advertisements the advertising sector makes can extremely correspond to the brand image. Although there are some advertisements will be placed globally, UNIQLO will produce different advertisement for local responsiveness to different countries. UNIQLO also invites celebrities to take advertisements to build brand images and awareness. For instance, UNIQLO took advertisements with Charlize Theron to build images about sexy and luxury for markets in Americas and Europe while it took advertisements with Lin Yi-Chen to build friendly images for the Taiwanese market.

UNIQLO holds different events and exhibition in physical stores and makes different advertisement with different brand images for different markets so that it can be observed that UNIQLO adopts product extension-communication adaptation strategies. UNIQLO keep the standardization of products but uses differentiation of events and advertisements to attract customers.

Value Chain Strategies

The Organization of Value Chains

Designing products seems to be the first sector of UNIQLO's value chain. UNIQLO's research and develop center is in the headquarter in Tokyo, Japan. UNIQLO positions itself as a fast fashion clothing retailer brand that develop products that are suitable for customers in different styles at different ages. So, UNIQLO's products can be sold to every customer in the global market. UNIQLO faces high pressure of global integration so its products are designed to provide global customers.

In the manufacturing sector of UNIQLO's value chain, it focuses on develop new functional fabrics to apply on products. Since 2006, UNIQLO develop functional fabrics of Heattech, 3D Knit, and BLOCHTECH by signing joint venture agreements with other corporations. Moreover, UNIQLO does not establish garment factories or manufacture products by its own. It outsources 90% manufacturing to factories in China and 10% to factories in South East Asia because China and South East Asia have cheap labor force and the geographic locations are nearby UNIQLO's homeland, Japan. Tadashi Yanai stated that UNIQLO increases the volume of orders to hundreds of thousands in order to make garment factories be willing to cooperate. The economies of scale do not only help UNIQLO increase the cooperating willingness of garment factories but also ensure the quality of products and reduce cost. In order to increase the orders of manufacturing and develop economies of scale, UNIQLO decides to sell same products globally. So, it globally integrates all garment factories they cooperate in China and South East Asia to manufacturing standardized products. UNIQLO guides garment factories to follow the standardized manufacturing process and to resolve production quality or management issues efficiently by letting its own production teams visit partner factories weekly.

Tadashi Yanai has implemented the Ariake project in the headquarter of UNIQLO in Tokyo, Japan since 2008. One of the important plans in Ariake project is to establish new 24-hour automatic logistics center nearby the headquarter. UNIQLO makes quality control and packaging automatized to reduce operational cost and to increase efficiency. The automation system replaces 90% labor and it can operate efficiently to deal with 9,000 packages per hour and work 24 hours a day. Because all products are sent to central logistics center nearby the headquarter and then they will be delivered latter, Tadashi Yanai improve the central logistics center and delivery systems to make the process more efficient. After the central logistics center became automatic, all activities relating to transport, logistics, and the distribution of

products can be dealt with in an automatic way 24 hours a day if UNIQLO sends its products to the sent to the central logistics center first. UNIQLO deals with logistics activities of all products in the central logistics center not only to make the logistics process efficient but also to ensure the qualities of products it provides to global customers are identical.

UNIQLO has physical stores and the online store as channels to provide products to customers. Through the field survey in its physical stores, it is obvious that UNIQLO requires standardized display of products. The display of products in every store is separated by different categories of products such as pants, tops, and so on. UNIQLO sets plans for each products every week and it will analyze the actual sale volume with plans. If the actual sale volume does not achieve the goal, UNIQLO will hold sales promotion to encourage customers purchase to make the sale volume reach the goal. It can be seen that UNIQLO seldom holds special sales promotions for specific regions but hold same promotions globally at the same time.

Control of Internationalization

UNIQLO holds various conferences to make decisions about setting up the annual budget, reviewing performance in different markets, and so on. In 2018, UNIQLO held 13 conferences. The attendance rate of senior executives is 98.7% and the attendance rate of audit committee is 96.9%. The senior executives can present complete performance reports and audit committee can give objective analysis and suggestion in conference since the attendance rate is very high.

In addition, UNIQLO sets up rules for every employee in its internal operating organization so every employee can understand their job responsibilities clearly. UNIQLO audits management of risks and protection of internal information of internal operating organization regularly. It aims to control the whole internal operating organization by the unique control system.

GAP

Introduction

Donald Fisher and Doris Fisher opened the jeans retailing store which was named Gap, in San Francisco of the United States in 1969. After widening and deepening the product assortment and adjusting the operation from 1969 to 1986, Gap finally became a fast fashion clothing retailer brand. Gap defined itself as a fast fashion clothing retailer brand providing American casual style clothing. The products categories include male clothing, female clothing, jeans, accessories, and kids' clothing. Gap develop different products for customers have different demands at different ages and the target customers of Gap are those who focus on quality and price. Gap had dominated the American market and had built brand awareness in a short time.

Gap invests much capital in marketing to build brand images and awareness and it also diversified the sales channels to increase the sale volume. Besides, Gap creates SPA (Specialty retailer of private label apparel) system to integrate the value chain for increasing efficiency.

In the end of 2018, Gap has expanded to 47 countries and has opened 3194 company-owned stores and 472 franchising stores globally.

Development

Being a domestic brand, expanding the overseas market, and becoming a global brand are three stage of Gap's internationalization. the founders, Donald Fisher and Doris Fisher opened the jean retailing store named Gap in San Francisco of the United States in 1969. The name of Gap derived from "generation gap". The concept of its name is to meet every customers' demand from different generations by providing various products with complete size choices. At the beginning, Gap mainly sold jeans of Levi's and other brands. Then, it

started to sell other American casual style clothing. This transform helped Gap became a fast fashion clothing retailer brand and build awareness in the American market. Gap opened more stores in the American market and adjusted its market position from 1969 to 1986. Then, Gap expanded to first foreign country, the United Kingdom, in 1987 and started the expanded to overseas markets to become a global brand.

Table 17. The Development of Gap

1969	Donald Fisher and Doris Fisher founded the first store in San Francisco
1976	Gap became a listed company
1969-1986	Adjusting the market position to a fast fashion clothing retailer brand Opening more stores in the American market
1987	Expanding to the United Kingdom as the first foreign market
1993	Expanding to France
1995	Expanding to Japan as the first Asian country
2010	Expanding to China by opening four flagship stores

The Evaluation for Internationalization

The Motivation for Gap to Internationalize

External Environment

In 1969, Gap was founded as a jean retailing store in San Francisco of the United States. Then, it widened and deepened its product assortment and became a listed company in 1976. Gap opened numerous stores in the American market and build brand awareness to become a famous fast fashion clothing retailer brand in the United States from 1969 to 1987. Because Gap had dominated the American market and opened numerous stores, the American market is saturated. The limit of growth in the American market is a market driver for Gap to internationalization.

What's more, Gap moved its assembly lines to countries with cheap labor force for cost reduction. Gap utilizes the strategy location economies to manufacture products in countries

with cheap labor force to gain a competitive advantage. This strategy does not only gain a competitive advantage but also reduce cost so these are competitive drivers and costs drivers for internationalization.

Internal Factors

Gap had developed the internal operating system and supply chain management completely. It also set up enough fund for internationalization from the revenue that it had earned in the United States. What's more, products Gap provided aimed to break the gap of generation on casual outfits and to be suitable for every customer so that customers in the international market can accept its products easily. Due to these factors and a series of evaluations, Gap decided to expand to overseas market.

The Evaluation for Internationalization and the Market Entry Timing

Internal Analysis

Products for Customers in different classes at different ages

The products are designed in simplicity style and are also designed to be suitable for customers at different ages. Due to the brand concept of developing products that can provide to every customer, Gap does not have target customers but everyone is customer of Gap. It considers there are a lot of potential customers in other countries since its products can provide to everyone and this makes it be accepted by new markets easily.

Frequent sales promotion and discounts

Gap holds sales promotion and discounts frequently to encourage customers purchase and build brand awareness. Sometimes, Gap interacts with customers through sales promotion to make customers be interested in Gap. For example, Gap increases customers' willingness of purchasing products through distributing discount coupons. These sales promotion and discounts can build brand awareness and interest consumers rapidly. So, Gap can attract consumers' attention in the new markets while it expands to new countries.

SPA (Specially Retailer of Private Label Apparel)

The SPA system was created by Gap to integrate the whole value chain from designing and manufacturing to delivering and selling. It is a vertical integration of a value chain in order to make every section in a value chain work efficiently. Besides, Gap can accelerate the information flow among sections in a value chain so that it can analyze the feedbacks from customers immediately to adjust the value chain and to develop products which can meet customer demands.

External Analysis

At the beginning, Gap is a retailing store that only provide jeans. Then, it started to provide more and more different products of American casual style and opened numerous stores in the United States so that it dominated the market of fast fashion clothing retailing in the United States. The market saturation caused Gap to internationalize in order to increase the sales volume.

Market Entry

Market Entry Strategies

Gap builds the standardized brand image of American casual style globally and it provided various inexpensive but high-quality products that all can be suitable for customers at different ages. Its entry modes are company-owned stores and franchising stores. In the annual reports, Gap opened company-owned stores at the beginning of expanding just in a few countries. It opened franchising stores to expand to most of countries in order to spread risks. According to the annual report of 2018, Gap has expanded to 47 countries and it owns 3194 company-owned stores and 472 franchising stores. While Gap expands to new countries, it will open a store at the prime location in an important city. Although the

competition among stores located at prime location in a city is cutthroat, Gap can attract consumers and build brand awareness rapidly when it opens stores at the prime location.

Table 18. All Countries Gap Expanded to till 2013

North Americas	the United States (1969), Canada (1989)
Europe	the United Kingdom (1987), France (1993), Turkey (2007), Greece (2008), Cyprus (2009), Romania (2009), Ireland (2010), Iceland (2010), Belgium (2010), Serbia (2011), Ukraine (2011), Poland (2011), Hungary (2013)
Asia	Japan (1996), Malaysia (2006), Singapore (2006), Indonesia (2007), South Korea (2007), the Philippines (2007), Russia (2008), Thailand (2010), Hong Kong (2011), Vietnam (2011), Kazakhstan (2011)
The Middle East	the United Arab Emirates (2006), Bahrain (2007), Kuwait (2007), Qatar (2007), Oman (2007), Saudi Arabia (2007), Israel (2009), Jordan (2009)
South Americas	Mexico (2009), Chile (2011), Peru (2013), Brazil (2013), Brazil (2013), Costa Rica (2013), Paraguay (2013)
Africa	Egypt (2011)

There seems no relationship between Gap’s market selection and the geographic locations of countries. The first two foreign countries for Gap to expand to are the United Kingdom and Canada which are nearby countries. However, from the perspective of regions, Gap expanded to north Americas and Europe first. However, it then expanded to Asia since 1996 and expanded to the Middle East since 2006 instead of expanding to the south Americas. The nearby region, south Americas was expanded by Gap since 2009 as the last second region for Gap to expanded. As a result, there is no direct relationship between Gap’s market selection and the geographic locations of countries.

The research uses Cluster analysis to find out whether there is a relation between the cultural distances between its homeland and the host countries and the order Gap chose to expand to. Four variables for cluster analysis are Hofstede’s cultural insights of power distance, individualism, masculinity, and uncertainty avoidance. These are four insights from

Hofstede’s cultural dimensions theory. In the cluster analysis, all the countries Gap has expanded to are divided into seven clusters. The outcome is that the United States, the homeland of Gap, is in the second cluster. The sum of score’s distance between other clusters and the second cluster can represent the distance between cultures of different clusters. The sum of score’s distance of first and third to seventh clusters to the second cluster are 152, 149, 222, 103, 123, 104 respectively. So, the order of cultural distance between other clusters and the second cluster from short to long is fifth cluster, seventh cluster, sixth cluster, third cluster, first cluster, and fourth cluster. However, in the outcome of clustering, the order of clusters Gap expanded to is fourth cluster, fifth cluster, sex cluster, first cluster, third cluster, and seventh cluster. The order of cultural distance between other clusters and the second cluster and the order of clusters Gap expanded to are different so it shows that cultural distance between homeland and host countries is not the main factor that Gap will consider for its expansion.

Table 19. ANOVA Analysis Chart

	F-Test	P Value
Power Distance	20.688	.000***
Individualism	36.267	.000***
Masculinity	11.805	.000***
Uncertainty Avoidance	35.411	.000***

N=40, * p<0.5, ** p<0.01, *** p<0.001

Table 20. Final Centroids of Each Cluster

	Cluster1	Cluster2	Cluster3	Cluster4	Cluster5	Cluster6	Cluster7
Power	83	38	57	62	50	81	13
Distance							
Individualism	29	81	18	61	63	22	54
Masculinity	46	62	33	59	92	53	47
Uncertainty	83	44	82	89	87	32	81
Avoidance							

Table 21. The Outcome of Clustering

Number	Country	Cluster	Number	Country	Cluster
1	United States	2	21	Mexico	1
2	United Kingdom	2	22	Romania	1
3	Canada	2	23	Australia	2
4	France	4	24	China	6
5	Japan	5	25	Ireland	2
6	Malaysia	6	26	Italy	4
7	Singapore	6	27	Bulgaria	1
8	United Arab Emirates	1	28	Thailand	3
9	Bahrain		29	Hong Kong	6
10	Indonesia	6	30	Chile	3
11	Kuwait	1	31	Vietnam	6
12	Qatar	1	32	Egypt	1
13	South Korea	3	33	Serbia	1
14	Turkey	1	34	Ukraine	1
15	The Philippines	6	35	Poland	4
16	Saudi Arabia	1	36	South Africa	2
17	Greece	4	37	Hungary	5
18	Russia	1	38	Peru	3
19	Israel	7	39	Brazil	1
20	Jordan	1	40	Costa Rica	3

Marketing

Market Position and Brand Value

It took a long time for Gap to adjust its market position. The founders, Donald Fisher and Doris Fisher, opened the jean retailing store named Gap in San Francisco and to provide various jeans that can meet all customer demands. Then, Gap increase different series of products such as male clothing, female clothing, and so on constantly. In the end, Gap set up the market position as a fast fashion clothing retailer brands that provides products in American casual style. There is no specific target customers for Gap because it aims to provides various products for all customers have different demands at different ages. Gap develop inexpensive but high-quality products with fashionable elements.

Product

At the beginning, Gap specialized sells jeans in various styles. Then, it adds different types of products to widen and to deepen the product assortment. In 2018, Gap does not only sell jeans but also provides female clothing, male clothing, kids' clothing, underwear, pajamas, sportswear, and accessories. The market position of Gap is fast fashion clothing retailer brand providing American casual style products and providing products for all customers at different ages. So, Gap develops products in the simplicity style with some fashionable elements that every customer can wear. Besides, Gap also pursue to develop inexpensive but high-quality style

Price

Products at economical price are what customers pursue so Gap reduces cost as much as possible to make the price of products low. Gap outsources its manufacturing to garment factories in countries with cheap labor force such as Bangladesh and Vietnam. It also create SPA system to integrate the value chain for cost reduction.

Place

There are physical stores and the online platform as two channels for Gap to provide its products to customers. Gap expands to new countries by opening franchising stores or company-owned stores. Gap evaluates the entry risks and feasibility and then decides the entry modes for market entry. Gap can control and manage the company-owned stores by itself so it opened company-owned stores in countries have the feasibility to entry such as France, China, and the United Kingdom. On the contrary, Gap opened the franchising stores when it expanded to high-risks countries to reduce risks. Staffs in physical stores are required to be friendly and ask customers whether they need help in order to build friendly brand image and to build customers' loyalty to Gap.

Gap makes a great effort to expand its online platform to more countries. It developed the online platform since 1997. According to the annual report of 2010, the online platform is expanded to over 65 countries. Nowadays, online shopping is more and more popular than before so Gap decides to focus on online platform and to decrease the number of physical stores.

Promotion

Gap requires the standardized brand images and the market position as a fast fashion clothing retailer brand providing inexpensive but high-quality products in American casual styles globally. It makes great effort on promotion and marketing. Gap invites local celebrities to take advertisements for different countries so that it can build brand awareness through the popularity of the celebrities. It is also good at social media marketing to impress customers through the interaction. For example, Gap did a sale that selling 50 US dollars gift card at 25 US dollars on the famous group buying platform, Groupon. Before the event started, Gap had sent messages about the sale to 15 million members of Groupon, 3,0000 Twitter followers of Gap, and 600,000 fans of Gap on Facebook. Then, Gap earned more than

11 million US dollars at the first day that the event began. Gap can grasp trends of social media to do marketing and promotion so that Gap promotes itself successfully and increase the sales volume rapidly.

Value Chain Activities

The organization of Value Chains

The research and develop center of Gap is in the headquarter in San Francisco. Due to Gap's market position as a fast fashion clothing retailer brand that provides products which are suitable for every customer in the global market, designers need to design products to meet all customer demands. So, designers of Gap need to design products for global customers as a strategy to face pressure of global integration.

Gap outsources its manufacturing to garment factories in the countries with cheap labor force. According to the internal data of Gap, most of factories Gap cooperates with are in Vietnam and Indonesia and others are in Bangladesh, Cambodia, Haiti, Jordan, and Nicaragua. Gap cooperates with 343 factories globally. Since designers of Gap design products for global market, garment factories need to manufacturing standardized products for global customers. Gap needs to control the quality of products because it focuses on global integration of products. as a result, it controls those factories by having factories assessment and remediation every year.

Gap has owned the first logistics center in San Francisco. Then, it cooperates with famous logistics company, Dematic, to develop an exclusive automatic logistics system. The new logistic centers are in the state of Ohio and Fishkill of New York. Gap owns distribution centers in the United States, Canada, and the United Kingdom. Besides, Gap also outsources its logistics of Asian markets to the third-party logistics companies to deal with products for Asian markets in distribution warehouses in Japan, Hong Kong, and China. Since Gap have

logistics centers and distribution centers deal with products that need to deliver to different countries, Gap adopts using different logistics and distribution centers to deal with products for different markets to face pressure of local responsiveness.

In the section of selling, Gap designs the main points of advertisements from the headquarter to ensure the concepts and images are standardized. Then, Gap invites local celebrities to take advertisements for different countries in order to respond local demands. Inviting local celebrities aims to be closer to local customers and build brand awareness by the popularity of local celebrities. It can be proved that Gap adopts standardized strategies for physical stores and online shopping platforms in different countries through the field survey. Gap requires all global physical stores to display products by different categories so that customers can quickly find the product they want. The products Gap provides in different countries are the same, so the display of products in physical stores and the layout of online shopping platforms in different countries can be the same. The strategies of global integration adopted in selling sector can help Gap build standardized brand images globally.

Control of Internationalization

After expanding overseas markets, Gap established a series of systems to control the operation and to manage the risks so that Gap can control the whole process of internationalization and plan to achieve annual goals.

Gap control the internal operation and internationalization with evaluation of risks and analysis of financial data. In the conferences, the senior managers need to supervise and evaluate the validity of evaluating performance process and management of risks. Then Gap need to modify those mistakes and improve the control systems. Gap also put the reports about control of internal operation, audition of finance, and risk evaluation in to annual reports. The aims of controlling and auditing are helping Gap internationalize and reduce the risks through internationalization.

RESEARCH FINDINGS

1. The Market Entry Strategies

1-1. Fast Fashion Clothing Retailers Should Expand to Nearby Countries with Similar Cultures in the Beginning and Then Expand to Countries with Longer Geographic and Cultural Distance Latter.

According to the cluster analysis of Hofstede's cultural insights, it is obvious that ZARA and H&M expand to nearby countries with similar cultures at first and then they expanded to far countries with long cultural distance latter. The founder of ZARA, Amancio Ortego mentioned in annual reports that ZARA expanded to Portugal as the first overseas market because short cultural and geographical distance. ZARA was a fast fashion clothing retailer brand that focused on shortening the lead time so it manufactured all products in Portugal and sold products to Portugal could shorten the delivering time. What's more, H&M also expanded to nearby countries with similar cultures at the beginning. Erling Persson and Stefan Persson, two chief executives of H&M, only expanded H&M's markets to the Europe from 1969 to 1999. This was because cultures and customer demands of European countries are similar and H&M could satisfied European customers with standardized products and service. Besides, the geographical distance between Sweden and European countries were much shorter than the distance between Sweden and American countries or Asian countries so that H&M cost less money on delivering when they only expanded to the European countries at the beginning.

UNIQLO's strategy of market selection was expanding to lead countries in fashion industry at the beginning. UNIQLO chose the United Kingdom as the first foreign country to expand to. However, it did not achieve success as the prediction because it aimed to provide products which were suitable for customers in different styles at different ages while the British customers pursue products that could show their own styles. Besides, the Hofstede

cultural insights also showed that the culture distance between Japan and the United Kingdom was quite long, so UNIQLO could not expand to the United Kingdom with same marketing strategies it adopted in Japan. Due to the failure of expanding to the United Kingdom, UNIQLO noticed the importance of expanding to nearby countries with similar cultures. Then, UNIQLO expanded to China and South Korea because they are nearby countries with similar cultures. The high net sales showed that UNIQLO expanded to China and South Korea successfully.

Through the cluster analysis, there is no relationship between Gap's market selection and the cultural distance. There is also no directed relationship between market selection and geographical distance. However, it can still be proved that fast fashion clothing retailer brands can internationalize successfully by expanding to nearby countries with similar cultures at first and expanding to far countries with long cultural distance later with the cases of ZARA, H&M, and UNIQLO.

1-2. Fast fashion clothing retailer brands can mainly invest 100% ownership companies for market entry. However, they can expand to the Middle East and the Africa through franchising. They have to sign joint venture agreements with local companies while local governments regulate foreign companies by signing joint venture agreement as necessity.

According to the entry modes data of ZARA, H&M, UNIQLO, they all mainly invest 100% ownership companies when they expanded to overseas markets. ZARA expanded to 88% countries of its all markets by establishing 100% ownership companies and opening company-owned stores. 81% countries of H&M's all markets were expanded by establishing 100% ownership companies. UNIQLO expanded to 71% countries of all its market by investing 100% ownership companies. ZARA, H&M, and UNIQLO aim to provide standardized products and service so they need the authority of global physical stores to control everything. They hold authority of stores by establishing 100% ownership companies.

However, fast fashion clothing retailer brands should not expand to high-risk countries and countries that governments make policies to regulate foreign investors with 100% ownership companies. H&M and ZARA expanded to the Middle East and Africa by franchising. They chose franchising as entry modes in these situations in order to reduce risks of market entry because most countries in the Middle East and Africa are high-risk. Although there are other entry modes such as licensing and joint venture to reduce risks, the franchising is the most ideal mode for fast fashion clothing retailer brands. One of the most important concepts of ZARA and H&M is providing standardized products and service. Besides, they also have unique business model. So, they need to expand markets by franchising to ensure that service, products, and business model can be standardized globally. Licensing majorly aims to give official permission to use brand names and logos so ZARA and H&M cannot control stores by licensing. Meanwhile, joint venture is also not the best entry mode for ZARA and H&M to adopt for spreading risks. When they sign joint venture agreements with local companies, they cannot control subsidiaries and stores strictly. They need to discuss with local companies when they want to adjust products, service, any kinds of strategies, and so on. As a result, fast fashion clothing retailer brands should expand to high-risk countries by franchising especially expanding to the Middle East and Africa.

The governments of some countries make policies and laws to regulate foreign investors in order to protect their local industries. For example, Indian government does not allow 100% foreign direct investments. Corporate joint ventures are still regulated by the Companies Act and the Limited Liability Partnership Act. Foreign investors also need to comply with tax laws of India and other regulations such as the Foreign Exchange Management Act. As a result, ZARA had joint venture agreement with local company, Tata Group. Some countries clearly formulate legislations of signing joint venture agreements with

local companies to foreign investors. At this situation, fast fashion clothing should have joint venture agreements with local companies.

2. Value Chain Activities

2-1. Fast fashion clothing retailer brands can design and manufacture standardized products to meet the pressure of global integration.

ZARA, H&M, UNIQLO, and Gap established their research and develop centers in headquarters. According to operation reports of these four brands, they provide standardized products for global customers due to the homogeneity of customer demands in a global market. Designers gather information about latest fashion trends and then design new products with fashionable elements. The latest fashion trends global customers pursue are the same so designers can design standardized products for global customers.

In the manufacturing section of value chain activities, garment factories manufactures what designers design in the headquarters so they manufacture standardized products. In the interview, Tadashi Yanai stated that UNIQLO makes garment factories be willing to cooperate with them by increasing the volume of orders to hundreds of thousands. Since four brands aim to provide standardized products to the global markets, they form production teams to visit garment factories weekly to resolve production quality or management issue. ZARA, H&M, UNIQLO, and Gap has noticed the homogeneity of global customer demands so that they globally integrate the product designing and manufacturing sections in value chains.

2-2. Fast fashion clothing retailer brands should not only have an automatic logistics center to inspect the quality of all standardized products but also have distribution centers or warehouses in different regions to respond demands of different markets as well.

H&M outsources its logistics and delivery to famous logistics companies, DHL Express and Green Cargo. It only owns the central warehouse in Hamburg of Germany. All garment factories send products to the central warehouse and then products will be distributed to different stores. Besides, UNIQLO implemented the Ariake project to establish new automatic logistics center nearby the headquarter in Tokyo. The new automatic logistics center deal with all products. This can completely inspect that all products delivery to different stores have same quality. However, it is high-risk for fast fashion clothing retailer brands to having only one warehouse to deal with all products if the logistics system crashes or in an emerging situation. Shawn Curran, Gap's executive vice president of global supply chain and product operation, mentioned the August 2016 fire destroyed Gap's distribution center in Fishkill of New York in the interview. The distribution center in Fishkill is the second-large center of Gap that deal with 40% orders. Gap's logistics teams immediately re-routed products and increase operations in size at other major distribution center in Fresno and Gallatin. In this case, Gap could solve problems of distribution center's damage because it owned other distribution centers to deal with products from distribution center in Fishkill. What's more, ZARA also established central logistics center nearby the headquarter and established other distribution centers in Zaragoza, Madrid, and Lyon. Fast fashion clothing retailer brands should establish a central logistics centers to deal with all products to inspect the quality and make logistics process more efficient. They should also establish other distribution centers to delivery products to physical stores.

What's more, fast fashion clothing retailer brands face high pressure of local responsiveness in the logistics section in value chains since the climate of northern and southern hemisphere are opposite. There are also many differences between Western and Eastern markets. So, ZARA established the automatic central logistics center and three delivery centers in Spain to deal with products which are delivered to stores in northern

hemisphere. It established warehouses in Brazil, Argentina, and Mexico in order to store products because the climate of northern and southern hemisphere are opposite. In addition, Gap also owns logistics centers in the United States and distribution centers in the United States, Canada, and the United Kingdom. It outsources its logistics of Asia markets to the third-party logistics companies to have distribution warehouses in Japan, Hong Kong, and China. Gap develop distribution centers in Asian countries in order to response customer demands in Asian markets and to adjust the order of products to different stores rapidly.

2-3. Fast fashion clothing retailer brands can have standardized concepts for management of physical stores and online shopping platform but also need to diversified in details as responses for local customers.

In the selling section of value chain activities, fast fashion brands face high pressure of global integration and local responsiveness. ZARA, H&M, UNIQLO, and Gap have standardized concepts and rules for management of physical stores and online shopping platform. As fast fashion clothing retailer brands, ZARA, H&M, UNIQLO, and Gap all want to have authority of store management in order to build same brand images and convey same brand concepts. They convey messages to customers through standardized display of products and window display. Through the field survey, it is obvious that all stores of ZARA and H&M display their products by separating into different styles while UNIQLO and Gap display their products by separating into different categories. These four brands require stores to follow the key concept of product display by separating into different styles or categories in order to globally integrate physical stores. Meanwhile, fast fashion clothing retailer brands also need to face the pressure of local responsiveness through physical stores. In the interview, the H&M store manager mentioned that they have right to design the product display to present the themes and styles that headquarter requires. They convey the same messages about latest fashion trends through the themes and styles of display that headquarter

requires. However, stores emphasize on display different products which do not sell well in the stores in order to make customers notice and purchase those products. What's more, UNIQLO also regards responding local customer demands through physical stores is also important because it failed at expanding to the United Kingdom in 2001 due to cultural differences. So, UNIQLO makes its flagship stores combined with local cultures. For instance, UNIQLO opens a flagship store which have exhibition about the cultural fusion about cultures of Japan and the United States. UNIQLO also provides maps of Taitung's must-see attractions in the Taitung flagship stores. Fast fashion clothing retailer brands face pressure of both global integration and local responsiveness.

Through the observation about online shopping platform of ZARA, H&M, UNIQLO, and Gap, it can be observed that the online shopping platforms are all standardized on the layout of websites. However, they face the pressure of local responsiveness by presenting websites in local languages for different countries. Fast fashion clothing retailer brands can build standardized brand images by same layout of websites but make customers feel comfortable by presenting online shopping platforms in local languages.

2-4. They can also produce different advertisements on main concepts for facing pressure of global integration and local responsiveness in the selling sector of their value chains activities.

Due to the high pressure of global integration and local responsiveness, the strategies for advertisements are also important. ZARA is different from H&M, UNIQLO, and Gap on producing advertisements. ZARA spends only 0.3% of its revenue as the cost for advertising while other brands spend about 5% of their revenues. ZARA does not focus on advertising so that it only produces standardized advertisements for the global market. However, only adopting standardized strategies on advertising cannot reduce the high pressure of local responsiveness. H&M, UQNILO, and Gap produced both standardized advertisements and

diversified advertisements for different countries. They all produce some standardized advertisements for the global markets but they also invite local celebrities to take advertisements for different countries. Producing advertisements with local celebrities can make brands and products be closer to customers easily and build brand awareness rapidly by the popularities of local celebrities. It is important for fast fashion clothing retailer brands to produce not only standardized advertisements but also different advertisements for different countries.

3. Marketing

3-1. Fast fashion clothing retailer brands need to develop deep and wide product assortments.

ZARA, H&M, UNIQLO, and Gap are fast fashion clothing retailer brands. They all aim to provide inexpensive but high-quality products with fashionable elements to all customers in different styles at different ages. Through the field survey of physical stores and online shopping platforms of ZARA, H&M, UNIQLO, and Gap, the product assortments are all deep and wide. The customer segments of these four brands are women, men, and kids. They provide jackets and coats, tops, bottoms, dresses and outfits, inner-wear, and accessories for each customer segment. Every product is in various colors. As a result, these four brands can meet all customer demand since they provide thousands of products for customers to purchase. Other fast fashion clothing retailer brands need to develop deep and wide product assortment to satisfy every customer, so the sale volumes and revenues will increase.

3-2. They need to adjust the quantity of products for different stores and provide different products for the northern hemisphere market or the southern hemisphere market.

In addition, ZARA, H&M, UNIQLO, and Gap adjust the quantity of each product delivered to different stores in the global market. In the interview, H&M's store manager mentioned that the headquarter decides the quantity of products to be delivered to different stores. Every store has its own major customers. For example, the major customers of the store in Dream Mall of Kaohsiung are family, so the headquarter distribute more kids' clothing to that store. The major customers of the store in Kaohsiung Arena are modern women so that the headquarter distribute more urban outfits to this store. What's more, ZARA, H&M, and UNIQLO provide different products to northern hemisphere market and southern hemisphere market due to opposite climates. Providing different products for two hemisphere markets aims to meet different customer demands in different seasons. So, fast fashion clothing retailer brands need to adjust the quantity of products for different stores and provide different products for the northern hemisphere market and the southern hemisphere market for local responsiveness.

3-3. Fast fashion clothing retailer brands need to list price at an affordable level.

One of most important concept for fast fashion clothing retailer brands is providing inexpensive products. Through the filed survey, the researcher picked 31 similar products from these four brands on September 17th, 2019 and then calculate the average price of all products. The average prices of UNIQLO, ZARA, H&M, and Gap are 820 NT dollars, 1263 NT dollars, 1112 NT dollars, and 1666 NT dollars respectively. Compared with the luxurious fashion brands whose products cost tens of thousands of NT dollars, ZARA, H&M, UNIQLO, and Gap provide fashionable products at an affordable price. The affordable price can increase the desire of purchase so that the sale volume will increase.

3-4. They need to adopt strategy of cost-based pricing.

In the internal reports, it was mentioned that ZARA adopts strategy of value-based pricing. ZARA sets up price of products that customers are willing to pay for its products and

service. Then, ZARA need to reduce cost back to the value chain in order to make profits. On the contrary, H&M, UNIQLO, and Gap adopt strategy of cost-based pricing. They make a great effort to reduce cost in order to set up an affordable price of products for customers. Cost-based pricing is more suitable for fast fashion clothing retailer brands. Cost-based pricing is simpler and clearer than value-based pricing. Besides, brands must earn profits through adopting cost-based pricing and cost-plus pricing. Sometimes they even earn much more profits due to heavy demands of products. So, fast fashion clothing retailer brands need to adopt cost-based pricing.

3-5. They need to develop online shopping platform as a channel while they focus on opening physical stores.

ZARA, H&M, UNIQLO, and Gap mainly provide products to customers through physical stores. Customers can try on products in physical stores. At the perspective of managers of Gap, friendly salespeople who chat with customers and provide customers inspiration of dressing up can help brands build friendly images. Salespeople can also persuade customers to purchase more products in physical stores. These are advantages that online shopping platform is hard to do. However, there have been more and more customers purchase clothing online due to the improvement of technology. So, ZARA, H&M, UNIQLO, and Gap have develop online shopping platform to provide products to customers. In Gap's annual reports, managers even stated that Gap would focuses on online shopping platforms and will gradually close physical stores in the future. As a result, fast fashion clothing retailer brands need to open physical stores and develop online shopping platform at the same time.

3-6. Fast fashion brands need to open warehouse stores and open stores at the prime location in cities.

The type of store ZARA, H&M, UNIQLO, and Gap open are warehouse stores which are defined as large stores that sell a large quantity of products in different size and colors.

The advantage of warehouse stores is customers can clearly see all products in different sizes and colors on the display by themselves. What's more, the chief executive of UNIQLO, Tadashi Yanai stated that he decided to open warehouse stores mainly to reduce the cost of store decoration. So, opening warehouse stores is also a strategy to reduce cost. Besides, they open physical stores at the prime locations in cities in order to build brand awareness rapidly. For instance, ZARA, H&M, UNIQLO, and Gap owns stores at Fifth Avenue of New York where is a prime location of New York for fashion industry. Although the Fifth Avenue is a high-competitive area for fashion brands, clothing retailer brands can build brand awareness rapidly by open a store there. Besides, the chief executives of ZARA and H&M stated that opening stores at the prime locations in cities also makes stores be adjacent to luxurious fashion brands so that they can build images about high quality, luxury, and fashion at the same time. So, opening physical stores at the prime locations in cities can help fast fashion brands internationalize successfully.

3-7. Fast fashion clothing retailer brands should hold sales promotions and discount events frequently instead of only holding when seasons shift.

ZARA and Gap seldom hold sales promotions. ZARA claims that holding sales promotion is a strategies to make customer regard it as a cheap and low-quality brand. ZARA and Gap hold sales promotions only when seasons sift. According to the interview with the store manager, H&M sometimes hold sales promotion not only when seasons shift but also for special events or festivals such as Chinese New Year. H&M has a fixed schedule of holding sales promotions. They does not have sales or discount events temporarily. However, ZARA,H&M, and Gap stock a great amount of products because those products are unsold but they do not willing to have sales and discounts to persuade customers to purchase. They are even accused of burning about 12 tones new unsold clothing per year. This accusation builds a negative brand image of ZARA, H&M, and Gap. So, fast fashion brands should

simulate promotion strategies of UNIQLO. It sets plans for each products every week and it will analyze the actual sale volume with plans. If the actual sale volume does not achieve the goal, UNIQLO will hold sales promotion to encourage customers purchase to make the sale volume reach the goal. The sales promotions and discount events can persuade customers be more willing to purchase than usual. They even will attract potential customers. Holding sales promotions and discount events cannot only increase the sales volumes and decrease the stocks but also build brand awareness efficiently.

CONCLUSION

This research aims to explore how fast fashion clothing retailer brands internationalize successfully. The researcher collected data about ZARA, H&M, UNIQLO, and Gap from interview, field survey, annual reports, presentation of conferences, finance reports, corporate governance reports, and news. After analyzing amounts of data, the research hope to find the best internationalization strategies to help fast fashion clothing retailer brands internationalize successfully. Each section of value chain activities from designing to selling should integrate globally or respond locally and how to develop marketing strategies are also two major issue to discus in this research.

ZARA, H&M, and UNIQLO adopt strategies of expanding to from nearby countries with similar cultures to far countries with long cultural distance. ZARA, H&M expanded to other European countries easier than expanding to other regions because the cultures among European countries are similar and most of European countries join European Union. Although UNIQLO expanded to the United Kingdom and tried to expand to the lead country in fashion industry at the first, it did not achieve success as prediction and it also noticed the cultural distance between homeland and host countries makes it hard to expand markets. So, UNIQLO changed its internationalization strategy to expand to nearby countries with similar countries, China and South Korea, and it succeeded. In addition, ZARA, H&M, and UNIQLO mainly expand by investing 100% ownership companies and opening company-own stores. However, they expand to high-risk countries by franchising in order to inspect product quality and spread risks at the same time. Besides, there are some countries that fast fashion clothing retailer can only expand by signing joint venture agreements with local companies due to the governments' regulations to foreign investors.

Due to the homogeneity of global customer demand and gaining competitive advantages to make garment factories be willing to cooperate with by develop economies of

scale, they face the pressure of global integration. Fast fashion clothing retailer brands need to integrate globally the sections of designing and manufacturing products. Then, fast fashion clothing retailer brands need to own a central automatic logistics center nearby the headquarter and several distribution centers or warehouses in different regions. Establishing a logistics center nearby the headquarter cannot only putting all products to the logistics center to examine product quality but also quickly respond problems and demands from headquarters. However, they should also have several distribution centers in different regions for local responsiveness. For instance, ZARA does not only own distribution centers in Spain but also own distribution centers and warehouses in Brazil, Argentina, and Mexico in order to respond different demands of northern and southern hemispheres. In addition, they need to face high pressure of both global integration and local responsiveness on the selling section. ZARA, H&M, UNIQLO, and Gap want to build same brand images globally, so their stores need to be standardized. However, they also need to have differentiation to face the pressure of local responsiveness. The headquarter of H&M requires the standardized themes and styles of product display of all stores. Store managers can display new products and old products together to perform themes and styles the headquarter requires. Store managers are those who know customers best so they can develop the most attractive product display to customers.

When fast fashion clothing retailer brands internationalize, they can develop marketing strategies with following suggestions. Firstly, fast fashion clothing retailer brands need to make product assortment wide and deep. They also need to adjust the quantity of products for different stores and provide different products for the northern hemisphere market or the southern hemisphere market as marketing strategies of products. ZARA, H&M, UNIQLO, and Gap widen and deepen their product assortments in order to meet all customer demands. Due to the opposite climate of northern and southern hemispheres, fast fashion clothing retailer brands have to provide different products to two hemispheres. Secondly, they should

list price at an affordable level. They also need to adopt cost-based pricing as marketing strategies of price. H&M, UNIQLO, and Gap adopt cost-based pricing because it is simpler than value-based pricing and they can earn much more profits by economies of scale. Thirdly, they should open warehouse stores at prime locations in cities. ZARA, H&M, UNIQLO, and Gap aim to reduce costs of stores' decoration, so they open warehouse stores which do not have any cost of decorations. Besides, they all open store at the prime locations and be adjacent to luxury fashion brands since this strategy can help them build brand awareness rapidly. Lastly, they should hold sales promotions and discount events frequently as a strategy of promotion. For instance, UNIQLO sets up sales plans for each products every week. If the actual sales volume of products does not achieve goals, it will hold sales promotions and discount events to make the sales volume increases.

To sum up, domestic fast fashion clothing retailer brands can imitate ZARA, H&M, UNIQLO, and Gap to adopt the same successful internationalization strategies and overcome the weakness that these four brands have when domestic brands internationalize. The researcher hopes this research can give practical suggestions about adopting right internationalization strategies for domestic fast fashion clothing retailer brands to succeed.

Managerial Implications

This research gives suggestions on what internationalization strategies fast fashion clothing retailer brands should adopt. So, the findings give methods for fast fashion clothing retailer brands to internationalize successfully. Besides, the research also provide a pattern to help fast fashion clothing retailer brands to analyze other brands' internationalization strategies, so they can follow the pattern to find the successful strategies from competitors to imitate.

APPENDIX

Appendix 1: Questionnaires used in the interview

一、背景詢問：

1. 請問您於該品牌之職位為何？
2. 請問您負責業務範圍為何？

二、深入訪談

1. 該品牌之核心顧客群為何？
2. 總公司堅持的核心價值與品牌定位有哪些？那是如何去達到並將其傳達給消費者？
3. 員工的教育訓練是如何？有一定的 SOP 程序嗎？在員工的教育訓練中，有哪些事總公司強烈要求必要且一致性的準則或訓練內容？員工訓練中是否該分店自行規劃的訓練項目？
4. 會與員工共同討論職涯規劃或未來展望嗎？如何討論以及留在該品牌的職涯規劃大概為何？
5. 員工之間如何建立溝通關係與團隊合作等團隊養成方式？
6. 請問您知道該分店位址設立於購物中心並非發展獨立店面之考量為何嗎？
7. 總公司是否對每一間分店的營運決定權比重不同？如果是，那比重決定標準為何？
8. 該品牌是如何了解顧客的需求傾向？是通過觀察顧客穿著、顧客主動反映或其他方式？
9. 商品大概多久更新一次？那商品的銷售週期為何以及大概多久？是否是總公司決定或是店面可以自行決定？
10. 品牌之商品風格與類型大致分為幾種？那您認為產品線寬度寬廣是否成為該品牌之優勢並帶來較多顧客與銷售量？
11. 分店新品款式與數量如何決定？
12. 分店進行補貨之需求與數量如何決定？
13. 如何檢視商品業績？如果商品銷售量不理想會如何探討找出銷售不理想的原因並採取什麼補救方式？
14. 該品牌推廣、宣傳或行銷方式為何？

15. 該品牌在何種情況下會推出什麼樣的促銷或打折等降價活動?
16. 品牌有行銷宣傳之公關活動或是促銷降價活動時，會採取何種管道與方式通知顧客?
17. 總公司評量店面之績效評估的準則或指標有哪些?
18. 子公司會用什麼樣的方式去跟各個店鋪聯繫以了解店面的營銷狀況以及頻率為何?
19. 在經營策略中有哪些是總公司規定之一致性策略?又有哪些經營策略為分店個別擁有之經營策略決定權使分店做出差異化?
 - 年度目標設定
 - 店面裝潢、商品擺設與櫥窗展示
 - 市場區隔與商品定位
 - 促銷降價等活動
 - 宣傳形象等公關行銷活動
 - 通知顧客新品上市與促銷活動與聯繫的管道與方式
 - 商品聯名部分是全球一致化或是台灣在地化
 - 其他
20. 就您的了解, 生產、行銷、財務、人力資源、研發哪些方面是設在母國? 哪些是在地主國有設點? 哪些是母公司很注重且要掌握主控權的, 哪些會徵詢台灣子公司或分店的意見與讓子公司或分店做決策?
21. 子公司間或分店間是否會互相學習模仿?
22. 分店有哪些資訊是品牌母公司或台灣子公司所需要的?
23. 分店有哪些知識或資訊是依賴母公司或台灣子公司所給予的?

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