

ACNE STUDIOS MARKETING ANALYSIS

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Executive Summary

Acne Studios was founded in 1996 in Stockholm, Sweden by John Johansson as a luxurious brand specially on men's and women's ready clothing, denim, footwear, and accessories. Over the years, the firm expanded to open over 650 retail stores in around 30 countries marking a tremendous growth given the initial capital was 10,000 pounds which saw the company make 100 pairs of jeans in 2007. With a strong brand and customer base, the company enjoys conducive political environment in Sweden where it also participates in corporate social responsibility as per the regulatory procedures. Even though the firm faces stiff competition from firms like Carin Wester and Velour, it has managed to thrive through strategic marketing strategy and collaboration with brands like Bianchi Bicycles, Carl Malmsten's sofa, and Katerina Jebb's. Since the U.K market is significantly different given they have a low power distance as per the Hofstede's model while that of Sweden is high, the firm should embrace a joint venture strategy to help counter challenges related to new business policies, individualism, taxation polices for foreign firms, and stiff competition.

Acne Studios Marketing Analysis

Introduction

Founded in 1996 in Stockholm, Sweden, ACNE (Associated Computer Nerd Enterprises) is a luxury fashion which specializes on women's and men's ready clothing, accessories, denim, and footwear. Notably, the company's founder John Johansson had unequivocal interest in art and photography which saw Acne studios become a reputable creator of publications, furniture, special collaborations, and furniture (Acne Studios 2018). Today, Acne studios has over 650 retailers in around 30 countries marking a tremendous growth given the initial capital was 10,000 pounds which saw the company make 100 pairs of jeans in 2007. As the brand became more popular, the company decided to further diversify their operations and invested in print forming the Acne Paper brand which is a bi-annual magazine established in 2005. Further, in 2008 the company partnered with Lanvin resulting to the creation of a new denim fashion and the opening of a new store in Paris. Apparently, Acne Studios is one of the world's recognized brands whose growth has been facilitated by the understanding that the international growth of such retailers is higher in foreign markets compared to the local European nations. To increase its global presence in the fashion industry, Acne Studios collaborated with different brands and artists like Jack Pierson which helps it thrive in the highly competitive fashion industry. For instance, the company collaborated with Bianchi Bicycles, Carl Malmsten's sofa, and Katerina Jebb's collections which helped increase the range of its products with the most recent collections being unisex pajamas and small leather products designed with Jack Pierson's brand (Acne Studios 2018). Notably, the firm's excellent quality and aesthetics in their clothing presents a higher competitive advantage; an element which has seen it become a luxury brand with a higher price point compared to some of the local operators. Therefore, this report explores Acne Studios'

marketing strategy and presents essential insights on how the brand can penetrate into the British market after conducting an internal and external environmental analysis.

External Analysis

Macro-Environmental Analysis

Macro-environmental analysis seeks to explore the effects of factors like the economy and politics on a business; Acne Studios in this context. Given the business does not operate on its world, it is paramount to consider the effects of politics, legal, economic, social, and technological factors on the business which helps in the identification of the threats and opportunities the business faces and effects of the same on its operations. To sufficiently explore Acne Studios' macro-environmental analysis, this report will consider the PESTEL (Politics, Economic, Social, Technological, Environmental, and Legal) factors in Sweden where its major operations are conducted.

Political

As a company, Acne Studios does not have influence on Swedish politics but the reforms made by the political class have paramount impacts on its operations and the fashion industry as a whole. Apparently, Sweden is a country where the freedom of expression and engagement in business endeavors is highly granted with the stable parliamentary democracy system protecting the interests of both foreign and local investors. Apparently, the national government seeks to constantly increase the rate of investment in the country through the creation of a peaceful conducive business environment which not only appeases traders but also attracts more employment opportunities. For instance, the Swedish government only operates the alcohol industry as a monopoly but has allowed investors and market dynamics of other sectors like fashion industry to operate freely. Further, the low taxation rates make the Swedish market easily

to operate in since the production cost is appreciably lower. Notably, the government has also imposed high taxes on the importation of clothes and other apparel which creates a sustainable operating milieu for local fashion players like Acne Studios which is one of the key players. Politically, the country is very safe and stable with strict policies enacted to bar corruption by individuals and business entities (Shen 2016). Therefore, the political environment presented by the Swedish government through its parliament or the *Riksdag*.

Economic Factors

As already identified above, Sweden is a politically stable country with sound fiscal policies to enhance business growth and provide a higher labor force for higher productivity and growth prospects. Uniquely, the increased spending on economic factors helps avert adverse impacts in the event of future uncertainties like recession. This is due to the effects of the previous global economic recession and Eurozone crisis which had adverse impacts on Sweden. With an inflation rate of between 0.6% as of 2016, the average household disposable income for the Swedish families is \$28,800 with the unemployment rate being merely 8.6% (Aspers 2018). Equally important, the government has put in place measures to award credit facilities and portfolio investment for both local and foreign investors in a fair manner. For instance, the Central Bank of Sweden is tasked with the burden of making access to credit instruments by private investors much easier; thus, promoting economic growth. Such policies have seen the country's domestic demand as well as exports growth by around 3.1%; thus, a significant economic rebound after the Eurozone and financial crisis (Foreign and Commonwealth Office 2018). Equally important, Acne Studios has many stores globally which presents either medium or high disposable income. One of the threats facing Acne Studios from this sector is the loss of jobs by some Japanese consumers which implies that there might be a significant loss of income

as per the economics theory which insists that spending on luxurious items is more of a 'conspicuous waste' characterized by higher income levels of the consumers. The other economic factor which affects the penetration of the firm to foreign markets is currency volatility especially in the present condition where the Brexit politics are still in play and pose significant danger on the value of the Euro.

Social Factors

Apparently, this is one of the external environment factors which the company has managed to control over time since they have invested on social media platforms like Facebook, Instagram and Twitter which are most common in Sweden. Through this, the company has managed to market their products as high-end luxurious fashion and apparel items and they can easily reach the target market through social media ads. Equally important, the Swedish population is educated with free schooling offered to children between 7 to 16 years and free tuition fees for the students in college. The Swedish society also embraces straight forward communication and one that is free of exaggeration which makes them easy to do business with. This is why the 2017 World Bank's report about the ease of doing business ranked Sweden as the sixth best country to conduct business in the world. In fact, the employers and investors in the country have proved beyond reasonable doubt that it is possible for an entrepreneur to make huge profits without exploiting the locals and by engaging in corporate social responsibility. As such, issues such as human rights, equality, climate change, and corruption are handled with care since businesses understand the impacts of their unethical activities on the society they serve. However, the presence of fake fashion products poses significant danger to the growth of firms like Acne Studios which rely on the uniqueness and quality of their products to diversify into various global markets (Shen 2016). Most of these products are from the Chinese market and

even the government cannot control the population with regards to the products they consume. Equally important, the Swedish inflation rate is increasing with the house debt and house hold prices on the rise especially given there has been a move to lower the taxation rates and at the same time initiate welfare reforms.

Technological Factors

The number of online shopping platforms have significantly increased owing to the recent technological advancement witnessed over the past few years. Apparently, most of the firms have heavily invested in technological equipment for easier and cheaper production and marketing costs. Equally important, Acne Studios employ different techniques including the incorporation of social media and print media advertisements to market and sell their products to the target consumers. This enables the firm to incorporate both online and offline services which helps them to not only maintain customer trust and loyalty but also diversify in foreign stations. Recently, the company's CEO announced that they would be employing RFID for stock taking to increase their accuracy and at the same time grow their operations globally with minimal hitches (Acne Studios 2018).

Environmental

The environmental factor in the fashion industry has significantly changed over the past few years especially due to increased campaigns calling for adherence to environmental conservation practices like the Kyoto Protocol. Further, there has been an increase in the quantity of production during fashion seasons. Apparently, such high production capacities have also forced retail stores to lower their prices in a bid to increase competitiveness coupled with design flexibility, high quality, and speed of delivery of items to the market. On the contrary, Acne Stores utilize their superior quality to appease their customers to spend on their more expensive

products. Therefore, their customer is more of a member of a sustainable and ethical movement given the company motivates them to embrace conservation.

Micro-Environmental Analysis

Porter's Five Forces

To fully understand the fashion industry in Sweden, it is critical to employ the Porter's five forces model which aids in understanding the structure and profitability of a certain market segment. According to the Porter's model, the economic structure of any industry is a factor which plays an essential role in the firm's competitiveness. Therefore, there is need to understand a company's competitors, suppliers, potential entrants, and substitutes as well as the fundamentals affecting each element.

Industry Competitors

There is a strong competition in the Swedish fashion clothing and apparel industry especially for Acne Studios which competes with already established firms like Whyred, Filipa, Carin Wester, Velour, and Hope. Surprisingly, most of these firms have almost the same design with Acne Studios and they can all be categorized into either middle or high price brands (Whyred 2018). For instance, Velour is a luxurious brand which was established in 1980s and dominates a significant proportion of the Swedish fashion industry. As modern firms, some of Acne Studios competitors have heavily invested on social media and other marketing strategies which poses a great threat to the company's competitiveness and market control. For instance, Carin Wester has already diversified their operations into global markets like the U.S. and England which not only presents greater financial muscles but also spreads the risk such that any economic uncertainties in Sweden do not largely affect its future. Apparently, one of the ways to counter the threat of competition in addition to diversification to other global

Power of Suppliers

The power of suppliers in the fashion industry cannot be ignored since designers and producers of apparel and accessories cannot play both the role of the source and the suppliers. Apparently, suppliers aid in ensuring a smooth flow of the product cycle by connecting firms like Acne Studios with the final consumers. As a matter of fact, most of the fashion firms in Sweden have engaged in contracts with suppliers who not only provide the products to the consumers but also ensure that the brands are effectively marketed. This implies that the fashion firms outsource some components of value chain to different firms since Acne Studios relies on different manufacturers for fabrics, garments, and trimmings (Acne Studios 2018). With its own design, all what the firm does is to outsource the services of suppliers. Even though the firm has some control of its suppliers, there is need to establish sustainable relationships to ensure that its products are effectively distributed and that they reach the target consumers on time.

Buyer Power

Just like in any other firm, Acne Studios relies on customer will to sell their products either locally or globally. Apparently, the buyers have a substantial control of the market given their huge numbers and the high number of retailers which makes them to have more substitutes to select from. On the other hand, Acne Studios sells their products to retailers who then sell to the end consumers. However, the firm also has its own stores which makes it an integrated retailer for its own products. The buyers control the market due to their huge demand and the presence of substitutes; thus, Acne Studios should ensure they fully connect with them to ensure they optimize their products. Therefore, Acne Studios should ensure that it market its products sufficiently and at the same time address any customer queries in a timely manner to help avert loss of customers especially those referred to the firm's products by their friends and relatives.

Threat of Substitutes

As already stated above, some of the players in the fashion industry in Sweden include Whyred, Filippa, Carin Wester, Velour, and Hope which presents a higher number of products for customers to choose from. Undoubtedly, substitutes also affect the viability of the industry since the buyers have freedom to select which supplier they should buy from. In fact, there are many stores selling fashion and design clothes and other that offer generic substitutes which affect the luxury brands like Acne Studios whose income is significantly reduced. Unfortunately, there is a growing trend for secondhand clothes especially amongst the middle-income population which are not only cheaper but also create some aspect of uniqueness and style. The other substitute which poses great threat to fashion industry and players like Acne Studios is the tailor-made clothes where some of customers especially working-class men prefer suits and tailor-made shirts. However, there is some hope since most of them prefer putting on casual clothes while travelling abroad or within the country. However, with a great advertising technique, the company will surely control a significant proportion of the market; thus, making it more profitable. As if that is not enough, the firm should collaborate with some of the players in the industry through amalgamation or acquisition to help grow its customer base. There is also need to source for more suppliers for its clothes and apparel to help in marketing and distribution of its products both globally and locally.

Task 2: Internal Analysis

Company Culture

The culture at Acne Studios is one that motivates a combination of entrepreneurship, creatively, as well as high-quality fashion clothes and apparel. This is incorporated with the vision to create a global and growing business which is profitable and aids in spreading of the

image of innovative and modern Sweden. Equally important, the firm's founder Jonny Johansson drives its vision to provide unique clothing and apparel products to the target while embracing technological advancement and corporate social responsibility. This saw the company win 2017's Cultural and Create Industries Export Prize which aids in the strengthening of internationalization across various sectors like film, photography, art, media, and fashion design. With over 500 employees, Acne Studios embraces diversity in its workplace under the leadership of its founder and creative director Jonny Johansson (Government of Sweden 2018). When it comes to corporate social responsibility, Acne Studios the packaging of its products is one that considers environmental conservation. Apparently, the shopping bags and merchandise like stationery are covered in pink and to make them useful to the society, the company ensures that they are biodegradable. Further, Acne Studios is also part of the Fair Wear Foundation (FWF) which helps in the monitoring and improvement of the labor conditions of the Swedish industries. As part of its corporate social responsibility, Acne Studios has developed its Code of Labor Practices which is also used by its suppliers while interacting with the retailers and customers (Acne Studios 2018). This helps ensure that they adhere to labor standards including publishing their 'Social Report' annually while copying the relevant stakeholders.

Marketing Activities

In a bid to have a great brand, Acne Studios should understand how customers they and how they feel about their products since it is through this where the firm is able to market its products effectively. Apparently, marketing helps achieve a strong brand equity which not only attracts more clients but also presents competitive advantage to the company. In a bid to understand Acne Studios' marketing activities, it is critical to explore the 4Ps model; product,

price, place, and promotion which aids in understanding the market dynamics and the firm's future proposed by Ghosh and John (2015).

Product. Acne Studios has a range of products which are clearly presented in their websites in addition to their company logo. These products include ready to wear designer clothes like jeans, sweaters, and shirts as well as the Bla Konst design collection which was produced under the firm's collaboration with Alex Knost. Analyzing its online website, it is apparent that the core product for the firm is stylish apparel which are also affluent given they sell luxurious; thus, more expensive products to their customers. At the same time, the company employs fashion and style to lure its customers to try their quality and unique products which are carefully packaged in pink bags which adds more uniqueness and some sense of belonging. Equally important, Acne Studios use quality products and materials which are also custom-designed to meet customer demand and to make them aesthetically superior. The BCG (Boston Consulting Group) matrix for Acne Studios major products are jeans, coats, sweatshirts, and sunglasses which have higher demand compared to recently introduced products such as bags and shoes whose demand is significantly lower.

Price. As already stated above, the pricing strategy employed by Acne Studios is premium pricing integrated with skimming strategy since it seeks to introduce quality but yet expensive products to the market. This implies that they target middle-income and high-end customers whose product range reflect their prestige. Notably, the brand's original idea was to be innovative by making principled and aesthetic products which has seen the company grow its total revenue to around 284 million Euros as of 2017 (Acne Studios 2018).

Promotion. Undoubtedly, Acne Studios engage in intense marketing endeavors which explains its expansion over the years even to global markets like France and the U.S. Notably,

the firm publishes the Acne Paper which not only persuades consumers to buy its products but also educates them on how to effectively select the best fashion designs. Even though the company has recently embraced the role of social media in the marketing of its products, Acne Studios heavily relies on the weekly fashion shows which are conducted in their show rooms or in different markets through collaboration with different brands like Lanvin. As already stated above, the company's packaging is also a marketing strategy since all customers walk away in pink bags clearly labelled 'Acne Studios'. This way, the company creates awareness about its presence in the market through imagery and color which the target market can easily identify. Further, using the AIDA (Attention, Interest, Desire, and Action) model for marketing and advertising, it is apparent that the attention stage is uniquely created through imagery and pink color which is highly appreciated by the clients while interest phase entails advertisement of the company's products to increase its market command as well as competitiveness (Ghosh and John 2015). Equally important, in the desire stage, the company produces quality and aesthetically appealing products which attract more customers while in the action phase, the firm's products are purchased by the customers.

Place. As already stated, Acne Studios has already established its market place in over 40 countries boasting in several stores in some major cities in the U.S, France, Italy, and the U.K. Definitely, Acne Studios operates in foreign markets; thus, the need to consider internalization or globalization principles to make it competitive and reputable in the markets it operates. Clearly, globalization is a dynamic process which oversees great freedom of entrance and exit from the national markets; thus, there is need for consideration of the PESTEL elements for effective operation in the new markets. Through globalization, Acne Studios is able to engage with new

consumers from different geographical settings which increases its profitability; thus, a more promising future which also appeals its stakeholders.

From the analysis above, it is clear that Acne Studios employ different kinds of fabrics like wool, cotton, acetate, polycrepe, and acrylic to make products of different sizes using an assortment strategy combined with the premium pricing strategy under which they target the high-end social or economic class. Further, the firm employ Scandinavian styles with a great combination of colors and simple colors to make their apparel personal and cool. In fact, to effect their premium pricing strategy, they buy materials from factories in Portugal, Italy, Turkey, and Hong Kong. On the other hand, the company has a strong brand which is also recognizable in major cities like New York and Stockholm where fashion industry is highly valued (Acne Studios 2018). Further, they also operate in other nations like Belgium, Denmark, U.S., and Germany where they own several stores; thus, increasing their customer base and making their brand stronger. The company has managed to implement its premium pricing policy effectively and reap profits from the same due to volatility of currencies such that they reap more from the sale of products in one market than the other. However, this cannot be achieved without quality products which not only attracts customer loyalty but also results to more referrals. However, to counter the stiff competition from both local and international brands, the company should invest more on social media advertisement as well as its value chain especially where it interacts with suppliers in an ethical and professional manner. Even though the firm operates in new foreign markets where some of the polices are not conducive, the management should consider collaborations through amalgamation or acquisitions to help it penetrate more markets and operate effectively.

Task 3: Market Entry Strategy

This section shall explore how Acne Studios can effectively diversify their operations into the U.K. where fashion is highly valued and expensive brands respect as well. Using the Hofstede's power model presented below, it is apparent that the U.K market is significantly different from the Swedish one. This presents the need for the STP (Segmenting, Targeting, and Positioning) framework to understand how Acne Studios should operate in the new market. When it comes to segmentation, Acne Studios should mix demographic, psychographic, and geographic segmentation strategies to help meet the needs of its different clients. At the same time, the positioning strategy should be used to highlight the customer's central approach for the satisfaction of the changing customer needs having in mind that the market is highly evolving and at the same time competitive. This shows that the best market entry strategy for the firm is using joint ventures where it approaches local fashion companies to help make synergies and understand the market better (Fornell and Wernerfelt 2017). This is from the understanding that the Swedish culture explored using the Hofstede model is quite different from that of the U.K. Apparently, having its own subsidiaries will be expensive for a start since the management has little understanding of the U.K environment which is viable but at the same time dynamic and volatile.

Potential Challenges that May be Encountered in the U.K.

According to the World Bank (2018), the U.K ranks number 9 out of 190 countries in the ease of doing business in the 2018 report with the Using the Hofstede's model for cross-cultural communication which describes the impacts of the culture of a society on values of members and its relation to behavior, it is possible to explain the reasons why the U.K is the best country for Acne Studios to enter. Clearly, the U.K has low power-distance which measures the extent to which lesser powerful societal members expect and accept unequal power distribution implying

that the population generally agrees that the distribution of resources is unequal. This shows that some fraction of the population will be target for Acne Studios' luxurious products while the other portion will not be a viable market. Equally important, individualism is highly embraced in the U.K with everyone seeking to pursue his or her personal fulfilment showing that the rates of bulk purchases or many referrals are appreciably lower. However, gender equality is widely championed for in this region which implies that both men and women should be target customers for Acne's products.

Conclusion

Ultimately, Acne Studios is a Swedish fashion firm which has managed to thrive in the highly competitive local and global markets using their quality assurance, marketing, and value chain selection. The Swedish business milieu is conducive just like that of the U.K where this report proposes for introduction of a new subsidiary through joint ventures and the government supports the growth of both local and foreign firms. Acne Studios has a strong brand reputation which not only attracts a larger and stronger customer base but also enables it to embrace premium pricing strategy of its products. Even though the U.K market is more competitive and the power-distance as per the Hofstede's model is low, the company should invest in marketing of its brand as a superior and luxurious product through joint ventures after which it can manage its own separate stores.

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