The Intention of Clearance Sales

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- A comparison between consumers and retailers in a volatile business environment
Acknowledgements

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ABSTRACT

Low prices in textile fabrics are a phenomenon that can be traced back for centuries. In 2011 a new record was set when 37.7 percent of all items in the fashion commerce were sold at a discounted price. Retailers today on the Swedish market have taught the consumers a new consumption behavior due to the constant flow of new products. It has become difficult to increase a price of a product due to globalization and the hard competition it brings. Economies of scale have made it possible for retail chains to offer products with low prices. Because of the fluctuated demand among consumers today clearance sales have become a natural part of a company’s business strategy.

The purpose of the thesis is to define if companies use clearance sales as a strategy in today’s volatile business world and to compare retailers’ approaches with consumers’ attitudes towards clearance sales. This study questions whether clearance sales are necessary today. The purpose is also to clarify if clearance sales can be limited by several factors and how companies will manage clearance sales in the future.

The methodology used in this thesis is an inductive approach together with a qualitative and a quantitative research strategy. A case study including interviews with seven different retailers and a survey with 100 participating consumers have been accomplished.

The authors of this thesis could not discover a strategy how clearance sales are managed among the participating retailers. They claimed that clearance sales are necessary and that it is a result of faulty forecasting and a decreased willingness to buy among consumers due to the volatile business world. A speeded up system with more collections each year stresses and forces retailers to purchase more products that cannot be sold at regular prices, which in the end lead to even more clearance sales. Clearance sales affect the companies differently depending on their retail construction.

The authors have noticed a shift in the society where consumers’ willingness to buy has decreased due to a rise in environmental thinking. Meanwhile, companies are still using clearance sales as a tool with the purpose to attract consumer to low prices. However the authors claim that clearance sales have lost its function. Companies are realizing that they need to understand their consumers and their market so that their forecasts are more correct and thereby they will have less unsold products that will end up at clearance sales.
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DEFINITIONS

Batch: Quantity of material or goods manufactured by one occasion. (businessdictionary.com)

Clearance sale: Retail sale with obsolete goods that are offered at heavily discounted prices (businessdictionary.com) are in this thesis known as permanent markdown prices.

Campaign: A complete, planned course of action, to achieve defined objectives in marketing, public relations, quality improvement, revenue generation, safety standards, etc. (businessdictionary.com)

Customer: A party that has the ability to choose between different goods and suppliers that receives or consumes goods or services. (businessdictionary.com)

Consumer: A buyer of a good or service in retail, an end user. (businessdictionary.com)

Demand: A desire for a certain good or service based on the capacity to purchase it. (businessdictionary.com)

Discount: A deduction from the nominal amount of an invoice before the payment. (businessdictionary.com)

Forecast: An action of predicting enterprise activity for the future or for a period of time. A forecast is founded on particular assumptions as a defined sales strategy. (businessdictionary.com)

Lead-time: The time it takes for the completion of a business activity or process that must go by before a desired action takes place. (businessdictionary.com)

Markdowns: Either a temporary reduction in the selling price of a good in order to stimulate its demand or to drive a competitor out of the markets, or it could be a permanent markdown, where the purpose is to get rid of a slow-selling item of stock. (businessdictionary.com)

Mass production: A production system that contains by automation, high wages, low prices and large-volume results. (economics.about.com)

Regular price: Is known as the usual or the normal price of a product before a markdown. (thefreedictionary.com)
**Retailer:** A business or a person that sells products to consumers. (businessdictionary.com)

**Chain stores:** A group of retailers owned by the same company and often act internationally. (businessdictionary.com)

**Sales:** The activity of a business that sells products or services. (businessdictionary.com)

**Sell through:** The quantity of good or stock sold. (businessdictionary.com)

**Supply chain:** A network of companies that are interlinked and serve the same consumer or customer. (businessdictionary.com)

**Volatile:** A measurement of stability or instability. Can often vary between extreme highs and lows. (businessdictionary.com)
1 Introduction

This chapter describes the background to clearance sales followed by a problem discussion that leads to the purpose and aim of this thesis. Lastly the research questions are presented followed by the delimitations.

1.1 Background

Low prices in textile fabrics are a phenomenon that can be traced back in centuries. Around year 1793 Eli Whitney invented the cotton gin, a machine that separated the cotton fibers from the seed. This led to the cotton-cleaning process becoming enormously faster and almost completely mechanized. By this time there was a great demand for a textile that was cheaper than linen and cooler than wool. The invention of the cotton gin, which made the cotton-cleaning process cheap, created expectations that cotton fabric would also be cheap. However, the planting and picking process of the cottonseed were still harvested by hand. To meet consumers’ expectations of low prices cheap labor was needed and it led to an intensified use of slave trade in southern America. Later, by the time slaves were set free, the expectations of cheap fabrics were already deeply embedded within customers consciousness. Therefore a new way of producing and selling products to low prices was needed and led to another invention namely mass production. Mass production led in the mid-nineteenth century to a reduction in prices of consumer goods but also a reduction in the status of craftsmanship. (R. Shell, 2009)

In the 1890’s developed manufactures and improved transportation made mass-produced consumer goods, imported and domestic, available to the middle class, allowing them to feel rich. Frank W. Woolworth, J.C. Penny and John Wanamaker were all entrepreneurs during these early industrial times. John Wanamaker, American merchant and religious leader, saw a demand for a new store to match Americas speeded-up system of manufacturing and opened his first store in 1861 called Oak Hall, later re-named as John Wanamaker & Co. Wanamaker bought in bulk and due to economies of scale he offered mass-produced products at low costs. (R. Shell, 2009)

However, Wanamaker was criticized for being a "bottom-feeding monopolist” (R. Shell, p 12) who was putting smaller merchants out of business by offering low prices. Wanamaker answered the critique by saying that by cutting the middlemen
he created savings for his customers and gave consumers an opportunity to a better life for the Americans. (R. Shell, 2009)

Another invention by Wanamaker was the price tag. Wanamaker wanted everyone to pay equally in times where prices were not fixed. The price tag made it difficult for merchants to overcharge and more likely they would set the lowest possible price to attract customers. (R. Shell, 2009)

During the last 60 years there have been changes in the production of clothes, which mainly have taken place in Asia according to Gereffi and Memedovic (2003). Since the 1950 Western countries have imported garments from Japan, where the aim was to produce clothes using low wages. Since the 1980 textiles are mainly produced in China, Thailand, Malaysia, Indonesia, the Philippines, Sri Lanka and Latin America. This has led to an increased prosperity of each country and caused higher production cost and wages. Companies have therefore continuously moved their production of garments from country to country to find the lowest production costs.

In today's volatile business world competition among enterprises has grown stronger due to globalization and hence, consumers have become more important and gained more power in the purchase situation (Gattorna, 2010). According to Hultén (2007) globalization had a positive impact on the producing countries societies in relation to higher living standards and increased consumption through efficient markets. However R. Shell (2009) claims that the technology and globalization harms the Western society. “Technology, globalization and deregulation have made competition a death march. Many companies have had no choice but to reduce costs almost continuously. Since payrolls are the single largest expense of most businesses, jobs, benefits, and wages are the obvious place to cut. This means fewer jobs and even fewer secure, well-paying jobs with benefits, the sort of jobs that Americans once built their lives on and now seem to believe the country can no longer sustain.” (R. Shell, 2009 p. 51-52)

Moreover R. Shell (2009) claims the global economy today challenges the society to do more with less. Gattorna (2010) means it is essential for companies to create close relationships with their end-customers and a visibility and transparency of the company has become an important success factor. R. Shell (2009) believes companies have to reduce costs in the supply chain in order to survive. To increase
retailers’ profit and stay competitive is a challenge and demands a strategy.

Consumers’ ability to purchase anything at any time through the Internet and increased technology has resulted in faster and enhanced information and has made it easier for consumers to find the cheapest and most appropriate garment (Kotler & Armstrong, 2012). There are also more products on the market today than earlier (Lantz, 04.26.2012). Retailers’ continuous flow of new garments to the stores has educated consumers not to hesitate with their purchases. Thus retailers’ behavior has resulted in a new way of thinking and behaving among consumers (Hultén, 2007). According to Andersson (04.20.2012) larger retailers strategically try to stress and educate their consumers that the garments only will be available in the stores for a limited time.

1.1.1 Problem Discussion
In 2011 a new record was set when 37.7 percent of all items in the fashion commerce were sold at a discounted price as shown in figure 1 (Gfk Fashion *Scope). Of these 37.7 percent, 26.7 percent were clearance sales and price markdowns and 6.2 percent were customer club offerings. Quantity discount represent for 3.6 percent and other coupons 1.1 percent. Figure 1 illustrates the movement of discounted goods on the Swedish market between 2006 and 2011. (www.habit.se)

![Figure 1](www.habit.se)

Research illustrates that Swedish consumers throw away yearly 8 kilos textiles per person. Moreover consumers on the Swedish market buy on an average 15 kg clothes per person and year meaning that consumers every year throw away 50 percent of what they buy. (www.naturvardsverket.se)
While product life cycles continuously become shorter, supply chains become more complex. Companies are moving away from product competitions and instead the logistic supply chains have become the actual competitors (Khan & Christopher, 2008). Today’s supply chains are complex and global. In practice this means competition has moved from companies competing with companies to channels competing with channels (Gattorna, 2010). It has become difficult to increase a price of a product due to globalization and the resulting competition. This means consumers today can afford to buy more products than previously for the same amount of money. Globalization has therefore also contributed to an increased consumption. Due to economies of scale retail chains have the possibility to offer products with low prices (Hultén, 2007).

Historically, retail chains are one of the most important industries in the Swedish marketplace. This has helped to develop the Swedish economy to a higher Gross Domestic Products, GDP, and has increased export and enhanced consumption among companies and individuals. There is also a clear coincidence between the individuals’ private disposable income and the growth in retail chains sales. In 1954 the Swedish manufacturers decided on a new law that stores should have the ability to compete through their price advantages. After this legal decision, sales increased and new actors entered the market. To utilize price advantages several stores and manufacturers begun to cooperate in order to minimize purchasing costs and increase their sales of products without offering personal service. Retail chain configurations begun to increase and were rewarded by the economies of scale. This technological development helped retailers with administration, inventory possession and distribution, and decreased cost and rationalized activities. (Hultén, 2007)

Sweden is one of the leading countries in the world in building and developing new retail chains such as H&M and IKEA. During 2004 ten chains were responsible for more than 50 percent of the total turnover on the Swedish market. These large retail chains have changed the market due to their power over their suppliers. (Hultén, 2007)

Forecasting in fashion is difficult because of rapid changes in the sector and long lead-times. Therefore forecasting contains several risks for a company e.g. classification, price, style, size and color. The main issue when predicting new seasons is deciding which trend will be popular and what consumers will demand.
The risks are highly related to the lead-times of the production process and the longer the lead-time the higher the risks are for forecasting errors. (Mattila, 1999)

John Wanamaker was the founder of the January White Sale. Recognizing a decrease in sale after Christmas, Wanamaker bought large quantities of white linen and other white products and sold them at a discount price after Christmas in order to get customers to enter his store. This clearance sale was a success and was soon followed by another innovation by Wanamaker – the midsummer sale (R. Shell, 2009). According to Mattila (1999) the retailer year consists of two different selling periods. In the first of them garments are sold to ordinary price, which is called the prime selling season and the second are the clearance sales where prices are reduced. Usually there are two clearance sales occasions each year and these contain products that have not been sold during the previous selling season. Retailers have different strategies regarding clearance sales; some have specific offers to their consumers rather then a clearance sales occasion, while others have planned clearance sales periods during the year. The most usual discount percent at clearance sales are between 30 to 70 percent and are known to lower the gross margin and profitability for a company.

According to Kotler & Armstrong, (2012) several retailers use a high-low price-setting, which means retaining high markups on certain products while offering clearance sales and other price reductions in order to draw consumers in to the stores. Through this strategy retailers accomplish a low price image and attract consumers to buy products at a regular price.

Andersson, (04.20.2012) means that depending on the fluctuated demand among consumers today, clearances sales have become a natural part of company’s business strategies. This has resulted in consumers today expecting retailers to offer great clearances sales. On the other hand, the consumers’ view of clearance sales today has changed. A couple of years ago clearance sales periods were a special occasion where it was obvious that consumers were attracted. Today, products at a clearance sale can be found all the year round.

1.2 Purpose and Aim

A heavy clearance sales strategy may not be very sustainable as large quantities of garments are sold at low prices and consumers might consume them only for a
short period before disposal. The purpose of the thesis is to clarify if companies use clearance sales as a strategy in today’s volatile business world. Retailers’ approaches are compared with consumers’ attitudes towards clearance sales. This study questions if clearance sales are necessary today. The purpose is also to detect if clearance sales can be limited by several factors.

1.3 Areas of Research

Based on the background and problem discussion one main research question has been formulated; “Do fashion retailers use different clearance sale strategies and how do retailers clearance sales affect retailers as well as consumers in today's volatile business environment?”

In order to answer the research question, following complementary questions are presented:

1. What is the relationship between consumption and clearance sale? Does the companies’ purpose of clearance sales match consumers’ expectations of clearance sales?

2. Is it a must for companies to have clearance sales?

3. How will companies manage clearance sales in the future due to the increase environmental awareness?

1.4 Delimitation

This report will be focusing on fashion retailers and how they perceive clearance sales. There are differences both in terms of laws, rules and trends between clearances sales and campaigns. For this reason together with time limitations and the intention to deeply investigate different strategies, this report will only be focusing on clearance sales, which are in this thesis referred to as permanent markdown prices. The problem is illustrated for the Swedish market from which data has been collected. However, because limited Swedish research exists within the clearance sales field, literature from outside the Swedish market has also been applied to achieve greater understanding of the situation.
2 Methodology

The following chapter describes the methods used in this thesis, in order to answer the research question presented in chapter 1.3. All sections begin with a theoretical explanation followed by a description of the applied research methods used in this thesis. At the end of the chapter source criticism towards the methodology is presented and lastly the reports outlined are shown in a graph.

2.1 Research Approach

According to Jacobsen (2002) the most common research approaches are, deductive, inductive and abductive. These describe how theory and practice are to be considered in relation to each other as well as how open these approaches are to new information.

In a deductive approach conclusions and hypotheses are drawn using current strategies and general principles from existing theory. These hypotheses and conclusions are then tested empirically in a particular case. A deductive approach usually produces a more objective analysis due to its base in existing theory, however, there is a risk that existing theory will affect the outcome and new viewpoints will not be discovered. (Patel & Davidson, 2003)

Bryman and Bell (2011) describe the difference between inductive and deductive approach as a contrast. In an inductive approach researchers first study the reality and then, from the collected empiric information, create a general theory. Patel and Davidson (2003) claim the risk with an inductive approach can be that the created theory is too narrow and only is valid for a particular case study. Furthermore, Jacobsen (2002) is critical to the inductive approach and argues that it is difficult for researchers to be fully objective using an inductive approach. DePoy and Gitlin (1999) claim researchers working with a qualitative reference frame mainly use an inductive approach, where general rules are created and developed from particular cases or observations.

Lastly, an abductive research approach is used to create a hypothesis for a specific case that in turn can be studied with an inductive approach. In the next step the hypothesis is tested on other cases, also known as a deductive approach. (Patel & Davidson, 2003)
2.1.1 Applied Research Approach

According to DePoy and Gitlin (1999) the choice of research approach can lead to knowledge of different characteristics. A deductive approach gives an objective analysis and starts in already existing theory (Patel & Davidson, 2003).

For this reason we have chosen an inductive approach in our research, as there are previously limited documented researches and previous limited objective analysis within this area. Theory has therefore mainly been collected from interviews with researchers and professors at the Swedish School of Textiles along with literature. The research is not, and cannot be, fully objective due to the authors previously received knowledge.

Seven interviews with different retailers on the Swedish market were carried out which concerned company’s clearance sales strategies. The interviews and own observations during the interviews have thereafter been related to the theoretical framework of the thesis. During the interviews an objective and open mind were held due to the criticism earlier described when using an inductive approach.

2.2 Research Design

Bryman and Bell (2011) describe research design as an informative structure in a method. The research design clearly gives a picture of positions and different priorities the researchers have to decide upon during the work. According to Patel and Davidson (2003) the most common research designs are experimental design, survey research, case study and comparative design.

Patel and Davidson (2003) claim that experimental design is a research structure or design, where the researcher only studies a few variables and tries to control other factors that can have an impact on the research variables.

Survey research means that the researcher uses data from more than one situation. The data will be collected at one occasion in order to be able to receive a set of qualitative or quantitative data to ensure an interlocking pattern of the data. Collection of data is often done through survey and structured interviews (Bryman and Bell, 2011).
A case study according to Bell (2006) means that a researcher has the possibility to do an in-depth study in a specific area. Through a case study approach it is also possible to illustrate specific characteristics and features in order to identify different interactions and further illustrate how these factors have an impact on organizational behavior. The negative effect of a case study according to Ejvegård (2000) is that it cannot represent reality and researchers should be careful making general conclusions out of a case study.

Lastly, comparative design allows comparison between two or more groups on one variable. Comparative design can act as a starting point when a researcher would like to find contrasts and discuss theoretical reflections between e.g. cultural groups, societies or national groups (Bryman and Bell, 2011).

2.2.1 Applied Research Design

To answer the research question in chapter 1.3 both survey research design and case study research design have been used in this thesis. According to Ejvegård (2000) a case study alone should be practiced with caution when creating general descriptions. Therefore the survey research design has given both qualitative and quantitative data to support the case study design and make it possible to draw more qualified general conclusions.

This thesis investigates in a case study how different clothing companies manage clearance sales in today’s volatile business environment. The interview’s questions in relation to the research question have been constructed in order to clarify the retailer’s aim with clearances sales.

2.3 Research Strategies

According to Bryman and Bell (2005) there are different research methods based on inductive, deductive and abductive approaches, namely qualitative and quantitative methods. Widerberg (2002) describes that the main difference between these two methods is that qualititative research clarifies a phenomenon’s characteristics or features, while quantitative research refers to determining the amount. However, both qualitative and quantitative researches have developed specific methods and approaches.
Jacobsen (2002) describes a qualitative method based on reality and inductive hypotheses. This means the researcher is often not aware of what information the research will bring. Widerberg (2002) claims that the purpose with qualitative researches is to create a special relationship between the researcher and the respondent in order to receive specific information. However, criticism against qualitative interviews according to Jacobsen (2002) is that different factors in the relationship can have an impact on the answers from the respondent, which the researcher is not aware of.

Patel & Davidson (2003) describe the purpose with quantitative researches as a method to obtain a deeper knowledge than the information a qualitative research can bring. Jacobsen (2002) claims that quantitative research gives limited information about reality and does not take account of the specific social situation.

Qualitative researches can be used to guide quantitative researches when for example open-ended, unstructured data has been collected. For example, a qualitative method is helpful to find hypotheses or hunches later when a quantitative research strategy is used, and in order to create a better measurement of quantitative researches, it can be used to design survey questions and structured interviews. Also, reversely quantitative researches are used to facilitate a qualitative research. (Bryman and Bell, 2011)

### 2.3.1 Applied Research Strategy

In this research a mixture of both qualitative and quantitative methods are used. According to Bryman and Bell (2011) this approach is useful when neither qualitative nor quantitative methods alone can be informative enough.

The thesis is implemented in a qualitative research method since information from the respondents is about what they feel and think about clearance sales strategies. A quantitative research method is used as well, in order to support the qualitative response.

Seven interviews with retailers have been completed. Before the questions were asked a short introduction was given concerning the thesis and the researchers background - with the purpose to get to know each other, but also to gain the trust of the interviewed person in order to receive reliable answers. A qualitative
approach through the questions gives the respondents a chance to describe how they perceive clearances and explain the phenomena with their own words.

A quantitative research method in form of a survey, see appendix A and B, for both companies and consumers were conducted with the purpose of ensuring a high quality for the study. The questions in the survey were designed to receive important statistics that could confirm the answers from the qualitative method. For companies the question was read out aloud during the personal interviews while the consumers, that are the students studying at the Swedish School of Textiles, had to fill out a survey online. The survey online was preferred due to time limitations.

2.4 Collecting of Data

Collecting of data can be divided into primary data and secondary data and they are both described in this section.

2.4.1 Primary Data

According to Graziano and Raulin (2004), surveys are used to gather information by asking participants about their attitudes, knowledge or experience. Researchers must carefully identify the content area, decide on population, establish the survey instrument, make a representative sample and then administer, analyze and communicate the result. Two types of survey instruments can be used a questionnaire and an interview schedule.

Interview schedules are in-person- or telephone interviews. Questions are read to the respondent and his/hers answers are recorded. Moreover, all questions should be listed in a fixed order for all respondents. (Graziano and Raulin, 2004)

Questionnaires must begin with a short introduction, to explain the purpose of the survey and to give instructions to the respondent. Questionnaires can further be divided in two categories; demographic and content questions. Demographic questions seek information regarding factual items e.g. the respondents’ age, gender, marital status. Content questions on the other hand ask questions regarding content items such as the respondent attitudes, behavior, opinions etc. Not unusually questionnaires contain both types of items. Questions in the
questionnaire can be either open-ended, multiple-choice or Likert-scale. Open-ended questions leave space for the respondent to explain their answers. In multiple-choice questions the respondents are limited to choosing the alternative answer that matches his/hers opinion. In Likert-scale the respondent is asked to indicate the degree to which they agree to the asked statement (Graziano and Raulin, 2004).

Bryman and Bell (2011) distinguish between open and closed questions. Whereas in open questions the respondents can reply however they wish but in closed questions they are bound to fixed alternatives. The greatest disadvantage with open questions is that it is time consuming. However the advantages of closed questions are that they allow comparisons between respondents. Not surprisingly closed questions lose the ability to get spontaneous answers.

2.4.1.1 Applied Primary Data Collection

Data gathering has been collected through interviews with companies and questionnaires with consumers. The interviewees were selected with help from our supervisors at Swedish School of Textiles.

An interview Schedule was used for the interviews of the companies in this thesis. Questions were asked both as open-ended, multiple-choice and Likert-scale in order to gather both statistics and receive information of the selected area. Respondents from different retail constellations were interviewed, in order to gather different viewpoints on clearance sales, as well as to detect different kinds of strategies and attitudes in connection to the subject. Three out of seven interviews were held at the interviewees’ office. This was the preferable option because then the researchers could see the respondents’ expressions and ask attendant questions easier than by the phone. However, due to time and costs, three interviews were held per telephone and one company’s information was collected through emails. The last company that answered by email was an important source with a strong position in the Swedish market and therefore it was interesting that the company could contribute to this thesis.

For the questionnaire used in this research only content questions have been asked. The number of participants and their thoughts about clearance sales are more important to the research than demographic facts. Therefore there has been a focus
on creating a short questionnaire, where as many participants as possible could answer. The thesis concerns consumer behavior, opinions, attitudes and knowledge regarding sale regardless age, gender or occupation of the respondent. Even if gender and occupation could have a connection to clearance sales, this research focuses on consumer behavior and their attitudes to clearance sale. The questions were closed to give a quantitative outcome, however some questions gave the respondents the possibility to comment so that qualitative data was gathered as well. Although some of the questions that were closed were of multiple-choice or Likert-scale, others allowed consumers to give their thoughts about the subject. Due to time limitation questionnaires were sent out electronically to students at the Swedish School of Textiles where 100 replying consumers anonymously could fill in their answers online.

Four discussions with experts were completed because of the limited previous research on this subject. Two of them with Agnes Andersson and Björn Lantz, lectors from the University School of Engineering in Borås, were held at their office, to receive updated information concerning demand forecasting and price development. One discussion with Mats Johansson, lector from the Swedish School of Textiles of Borås was completed by phone to receive updated information about clearance sales impact on the environment. Lastly a discussion with Maria Sandow, chief secretary at Swedish Federation of Trade – STIL was undertaken by email, to receive information about the laws and regulations of clearance sales on the Swedish market.

2.4.2 Secondary Data
Secondary data is information that has been previously collected by other researchers and hence is information based on primary data (Bell, 2006). According to Bryman and Bell (2011) it is often less time and cost consuming to collect secondary data than primary data. In order to avoid misunderstandings when collecting secondary data it is essential that a researcher has gained an insight to the context of the study involved (Jacobsen 2002).

2.4.2.1 Applied Secondary Data Collection
Due to previous limited research within the clearance sales field, secondary data has mainly and carefully been use to describe factors which can have an impact on
the studied area. Literature has been studied to gather information and to understand today's situation in the retail and fashion industry concerning clearance trends, economy and environment issues connected to clearance sales.

2.4.3 Selection

To obtain correct information for a specific study selection criterion can be used (Jacobsen, 2002). According to Olsson and Sörensen (2004) the purpose with interviewing persons could be to receive answers that the researcher sometimes strives for. Thus, it is essential that the interviewee is the right person in terms of having the credibility and knowledge to give genuine answers to the questions. According to Bryman and Bell (2011) the selection procedure among companies can be several; it can be by occurrence or convenience or neither. There are also numerous ways to limit interviews or select specific characters of the respondent, for example, through age, gender-wise or geographic distribution.

Olsson and Sörensen (2004) describe the difference between respondents and information clerks in qualitative research approaches. A respondent describes his own feelings and opinions while an information clerk describes a local knowledge. Interviews can be performed in different ways e.g. on phone, letter, email and face-to-face interviews (DePoy and Gitlin, 1999). Further Olsson and Sörensen (2004) explain that to receive as good information as possible the respondents have to be cooperative and care to answer the questions.

2.4.3.1 Applied Selection

A selection of different clothes fashion companies all established and positioned on the Swedish market was accomplished. The chosen companies were selected upon size, retail construction, level of recognition and the volume of clearance sales products. The focus was to find companies in different retail constellations to define how different retailers were using clearance sales in their business. Seven anonymous companies explained their thoughts and strategies about clearance sales. There were two Franchise Companies, two Branded Retailers, two Multibranded Retailers and one Multibrand Retailers/Branded Marketer. The Multibrand Retailer/Branded Marketer is a Branded Marketer with own flagships stores and outlets but since the interviewee had knowledge concerning its consumers he spoke on behalf of both and therefore it was given this name in the
thesis. The reason the companies are anonymous is because of the fact that the interviewees wished to remain so as information given during the interviews was sensitive.

Together with the authors supervisor, the choice to interview product manager or alike at the companies was made; except for the franchise companies where the store managers were interviewed. Product managers have both knowledge about the products, the market and their company's consumer, which is desired for this research. Both of the members of the research group were present during all interviews. All interviews were recorded through an IPhone with the purpose that all information should be translated correctly and no information should be forgotten. In this way the authors were not forced to write everything down and could instead focus on the answers the respondent gave.

The consumers that participated in the consumer survey were selected through their knowledge concerning the fashion industry as well as their personal interest in consuming new clothes. Students at the Swedish School of Textiles are the future employers and employees in the textile industry and therefore their opinions are of interest in this thesis.

2.5 Research Quality

Wallen (1993) mention two different concepts to examine and measure the quality and the credibility of a research. These concepts are validity and reliability and according to Bryman and Bell (2011) these can be seen as measuring instruments that are dependent on each other. If the reliability is not stable during a long period of time, validity cannot be measured because different factors and indicators must be the same to fulfill the validity requirements. Validity is a measure of the drawn conclusions and is used to measure if the tools applied to gauge a concept actually fulfill its function. To receive as high validity as possible the researcher, according to Johannessen and Tufte (2003), should collect data that can represent a general phenomenon. Bryman and Bell (2011) describe reliability as a measurement to tell if the study can be repeated and that the next outcome will be the same as the previous research. The purpose with reliability is to exclude different accidents or coincidence to the study.

According to Bryman and Bell (2011) there are two different types of validity;
internal validity and external validity. Internal validity measures how relevant the
described theoretical framework is to the research as well as the analysis of the
empiric information. External validity measures how the result can be generalized
from different specific interviews or observations conducted within the research.
Therefore the selections of companies or respondents that participated in the
research are essential.

2.5.1 Applied Research Quality

After the subject of the thesis, The Intention of Clearance Sales, was determined a
literature research of the subject was made before the interviews were held in order
to attain a high research standard for this thesis. The purpose was to obtain a
general view of the market and the situation regarding companies’ clearances sales.
This allowed a better understanding of the research area during the interviews with
the companies, and also enabled reaching high intern validity in this research.
Selection of the specific companies and respondents that have been interviewed
were based on those that have clearance sales and wanted to participate, in order to
reach a high credibility. Our purpose was to generalize the collected data to get a
high external validity.

2.6 Source Criticism

Criticism in relations to interviews should be considered. The respondents in the
questionnaires came mainly from students at Swedish School of Textiles. These
students are well aware of the environmental issues connected to retailing and
perhaps have more knowledge about the area than an average person. Also students
with less income in particular, might have a different relationship to clearance sales
compared to a person with an average income. This can have an impact on the
responds and therefore the data must be handled with caution when drawing
general conclusions regarding consumers.

Moreover, there is a risk that the interviewed companies, even if they were given
the option to be anonymous, could due to personal interests and company secrets
have chosen not to share all sensitive knowledge. Because of the request from
companies to see some of the questions in advance they were given the option to
prepare themselves, which might have had an impact, either positively or
negatively to the research.
As the delimitation in section 1.4 explains, campaigns are not further analyzed in the research. Many of the interviewed companies regularly offer consumers to buy their products at a discount price with campaign offers that indirectly may have had an impact on their clearance sales strategies. The lack of information regarding the company’s campaigns and other temporary discounted price offers in stores can therefore have an influence on the final findings in this thesis.

Finally, the questions and the answers presented from the interviews are freely translated from Swedish into English and therefore some interpretations could have been misunderstood.

### 2.7 Report Outline

The process shown in figure 2 gives a visualized description of how the methodology has been used in the reports outline.

*Figure 2. General outline of the research methodology used in this thesis.*

The first phase of the thesis, the problem formulation part, was to formulate a problem based on a real situation. To collect information concerning the problem, answers were sought in theory and by interviews with companies and consumers in order to achieve an objective view of the situation. In the synthesis and analysis section theory and results from the interviews are related. Information given from consumers and companies regarding the problem formulation are compared. Finally the concluding part gives an answer to the research question and suggests further research within this field of study.
3 Theoretical Framework

In this chapter different factors that affect clearance sales are presented. The chapter begins with trends in retail followed by reasons for clearance sale, regulations for clearance sale, clearance sales impact on consumers’ consumption and last the environmental impact is introduced.

3.1 Trends in Retail

The present dynamic environment is a complicated situation for many retailers. Factors such as competition among companies, risks and opportunities, consumers’ lifestyles and spending patterns are quickly changing (Kotler & Armstrong, 2012). Companies must therefore collect information about consumers and their demands (Gattorna, 2010). Retailers also have to strategically choose their target segments to contain a strong position on the market. Price reductions and discounts can be seen as a short-run activity for retailers and a sign of desperation. Instead of attracting consumers through price reduction retailers should concentrate on building long-term relationship with consumers. To remain successful in a volatile business world, retailers need to adapt to the surroundings (Kotler & Armstrong, 2012). The competition among retailers is mainly focused on price, but also product range, location and surroundings of the store can be used as differentiators (Mattila, 2009).

According to Mattila (1999) the length of products’ life cycles have decreased and one of the reasons is the increasing amount of clearance sale-seasons. Seasonal collections are split into sub-collections and constant new deliveries during the selling season are a contributing factor to the increased clearance sale-seasons. The increased competition among retailers and the desire for a more rapid cash flow have affected the clothes seasons. Retailers also decrease their forecasting errors through having several seasons per year. According to Hèden and McAndrew (2010) the lead-time for clothes are generally 18 months. Andersson (04.20.2012) claims big batches and volumes with long lead times can be managed easier with more collections per year.

Garments can be divided into different categories or sections. 25 percent of all clothes in a year are considered to be basic clothes and 45 percent are referred to as
seasonal products, which often are replaced two to three times each year. Fashion garments covers 30 percent of the annual range and are replaced four or more times per year. Retailers have the highest margins on seasonal clothes and fashion clothes. However there are no guarantees that these products will be sold at a regular price since consumers usually look for cheap clothes and bargains. (Mattila, 1999)

Today many actors on the market offer similar products. Several retailers have managed to compete successfully and grown and are therefore able to offer consumers a broad assortment with good service at low prices. These retailers have gained power and are a threat to smaller retailer´s existence. Large retailers also have an advantage over the manufacturers in the supply chain as they buy very large volumes and thereby can negotiate and push down prices. (Kotler & Armstrong, 2012) Retailers with own production reduce prices through fewer intermediaries and receive more control over, and visibility in, their supply chain (Mattila, 2009).

### 3.1.1 Retail Constellations

There are different retail constellations on the Swedish market, of which Multibrand Retailer, Branded Marketer, Branded Retailer and Franchise companies are presented below.

- **Branded Marketer**, design, markets and sells its own brands. Branded Marketer has own sourcing offices to maintain quality of their products while outsourcing their production. They market themselves on the value of the brand. (Mattila, 2009)
- **Multibrand Retailer** sells different brands from several Manufacturer Brands and Brand Marketers. Multibrand Retailer can also develop their own brands to sell together with the other brands. (Mattila, 2009)
- **Branded Retailers**, also known as retail chains, sell products of their own brand and design. They have own sourcing offices or agents and technical personal in the sourcing countries. (Mattila, 05.14.2012)
- **Franchise** is a cooperation between a franchisor and a franchisee. The franchisee (the retailer) receives the right to use the concept from the franchisor during a period of time with exchange of payment. The
franchisor, which controls the expansion of the concept and the brand, also controls the retail concept. (Hèden and McAndrew, 2010)

3.2 Reasons for Clearance Sales

Demand forecasting and pricing strategies have both a considerable impact on clearance sales and are therefore further presented in this section.

3.2.1 Demand Forecasting

Purchasers forecast and buy products they believe are going to be trendy. Fairs, information from fabric suppliers, trend-setting stores and trend forecasting offices are sources of inspiration for purchasers. Since the consumers’ demand is fluctuating and difficult to predict, purchases close too, or even during, a season can result in reduced forecast errors. On the other hand this requires a more flexible supply chain with short lead times and several seasons with smaller quantities (Mattila, 2009). As indicated above, the task of forecasting consumers’ demand is rather difficult and the connection between this and clearance sales is clear; poor forecasts lead to products ending up at a clearance sale.

Mattila (2009) describes the difficult part in fashion retailing as forecasting. The business environment is quickly changing due to globalization, which creates uncertainties and risks for companies (Ericsson, 2011). Fluctuations in consumers’ demand force companies to collect information about their consumers’ behavior and their demands in order to produce products consumers will want to buy (Khan & Christopher 2008). Due to globalization it is hard to obtain knowledge about the market and who is a potential customer. There is also a risk of losing consumers that earlier were obvious because of the alike assortment on the market (Andersson, 04.20.2012).

Forecast errors can cause low sell-through percentage, which leads to reduced prices and clearance sales. Furthermore it causes lost sales, and both of these affect a company’s profitability (Mattila, 1999). Due to long lead times when producing clothes, companies need to know their market and target groups. Forecasting is qualified guesses and therefore it is essential to keep an updated view of the situation on the market place and how changes can have an impact on the market and consumers’ demand (Andersson, 04.20.2012). According to Mattila (2009),
retailers want to have as short lead times as possible and produce products to an existing demand.

One future approach among companies is to develop a structural flexibility in their supply chains in order to manage turbulence in the business environment but still follow the companies’ strategies (Christopher & Holweg, 2011). Another future approach to manage turbulence and changes is by using dynamic alignment as a business model. In this business model a company can act as a moving supply chain that has the ability to change depending on the situation. Consumers’ demand changes fast and therefore retailers need to consider having a dynamic alignment in the supply chain (Gattorna, 2010).

Forecasting can be based on historical data, although today it is also essential to be aware of the market situation and other external factors that can have an impact on clearance sales. Different factors can have an impact on forecasting accuracy and several of these factors are listed below. (Mattila, 2009)

3.2.1.1 Late Deliveries

With increasing geographical distance between place of production and place of consumption, lead times have also increased (Harrison & Van Hoek, 2011). Retailers producing products in Europe instead of Asia have the possibility to be more flexible and create a rapid supply chain (Mattila, 2009). It is essential that deliveries of products in the fashion industry are timely as the products often have a shorter lifetime than other commodities. Fashion products need to be on the market at the right time when consumers demand them, or companies might have to reduce the prices and thereby reduce their profits (Hedén & McAndrew, 2010). According to Andersson (04.20.2012) late deliveries have a high impact on products and hence, may result in products ending up at clearances sales.

Products with a short lifetime have to be developed and launched quickly. Cooperation between actors in the supply chain is essential and the preferred relationship between the actors in the supply chain is a close one based on trust and mutual dependency. Time to market involves being quick in the supply chain and to work as partners to create an improved competitive advantage (Ericsson, 2011).
Costs that arise in connection with late deliveries can be concealed and difficult to measure. Often these costs are related to the loss of sales that indirectly means loss of consumers. These costs are difficult to measure because they are hard to trace. Further it is difficult to tell what impact they can have on the company in the future (Jonsson, 2008).

According to Mattila (1999) one risk of having outsourced production abroad is that it causes long lead times. Many companies are constantly searching for the lowest price while purchasing products in order to increase their margins. This, together with the geographical distance and long lead times in production, requires the products to be purchased earlier, which in turn, as mentioned in the beginning of section 3.2.1, may lead to increased forecasting errors. Al-Zubaidi & Tyler, (2004) mean that to only look at the price is the traditional way of purchasing products but today it is more important that products are on time and have a good quality.

### 3.2.1.2 The Weather

According to Svensk Handel Stil (2012) in the beginning of 2012 the weather had a higher impact on the shoe sales than it had on the clothes sales. Between January 2012 and April 2012 the amount of sold clothes had decreased with 12.4 percent compared to the same period last year. This was blamed on the cold spring but also a general decrease in consumption among consumers. “After a weak fall and winter with bad numbers in sales, the inventories were extra large this year leading to more clearance sales products than usual” (www.svenskhandel.se, 04.14.2012).

### 3.2.1.3 Competition

Andersson (04.20.2012) claims it is always essential to watch your competitors since their moves will have an impact on a company’s sale. According to Lantz (04.26.2012) short-run clearance sales are an overestimated demand, but long-run clearance sales are when companies look at competitors’ clearance sales strategies in order to decide on when and how clearance sales should be held.
3.2.1.4 Volumes

Incorrectly purchased quantities of clothes can have an impact on the type of products that will end up at clearance sales. If a retailer has too few products consumers might be disappointed and go somewhere else. If the retailer has purchased too large volumes it could lead to the company being forced to have a clearance sale. Many companies have a clear strategy and do not want to overfeed the market with their products and therefore buy smaller volumes rather than larger. (Andersson, 04.20.2012)

3.2.1.5 Sizes

Some retailers want to have a broad assortment in order to attract and target many consumers of different sizes. A wide range of sizes is commonly seen in many stores as well as many different styles. Larger and smaller sizes are more difficult to forecast compared to average sizes since the extreme sizes do not match the average size consumers, hence these are more commonly found at clearance sales (Andersson, 04.20.2012). According to Mattila (2009) another problem could be that different styles can be unsuitable for large sizes, and therefore these will not be as attractive.

3.2.1.6 Trends and Colors

Today many retailers have similar trends in their assortment. According to Mattila (2009) trends regarding skirt length and pants width cannot be forecasted from earlier trends. It is important that the garment has the “right” color, and is “right” in fashion. The colors need to be forecasted from influences of fashion information.

3.2.1.7 Quality

The quality of products is important, many retailers do not want to sell products with quality problems. Instead these products are sometimes sold through other channels like outlets or similar. (Andersson, 04.20.2012)
3.2.2 Pricing Strategies

According to Schäder (2006) price setting is an important competitive weapon and can determine if a company is profitable or not. To have a long-term plan can be favorable in order to evaluate and determine where on the scales of price and quality the company should position itself.

3.2.2.1 Function of a Price

The function of prices can be different depending on the consumer’s behavior. The price on a product is not always determined from the economy of the company and hence, psychological aspects of the consumer also have to be considered. It has been said that the price for a product has four different effects from a consumer perspective and these are Wallet Function, Fairness Function, Status Function and Reverse Status. The Wallet Function refers to the consumers’ impression of being able to afford a product. The Fairness Function refers to the price that the consumer pays when buying a product, and that the consumer should not be fooled and find the same product less expensive somewhere else. The Status Function is the status the consumer will receive when using a product. The Reverse Status is when rich people want to demonstrate that they buy cheaper products just like other price-conscious consumers. (Lundén, 2008)

When retailers choose to decrease the price of products it has been shown that the demand for complementary, second products, that the consumer did not first intend to buy has increased. Many retailers know this behavior and use reduced prices and clearance sales to attract consumers onto their store with the intention of having them buy additional products at a regular price. (Epstein, 1999)

3.2.2.2 Price Setting

The price setting of a product reflects what consumers are willing to pay and a too high price can lead to loss in sales for a retailer (Lantz, 04.26.2012). A decreased purchase price for retailers from their suppliers can result in a competition over low prices among retailers. It has become cheaper to consume and purchase goods today compared to 30 years ago (Hultén, 2007).
There are several reasons for a company reducing the price of a product. However some factors are more common than others; competition might have increased among competitors or the consumers’ market has become saturated. The current economic situation is also vital since it has a big impact on solvency among consumers (Lundén, 2008). Price setting is a strategic decision since a price has to be aligned with the company’s positioning and targeting of the market, the assortment, competition and profitable factors. Strategically a company can choose both high markups and a low volume of products, which are characteristic for specialty stores. Another alternative is that retailers have low markups with a high volume of products, which is common for most discount stores. Other retailers are not competing through price but in service quality. (Kotler & Armstrong, 2012)

Kotler & Armstrong (2012), further describe a strategy where retailers attract consumers to buy products at a regular price by using a low price image. Using a high-low pricing means having both high markups on the products together with adjacent clearance sales and other price reductions. This will draw consumers in to the stores but then encourage them to buy products at ordinary prices.

Moreover, Schäder (2006) mentions that today's fixation with branded products has led to a limited interest in a company's products, instead of discussing the needs of a company’s customers. This is in contradiction to new trends regarding the importance of having a customer focused supply chain instead of a product-oriented chain. According to Gattorna (2010) it is essential for the entire supply chain to become more demand driven and focus on the end-consumers needs.

However, due to limited theoretical and logical information many companies rely on old habits and routines regarding price setting which focus on strengthening the existing pattern and behavior instead of discovering new alternative pathways (Schäder, 2006).

### 3.3 Regulations for Clearance Sales

This section describes predatory pricing and clearance sales regulations with focus on the Swedish market.
In France retailers’ clearance sales periods are known by the name Soldes and these are regulated. The government predetermine two clearance sales periods each year, one during summer and one during winter, both with fixed start and ending dates and both lasting for five weeks. In addition to these, retailers are allowed to have two weeks of clearance sales each year as long as they are not too close to the Soldes periods. All items on the clearance sales must also have been available in store at least 30 days prior to the Soldes. This prevents retailers from buying cheap stock and displaying them as clearance sales items. During the clearance sales period, retailers are allowed to lower their prices three times. All reduced prices must be shown in percent and display both the regular price and the new clearance sales price. However promotions and other campaigns are not regulated. (http://www.economie.gouv.fr)

In Sweden, retailers are controlled under the regulations of the Marketing Practice Act paragraph 16 (sell-out) and paragraph 17 (clearance sales). The Marketing Practice Act says that a sell-out should be valid throughout the entire inventory or a clearly distinct part. It should take place during a limited period and prices must be significantly lower than normal for similar products. Retailers are only allowed to use the term clearance sales if the sale covers products that normally are included in the assortment, are sold out during a limited period of time or have been priced significantly lower. (Sandow, 05.14.2012)

According to Maria Sandow, chief secretary at the Swedish Federation of Trade – STIL (05.14.2012) these are quite trifling formulations. Market Court praxis refers to a limited period of time to somewhere in between a few weeks and a maximum two months. In addition, a significantly lower price is not an exact measure and has to be judged from case to case.

Sandow (05.14.2012) clarifies that clearance sales in retailing are usually marked down to at least 25 percent but the price can be continually lowered and the last pieces can be sold with a 70 percent discount. There is no difference in regulations between temporary campaigns and clearance sales. Instead, it is important for retailers to clearly explain why a product is sold at a discounted price e.g. a spring campaign. Defected goods are allowed to sell at discount prices, with restraints on the right to complaint, as long as the consumer is informed at the time of purchase.

In Sweden there are no regulations such as those in France. Sandow (05.14.2012) claims the reason is that it would be considered anticompetitive on the Swedish
market. The government does not want to interfere with the regulations and laws within the consumer law, which cares about and protects the consumers.

Furthermore Sandow (05.14.2012) clarifies that more consumers are becoming used to buying their products at clearance sales and this itself can be a problem. But at the same time retailers can use clearance sales as a good way of getting rid of unsold goods in odd colors and sizes due to forecasting or purchasing errors. Clearance sales in the fashion- and shoe commerce are traditionally used for the sole reason of getting rid of the latest season’s products in order to make room for the next collection. When the seasons are becoming less defined, replenishment in stores becomes more frequent and inventory space decreases, products are more often marked down and sold at clearance sales to provide the space needed for new products. Sandow (05.14.2012) explains that the Swedish Federation of Trade is trying to imprint that clearance sales take place only when retailers together, during a limited period, are offering consumers products to a lower price. Consequently, a rack with discounted products in the back of the store is not allowed to call a clearance sale.

A further problem seems to be that the traditional winter and summer clearance sale periods now begin earlier than before. Together with the additional “mid-season sale” periods the time in between the clearance sales, where products are sold at a regular price, is becoming shorter. This means according to Sandow (05.14.2012) that we are today facing even more clearance sales in stores. Decreasing willingness to consume is one underlying factor to clearance sales but if normal sales increase clearance sales periods will be shorter and contain products with fewer markdowns.

### 3.4 Consumption Behavior

In Sweden 250 000 tons, more than 25 kg per person, of textiles are consumed each year. Because of the fact that garments were more expensive before, consumers in Sweden during the 1950’s placed a higher value on their clothes in terms of taking better care of their garments and using them more often and longer. (www.uniqaq.se)
Between the years 1999-2009 personal consumption of shoes and clothes on the Swedish market increased by 53 percent (Ekström et al., 2012). According to Andersson (04.20.2012) there has been a change in consumers approach to clearance sales. “Clearance sales do not tempt consumers today as they did a couple of years ago when there was a larger focus on clearance sales between Christmas and New Years as well as the Midsummer clearance sales” (Andersson, 04.20.2012). Clearance sales have become more common and some of the big retailers have a clearance sales-section all year around. “The attractiveness of a clearance sale has decreased” (Andersson, 04.20.2012).

Consumers’ choice of brands and products are based on whom they want to be. In the past, goods were inherited from generation to generation but today people start to consume at an early age and are more independent than previously. Now younger generations consume a product during a shorter period and a wear and tear behavior has been developed. It is more important now for consumers to buy products than to actually need them. Today’s younger generation demand good products and they are not fooled by different sale strategies. Often the consumers have more knowledge about the products than the sales person. (Hultén, 2007)

When consumers adjust their spending to their uncertain economies it becomes more important for retailers to adjust themselves and concentrate on other factors such as good customer service. When in a survey made by Aberdeen Group, retailers were asked what their strategic actions were to counter the down turn in economy, 41 percent replied optimized customer based promotions. (Mckay, 2008)

According to Mckay (2008) consumers will spend less time in a physical store as a reason to avoid unnecessary purchases when their economy is unstable. However they will continue to view products online, which will make digital communication even more important. This changed consumer behavior with fewer shopping visits, will lead to the shopping experience becoming even as important as cheap prices.

Clearance sales are necessary and unavoidable. Retailers can use clearance sale as a marketing tool to introduce themselves to new consumers. Clearance sales have become a more natural occurrence for both the retailers and the consumers (Andersson, 04.20.2012). According to Lantz (04.26.2012) clearance sales are a cultural phenomenon.
Andersson (04.20.2012) claims the consumer expects clearance sales today. Consumers do not get attracted by clearance sales today to the same extension as they did before. The reason being that products at discounted prices can be found everywhere and all the year around. Lantz (04.26.2012) says that clearance sales have a purpose to tempt consumers into the store. Consumers have been educated to the fact that clearance sales are given. According to Epstein (1999) consumers who recognize the pattern of products being reduced after a certain time may refuse to buy products to a higher price and instead wait for clearance sales. However, this behavior is less common in the situation where consumers shop on impulse.

3.5 Environment and Sustainability

According to Rivoli (2009) the latest challenge for international retailers are the environmental issues. Kalhan & Franz (2009) describe that through media and improved manipulation techniques shopping has become the leading social and leisure activity. Jackson (2009) claims that today's consumption behaviors are harming the environment and a change is needed.

According to Johansson (05.15.2012) clearance sales have both a direct and indirect impact on the environment. The direct impact is today's over-consumption in Western society. Companies try to convince consumers to buy products they do not need and when products become less expensive the consumption increases. An indirect impact on the environment of clearance sales is that they sustain toxic emissions and poor working environments. For companies to have a clearance sale, margins must be high enough. This puts a pressure on the retailers to find suppliers that can produce cheap clothes and the garments might be produced using cheap chemicals and methods that have a negative impact on the environment.

Mats Johansson (05.15.2012) claims the discussion with low wages in producing countries and where children have to work is wrong. “I think those who can pay the regular price for a garment should take his/her responsibility so that adults are the only ones working and children are let to be children” (Johansson, 05.15.2012).

Further Johansson (05.15.2012) claims there are two factors that have had an impact on today’s retailers and consumers behavior. The speeded up behavior
constantly force retailers to produce new collections of clothes that they eventually need to get rid of if they do not sell. This encourages consumers to the wear and tear behavior that contributes to the feeling of products becoming faster unfashionable. Hence, companies use clearance sales as a tool to get rid of obsolete garments. Another problem is connected to quantity. To offer low prices retailers are obligated to purchase larger batches from their suppliers, than they actually see a demand for. Hence, more products will remain unsold and end up at clearance sales.

Today many young consumers are well aware of the overproduction and what impacts it has on the environment. This can have an impact on their consumer behavior (Johansson, 05.15.2012). The trend today is that retailers are more conscious of the environment. The interior in stores and constructions are ways to demonstrate that the company is thinking about the environment. Also products that are produced from recycled material are becoming more common on the market. These products can assist and lift the retailers’ image as a responsible organization and increase sales. Large retailers have understood that their business has an impact on the environment and work towards a more environmentally friendly approach, which includes a distribution and packing system (Kotler & Armstrong, 2012). Johansson (05.15.2012) believes that environmental thinking is more developed at companies with strong brands. However unbranded large retail chains have been those who care less for the environment.
4 Empirical Findings

Seven companies were interviewed in order to investigate their purpose of clearance sales and 100 consumers gave their opinion concerning clearance sales in a consumer survey. This chapter, which is divided into two parts, presents their answers. In the first part, part 4.1, the outcome from the interviews is presented and in the second part, part 4.2, are the answers from the customer survey presented in texts and graphs.

Textbox 1 illustrates the participating and anonymous companies together with the interview dates. To give a picture as clear as possible on how different retail constellations relate to and use clearance sales different types of companies have been interviewed. These are Multibrand Retailers (1 and 2), Branded Retailer (1 and 2), Franchise (1 and 2), and Multibrand Retailer/Branded Marketer. The last is a company with own flagship stores but mainly sells its products to Branded Retailers and therefore it has given their thoughts from both a Branded Retailer and Branded Marketer point of view.

<table>
<thead>
<tr>
<th>Companies in this case study</th>
<th>Interview Date</th>
</tr>
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<tbody>
<tr>
<td>- Multibrand Retailer 1</td>
<td>(04.24.2012)</td>
</tr>
<tr>
<td>- Multibrand Retailer 2</td>
<td>(04.18.2012)</td>
</tr>
<tr>
<td>- Multibrand Retailer/Branded Marketer</td>
<td>(04.17.2012)</td>
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<tr>
<td>- Branded Retailer 1</td>
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<tr>
<td>- Branded Retailer 2</td>
<td>(04.24.2012)</td>
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<tr>
<td>- Franchise 1</td>
<td>(04.25.2012)</td>
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<tr>
<td>- Franchise 2</td>
<td>(04.25.2012)</td>
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</tbody>
</table>

Textbox 1. Participated companies in the study together with the dates of the interviews.

4.1 Empiric from Interviews with Companies

As described in the problem discussion 37.7 percent of all fashion commerce products in Sweden were in 2011 sold at a reduced price. The interviewed companies in this thesis were asked to give their picture of the situation. All companies claim today’s volatile world economy together with high level of inventory has led to the increased number of reduced products. According to Multibrand Retailer 1 the entire clothing industry have had difficulty to receive...
knowledge about consumers demands which has resulted in an over production on the market. Further Multibrand Retailer 1 says that some of its consumers sometimes believe that the products are not attractive enough at a certain price but after a price reduction consumers find the product interesting and worth it’s price. Producing clothes is today cheap in the Eastern countries and hence, companies can take more risks during the purchase operation. Cheap labor means companies can have higher margins in production and it has resulted in an overproduction of clothes for the Western markets. Multibrand Retailer 2 claims that a fluctuating demand during long lead times has an impact on clearance sales. In addition to this there exist many actors on the market that offer similar products, which also contribute to the overproduction.

The Multibrand Retailer/Branded Marketer describes that year 2011 was a result of many years of high inventory level. “Many of the articles that we had too much of at that certain time, were also included in our -11 spring collection, which mean that we could not discount them because there were a few customers who had bought them and it forced us to keep the products as inventory through the entire spring as well” (Multibrand Retailer/Branded Marketer, 04.17.2012). Further the Multibrand Retailer/Branded Marketer claims that companies with own production and own retail stores have the largest margins and therefore can sell their products to a lower price than companies with less power over their supply chain.

Franchise 1 points out that the situation on the market has become harder and the volume of purchase in general have been too large with too high budgets. Franchise 2’s statement is that media have scared consumers to consume less and therefore companies today offer more products at a discount price. “Clearance sales are necessary, and cannot be unavoidable by anyone” (Franchise 2, 04.25.2012).

Moreover several of the companies claim that they have fewer clearance sales today compare to three years ago. Multibrand Retailer 1 has fewer clearance sales because of the company’s changed purchasing strategy. Eight months before the season begins 50 percent of the budget is spent on new assortment while the rest of the budget is spent on an adjusted assortment during the season. The Multibrand Retailer/Branded Marketer has more clearance sales today because of higher turnover and the ability to see opportunities by holding stocks. The respondent adds that sometimes it is necessary to take a risk in order to be successful.
Both of the Branded Retailers have adjusted and reduced their inventory and therefore have fewer clearance sales today.

Both of the franchise companies have more clearance sales today then three years ago, both in terms of volumes and occasions. Franchise 2 believes this is a result of consumers saving their money and prioritizing travels and experiences instead of clothes and physical products.

4.1.1 Reasons for Clearance Sale

![Clearance sales - a necessity for your company?](image)

*Figure 3.* The graph shows how companies replied on a scale between 1 (Don’t agree) and 5 (Fully agree) to the question - Clearance sales – a necessity for your company?

As figure 3 shows a majority of the responding companies fully agree that clearance sales are a necessity for their company. Multibrand Retailer/Branded Marketer comments that the only reason it has clearance sales is the difficulty in producing accurate demand forecasts, leading to the necessity of keeping inventory, which might not be sold. The same reason is given by Multibrand Retailer 2, which states that the goal is to have as little clearance sales as possible but to not have clearance at all is nearly impossible.

Franchise 1 claims clearance sales is fully necessary because all consumers are different and do not appreciate all clothes so there will always be some odd sizes and styles left over. Moreover Franchise 2 and Branded Retailer 2 answer clearance sales are necessary in order to get rid of the unsold goods from previously seasons and make space available for new collections and products.
Figure 4. The graph shows how companies replied on a scale between 1 (Don’t agree) and 5 (Fully agree) to the statement – You have clearance sales only to get rid of left over goods.

As figure 4 indicates the companies are either in between on the scale whether they only have clearance sales to get rid of left over unsold goods or they fully agree that this is their only reason why they have a clearance sales. Multibrand Retailer 2 mentions that it has a clearance sale when a product does not sell as good as expected. Furthermore the company claims that many other actors in the fashion industry use clearance sales as a strategy to attempt and attract consumers to enter the store. Multibrand Retailer/Branded Retailer and Branded Retailer 2 mean that clearance sales are a strategy to get rid of products. Clearance sales are also used to create space for new products in the stores.

Franchise 1 claims that the reason for clearance sales is a consequence of too large purchase volumes of clothes from the suppliers. The company admits using clearance sales to attract new customers and try’s to sign them up as store members. With a member card the customers receive reminders once a month from the retailer with different ads. Franchise 1 also believes clearance sales is a good way of training employees in the store to be better at encouraging additional sales. Franchise 2 answers a three on the scale and replies that the goals of clearance sales are both to attract consumers and get rid of goods that were wrongly purchased. The company also describes that the store receive a new collection every month and therefore must use clearance sales after a couple of weeks in order to create space for new collections.
Figure 5. The graph shows how companies replied on a scale between 1 (Low impact) and 5 (High impact) to the question – What impact does today’s volatile economy have on your company’s products and therefore leads to them ending up on clearance sale?

The majority of the companies say today’s volatile economy has a high impact on the regular price and leads to a reduced price of the products as illustrated in figure 5. Multibrand Retailer 2 explains that if the forecasting is wrong it automatically leads to more clearance sales. Multibrand Retailer/Branded Marketer agrees and says the world economy controls everything and refer to it as its greatest competitor. The company also claims that the raw material has an impact on the price, when the cotton price increases its products become more expensive. However, most of its assortment is commodity products and therefore the price cannot be adjusted up and down in the short run.

According to Branded Retailer 1 the price of raw materials has an impact on the regular price, and maybe indirectly on clearances sales. The regular price is a factor that has an impact on the clearance sales price. Both of the Franchise companies do not decide the regular price since the products already are priced when they arrives to the store.
What impact does the weather have on your company’s products and therefore leads to them ending up at clearance sale?

Figure 6. The graph illustrates what companies replied on a scale between 1 (Low impact) and 5 (High impact) to the question – What impact does the weather have on your company’s products and therefore leads to them ending up on clearance sale?

When asked what impact the weather has on the retailers’ regular prices and therefore leads to products ending up on clearance sales, as illustrated in figure 6, the majority of the respondents answered that it has a high impact. Multibrand Retailer 2 and Franchise 2 say the weather does have an impact. As an example the respondents mention are that if the spring is very cold one year, they will not sell as forecast and therefore these clothes will end up on clearance sales. Franchise 1 thinks the weather has an impact over a short period but over a longer period it does not have such a great impact. Multibrand Retailer/Branded Marketer answers two on the scale and believes this is a normal excuse from retailers on the market, the respondent finds it hard to believe this has a high impact.

What significance has changes in trends and styles on your company’s products and therefore leads to them ending up on clearance sale?

Figure 7. The diagram illustrates what companies replied on a scale between 1 (Low significance) and 5 (High significance) to the question – What significance has changes in trends and styles on your company’s products and therefore leads to them ending up on clearance sale?

Three out of seven companies replies that changes in styles and trends have an impact on the company’s ability to sell its products at regular prices and therefore
leads to clearance sales of the products as illustrated in figure 7. Multibrand Retailer 2 explains that its clothes are not trend-sensitive and the target group is very broad therefore style is not a big problem. Branded Retailer 1 replies that style is never a problem but if it were, it would probably have an impact on its clearance sales. Multibrand Retailer/Branded Marketer does not see this as a problem because the company refers to its clothes as “commodity clothes” and therefore they are not that trend-sensitive.

<table>
<thead>
<tr>
<th>What significance has faulty purchased volumes on your company's products and therefore lead to them ending up on clearance sale?</th>
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<tbody>
<tr>
<td>1 (Low signif.)</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>Multibrand retailer 1</td>
</tr>
<tr>
<td>Multibrand retailer/Branded marketer</td>
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Figure 8. The figure shows what companies replied on a scale between 1 (Low significance) and 5 (High significance) to the question – What significance has faulty purchased volumes on your company's products and therefore lead to them ending up on clearance sale?

Faulty purchased volumes, which may lead to products end up at clearance sales, have a high impact for the majority of the companies. As illustrated in figure 8, Franchise 2 and Branded Retailer 1 sees this as a problem and have the highest significance among the respondents. Branded Retailer 2 believes that purchasing the right volumes is an important factor that contributes to the amount of products sold at reduced prices. According to Franchise 2, volumes are something it is constantly struggling with.
Figure 9. The diagram illustrates what companies replied on a scale between 1 (Low significance) and 5 (High significance) to the question – What significance has faulty purchased sizes on your company’s products and therefore leads to them ending up on clearance sale?

Figure 9 illustrates the responds given to the question “Does faulty purchased sizes have an impact on the products and hence, will end up at clearance sales.” The majority respond that sizes have an average high significance. Two of the companies, Franchise 1 and Multibrand Retailer 1, reply that sizes sometimes have an impact and Multibrand Retailer/Branded Marketer, clearly declares that faulty purchased sizes has a low significance in relation to clearance sales. Multibrand Retailer 2 has different size-lists that the supplier must follow, but says mistakes can always happen. Franchise 2 says it has a high significance but since the enterprise is a Franchise company it can influence what sizes it would like to receive from the head office.

Figure 10. The graph demonstrates what companies replied on a scale between 1 (Low significance) and 5 (High significance) to the question – What significance has faulty purchased colors on your company’s products and therefore leads to them ending up on clearance sale?

As illustrated in figure 10, most of the companies believe faulty purchased colors have a significant impact on their ability to sell the products at regular price and,
hence lead to clearance sales of the product. Multibrand Retailer/Branded Marketer says that sometimes its customers absolutely don’t like some colors and therefore it is a problem. Franchise 1 does not think faulty purchased colors have an impact, because different colors are always good as it gives an extra touch to the assortment and makes it more interesting. Franchise 2, on the other hand, replies that if a store does not have a specific color that every other retailer had, customers often ask for that particular color.

Figure 11 shows what impact the respondents believe delayed deliveries have on their products and therefore leads to them becoming obsolete and end up on clearance sales. Most companies have their full right to return goods that are not delivered on time. Multibrand Retailer 2 believes it can have significance. For example if significant products of the spring collection are late the whole collection may not sell as well as expected. Multibrand Retailer/Branded Marketer describes that late deliveries do have significance and it is always a problem. “We deliver to customers (other retailers) and if we are late they sometimes have closed their purchase-window and we cannot deliver our products to them” (Multibrand Retailer/Branded Marketer, 04.17.2012).

Branded Retailer 1 says it is usually not a problem. Franchise 2 claims that it is not common that collections arrive late, but if they do, and the delay products are meant to highlight the collection, the whole concept loses its edge and some products might end up at clearance sales.
A majority of the companies believe quality is a factor that has a low impact on the products, which will end up at clearance sales, as illustrated in figure 12. The Multibrand Retailers explains that quality is very important for the company and is only working with trustworthy suppliers that supply good quality. If there is a problem with the quality the company can return it to the suppliers. Multibrand Retailer 1 describes, “We don’t want to offer consumers low/bad quality products. Even our clearance sales product must have good quality” (Multibrand Retailer 1, 04.24.2012). Further Multibrand Retailer 1 says that the company does not want to get a bad reputation from offering garbage to the consumers. “If the clothes have bad quality they go straight to the outlets or somewhere else instead. It is important that our clearance sales products have the same quality as our products sold at regular prices” (Multibrand Retailer 1, 04.24.2012). Multibrand Retailer 1 also mentions that Sweden is a tough market because the consumers are well informed and educated and knows about good quality.

Branded retailer 1 and Multibrand retailer/retailer marketer comment that if their products have a problem with quality, they take them out from our store. “We do not want to sell this type of goods even on clearance sales” (Branded retailer 1, 04.18.2012).

Franchise 1 do not has a problem with low quality problems, but Franchise 2 replies if a product has a low quality it has a great impacts. ”For us the product must have a good quality, since it is part of our brand (Franchise 2, 04.25.2012).
4.1.2 Clearance Strategies

How many times per year does your company have a clearance sales?

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Branded retailer 2</th>
<th>Multibrand retailer/Branded retailer</th>
<th>Franchise 2</th>
<th>Franchise 1</th>
<th>Multibrand retailer 2</th>
<th>Multibrand retailer 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 times/year</td>
<td>Blue</td>
<td>Red</td>
<td>Green</td>
<td>Purple</td>
<td>Orange</td>
<td>Black</td>
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<tr>
<td>4 times/year</td>
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<tr>
<td>3 times/year</td>
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<td>2 times/year</td>
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<tr>
<td>1 time/year</td>
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<tr>
<td>More</td>
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Figure 13. The graph illustrates how many times per the companies have clearance sales.

On the question whether the companies have an outspoken clearance sales strategy or not only Branded Retailer 2 replies yes. The company has a system how to reduce prices on products little by little to recognize what consumers want to pay.

Figure 13 illustrate how many times per year the companies have clearance sales. The alternative four times a year was most common followed by the alternative two times a year. Both of the Multibrand Retailer companies and Multibrand Retailer/Branded Marketer have clearances two times a year. However Multibrand Retailer 2 has clearance sales both during the midsummer and winter periods and also every month when there are products that have not been sold as expected.

Branded Retailer 2 explains it has four clearance periods per year, the respondent thinks that the company could reduce clearance sales to two periods but claims its needs those “ventilators” to create space for new products in the stores.

Both of the Franchise companies are controlled by a head office and receive a new collection every month. The stores and the collections are built on four zones were the products starts in zone one and by every week the collection moves to the next zone. By the time the products reach zone four they are then sold off at clearance sales. Apart from this the company also has midsummer and winter clearance sales. Both companies also have a clearance sale once during the spring and the fall.
Figure 1. The graph shows what companies replied on a scale between 1 (Low impact) and 5 (High impact) to the question – What impact has competitors’ clearance sales strategies on your own company’s clearance sales strategies?

As shown in figure 1, three out of seven of the companies claim competitors’ clearance sales strategies do not affect or have a low impact on their own clearance sales. Multibrand Retailer 1 looks at the competitors but tries to differentiate with a higher quality so that their products will be durable for a longer time. However Multibrand Retailer 1 admits that if their competitors’ lower their prices the company feels forced to lower the products prices as well. Furthermore the respondent says clearance sales and discount prices are a problem on the Swedish market and that retailers today try to hide their clearance sales behind names such as campaigns, offers, mid season sales, November sales and so on “On the Swedish market you can today find clearances sales all year around” (Multibrand Retailer 1, 04.24.2012). There is an inflation of clearance sales today and Multibrand Retailer 1 thinks it would be good to have some kind of governmental regulation on clearance sales as in e.g. France. Clearance sales periods would then be more controlled which could lead to retailers not purchasing as many products from the suppliers as they do today.

Multibrand Retailer 2 says competitors’ clearance sales strategies do not affect the company. Its follows the big clearance sales periods, which are around midsummer and Christmas but besides that the company follows its own lead. Multibrand Retailer/Branded Marketer has never thought of it. “If we hear from a customer that they have competitors products on clearance sales we see it as a weakness for that specific company” (Multibrand Retailer/Branded Marketer, 04.17.2012). Further Multibrand Retailer/Branded Marketer explains that strategy differs in its own outlet stores where the company does look at competitors’ clearance sales strategies.
Branded Retailer 2 responds that competitor clearance sales strategies have a high impact, it is the supply and what the consumers are willing to pay that controls the market. "If you are successful with your assortment you might not have to follow other companies clearances sales, but otherwise you have to follow the market” (Branded Retailer 2, 04.24.2012).

All of the companies’ reply that they try to decreases their clearance sales. Multibrand Retailer 2 explains that to lower and maintain a low clearance sale level the company must buy the right volume of products. Multibrand Retailer/Branded Marketer is planning its inventory and purchases and works constantly to decrease clearance sales as much as possible. Further the respondent explains that a high demand for products on clearance sales is a sign of high demand of the products on regular price.

Both of the Branded retailers explain it would be a problem if all products on clearance sales were out of stock and new deliveries had not yet arrived. According to Branded Retailer 1 it is better to offer products on clearance sales than to have an empty store with nothing to sell.

Franchise 1 means that through their purchase budget companies have an influence to reduce the amount of clearance sales. Franchise 2 tries to decrees the amount of clearance sales by working with the new clothes in the store, so that items look interesting and the store is appealing. During clearance sales the company keeps tight control in the store so that the products look attractive. Both of the franchise companies have a large inventory and therefore will not risk being empty handed if they sell off all their clearance sales products right away.

4.1.3 Clearance and Consumers - From a Company Point of View
According to the companies they believe consumers have a different relation to clearance sales today. Multibrand Retailer 1 describes that consumers today expect retailers to have clearance sales. Multibrand Retailer/Branded Marketer thinks consumers’ demands a 50 percent price reduction on clearance sales today and believes consumers take clearance sales for given. Further the respondent claims every retailer shares the responsibility for this development of clearance sales. Because of the tough climate in the business environment several of the retail
chains have become large and powerful, these can now control the market with their big product volume and low prices.

Both of the Branded Retailers claim that consumers have become more calculating in wanting and waiting for more often clearance sales periods and more products on the market. To prevent consumers waiting for clearance sales, Branded Retailer 2 tries to make the consumers believes that they must buy the product now or it will be out of stock, this can be done through not having too much volume of one product in the store at the time.

![At which discounts does your company sell most products on clearance sale?](image)

Figure 15. The diagram illustrates at which discounts companies sell most products on clearance sale.

As figure 15 shows most companies believe their consumers are most attracted by their clearance sales from 50 percent and up. However many of the companies also have clearance sales between 30-50 percent. Multibrand retailer 1 answers "other" and comments that its consumers are most attracted by clearance sales at 40 percent. Multibrand Retailer 2 says the most attractive products always sell off quickest at 30-50 percent. The company always try’s to start with 30-50 percent clearances sales and finish off with half of the clearance sale price when there are only some odd items left.

Multibrand Retailer/Branded Marketer believes its consumer’s want as much clearance sales discount as possible. But if the price is lower than 50 percent of the regular price the companies loses its margin. Further Multibrand Retailer/Branded Marketer describes that consumers expect a good clearance sales rebates today because they are spoiled and blames the problem on the big retail chains actions as described earlier.
Branded retailer 2 responds that it depends on what type of garment it is but in general its clearance sales are between 30-50 percent. "But then of course things can go bad and if so we have products on 75 percent clearance sales but for us this is a huge failure” (Branded retailer 2, 04.24.2012). Franchise 1 replies that almost no-one get attracted by a 20 percent clearance sale.

4.1.4 Consumers Expectations of Clearance Sales

Multibrand Retailer 1 does not think it is important to offer consumers clearance sales today. The company believes that consumers desire a clearance sale that contains low price and many products. The company’s consumers come often in to the stores and look to see if there are some items that could later come on clearance sales and chance that they will. Multibrand Retailer 2 does not want to attract consumers with clearance sales since their goal is to have as small amount of products on clearance sales as possible.

Multibrand Retailer/Branded Marketer wants their own typical consumer to buy their products at their clearance sales, the company does not want to attract or target a new group of consumers through clearance sales. Multibrand Retailer/Branded Marketer believes that its consumers desire clearance sales at their outlets. They claim that it is not important to offer consumers clearances sales but it is a nice thing to do.

Branded Retailer 1 thinks it is important to offer their consumers clearance sales, especially when other retailers do it and wants to attract all consumers with their clearance sales. Branded Retailer 2 has knowledge that the consumers that buy the clearance sale products are different to those who buy items for regular prices. The company explains that there is a difference between those two target groups. “With our clearance sales we want to attract the type of consumers that normally buy clothes at a reduced price” (Branded Retailer 2, 04.24.2012). Branded Retailer 2 also thinks it is good to have these different consumer groups since the company then can use different communication to access them because consumers behave and communicate differently “We avoid sending clearance sale offers to our regular consumers during the clearances sales periods” (Branded Retailer 2, 04.24.2012).

Franchise 1 believes that their consumers expect clearance sales on products that
have been in the stores for a long time. “It is important to not fake a clearance sales, because there exist retailers that are doing that, fake prices and so on” (Franchise 1, 04.25.2012). Further Franchise 1 explains “Our consumers expect that we should have a clearance sale, everyone does it” (Franchise 1, 04.25.2012). Franchise 2 wants to attract its consumers who buy products frequently. The respondent claims that retailers have spoilt today’s consumers who will be disappointed without a clearance sale. Further Franchise 2 claims that many high quality brands have the last year or so had many clearance sales occasions, it is a trend based on wrong purchasing decisions or wrong sales forecasting. Franchise 2 believes consumers prefer a nice clearance sale with new clearance sales items and good quality products.

4.1.5 Clearance Sale Impact on the Environment

Multibrand Retailer 1 believes the consumers increased environmental awareness and the worlds constrained resources will effect the business environment in a positive way. The price of raw material and labor is increasing today and could lead to a decreased number of produced products in the future. Multibrand Retailer 2 has an environmental way of thinking in the organization and donates products that have been on clearance sales to help-organizations.

“I believe it is less expensive for big retail constellations to burn obsolete products than to deal with the problem on what to do with them” (Multibrand Retailer/Branded Marketer, 04.17.2012). Multibrand Retailer/Branded Marketer has earlier tried to mill old clothes and reduce it into new textiles but right now the process is too expensive for them. Further Multibrand Retailer/Branded Marketer hopes that consumers have become more aware of how they consume.

Branded Retailer 1 has no answer to this question, however Branded Retailer 2 sees no direct connection between clearance sales and the environmental issues, although the consumption has a direct relationship. “If the normal sales have been good it will result in less products on clearance sales which means a lower impact on the environment, but if the normal sales decrease it will result in bigger clearance sales and hence, have a greater impact on environment” (Branded Retailer 2, 04.24.2012).
Franchise 1 thinks the attitude of overconsumption will end. People have become more aware of how products are produced and interested in who the producer is and is also more aware of their own consumption behavior. “It is essential for the retailers to be aware of how the products are transported and that child labor do not exist in the production process when the supply chains become more transparent” (Franchise 1, 04.25.2012). Franchise 2 believes that clearance sales will exist even if the resources become more limited.

4.2 Empiric from Consumer Survey

In this section the replies from the consumer survey are presented. A total of one hundred replies were conducted, 89 persons of those were females and 11 were males. The replies have been compiled in diagrams followed by a clarifying explanation.

![Diagram of clearance sale attractiveness](image)

**Figure 16.** The diagram illustrates at what discounted percent the consumers are attracted by clearance sales. The number in the figure indicates how many of the respondents that agree to that particular option.

In figure 16 consumers were asked to reply by what percent they get attracted by clearance sales. Of the one hundred received replies the majority answers 50 percent. Those who reply “other” gave their comment as a respond. One replies that he/she goes in to the store regardless the stores clearance sale percentage. Another comments the attractiveness starts at 10 percent. One responds “I do not get tempt to go in at all in a store during a clearance sales occasion, because it is associates with messy stores, bad overview of the garments, boring clothes that no
Another consumer responds that a clearance sale is not tempting at all.

Figure 17. The diagram illustrates how consumers replied to the question: “You found a sweater you really like. Have you ever made a conscious choice to wait and see if it will be on a clearance sale later?” The number in the figure indicates how many of the respondents that agree to that particular option.

On the question “You found a sweater you really like. Have you ever made a conscious choice to wait and see if it will be on clearance sales later?” as shown in figure 17, 35 percent answer that they do not agree and therefore have never waited. The comments in accordance to this statement are that they really wanted the sweater and they did not want to take the risk that the garment would be sold out when it was time for clearance sales. “If I really want the sweater, I do not dare to wait for the clearance sales, it might be sold out before the clearance sales event”.

For those, 23 persons who waited for the sweater to be on a clearance sales the main reason for their actions was that the garment was too expensive and not worth the ordinary price or that they wanted to save money. Some of the consumers also indicated that they only intended to use the garment once and therefore they did not want to pay such a high price. Another common comment was that the sweater was a typically “clearance sales-product” and therefore they waited for it to come on clearances sales. “Why pay more than it is worth when it is likely to be on clearance sales later”.

Anonymous consumer, 04.17.2012
Anonymous consumer, 04.18.2012
Anonymous consumer, 04.17.2012
Many comment that they did not had an actually demand for the garment at the time, and therefore were willing to wait until a clearance sales occasion. “There are clearance sales very often so you might as well wait”⁵. Some comment that they waited because they believed the product would be on clearance sales due to its price, quality and appearance. Moreover another respondent responds, “The only time I shop at full price, is when I know it is a popular product that has been seen in media or if it is a limited product”⁶. One consumer write in the survey “I know that companies always have great clearance sales at certain times, where the whole assortment is on clearance sales, not just crap. If I then have found a garment close to the time when clearance sales usually occurs, I have deliberately waited”⁷.

### You choose to buy more clothes at clearance sales today compared to three years ago.

![Bar chart showing the number of respondents who agree with the statement about buying more clothes at clearance sales today compared to three years ago.](image)

Figure 18. The diagram shows how consumers consume clearance sales products today compared to here years ago. The number in the figure indicates how many of the respondents that agree to that particular option.

42 consumers respond that they do not buy more clearance sales today than they did three years ago. The common comment is, that they had another life situation three years ago, which meant that they have now a higher income and therefore buy less clothes on clearance sales today. Some answer that they buy more clothes today with higher quality and see it more as an investment. Some respond that clearances sales are slatternly, stressful and tiring and therefore avoid a clearance

⁴ Anonymous consumer, 04.17.2012
⁵ Anonymous consumer, 04.17.2012
⁶ Anonymous consumer, 04.17.2012
⁷ Anonymous consumer, 04.17.2012
sales occasion. Another comment is that the respondents are more willing to buy more expensive clothes that cannot be seen on everybody else. But also an awareness of production costs has had an impact to not buy products at clearances sales. “I have less time now and before I thought clearance sales were more fun. With age quality is more important than the price”.

Those who buy more products on clearance sales today reply that their life situation had also changed. Some have families today or are students and have therefore become more aware of their economy than earlier. One answers “Depends on the life situation, because I am studying now, also there are a lot more clearances sales today than earlier” while others replied they always look at companies’ clearances sales. Further someone responded, “Clearances sales have become better today. Earlier it was just clothes that was garbage and obsolete products in odd sizes”. Another respondent answers that it is not that important what other people thinks about his/hers style or to wear the newest trends, therefore it is better to buy clothes when it is cheaper. One consumer said “I had worse clearance sales experience three years ago, now I know more about what kind of clothes are worth to wait for and to buy on clearance sales”. Several answer that there are more clearances sales in the stores today than earlier. “It is much more clearances sales today than three years ago. You can buy on clearances almost all year around if you wish”. Someone else upholds the over consumption in society as a reason for not buying so much clothes anymore.

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8 Anonymous consumer, 04.17.2012
9 Anonymous consumer, 04.17.2012
10 Anonymous consumer, 04.17.2012
11 Anonymous consumer, 04.17.2012
12 Anonymous consumer, 04.17.2012
Figure 19 shows that 43 percent answer that they do not think of the environment when buying clothes, while 40 percent think of the environment when buying clothes. Comments to this question are that the respondents sometimes think of the environment when buying clothes, and something they want to change and start to think about. “Yes, I really try to have environmental way of thinking when I buy clothes, but it is far too easy to ignore it today”[^13]. Some respond that they are interested in where the clothes are produced and what quality and material the item is produced of. “I try to buy clothes with good quality and try to not follow trends too much, so the clothes last longer”[^14]. Some respondents answer that it is hard to buy environmental friendly clothes as a student due to the limited economic budget. “Sometimes I think of the environment, but style, color, quality and price have more impact on the decision what kind of clothes I will buy”[^15].

[^14]: Anonymous consumer, 04.17.2012
[^15]: Anonymous consumer, 04.17.2012
Figure 20 illustrates what the consumers expect when they buy clothes on clearance sales. Low price and good quality are what the consumers expect to be most important, while a wide range of discounted clothes on clearance sales is not really expected. To find trendy and basic clothes on clearance sales are almost equally expected.

Consumers were asked what they believe are the main reason retailers having a clearance sale today. As shown in figure 21 the majority believes the main reason is that the companies sales offer do not match consumers’ needs. The expectations from consumers that every retailer should have clearance sales are a reason.
Several respondents also believe that retailers have bought too large quantities and therefore companies are forced to have clearance sales. The consumers believe the reason “consumer do not have enough money to buy clothes to an ordinary price” is of less importance in relation to companies’ clearances sales.

**Choose the alternative that matches you the best. In five years...**

- I will be tired of the clearance sales phenomenon and buy all my clothes at ordinary price: 34
- I buy fewer clothes on clearance sales because I am more environmental conscious:
  - I buy fewer clothes on clearance sales: 22
  - There are no clearance sales anymore because retailer have become better to plan their purchases: 8
- I buy same amount products on clearance sales as I do today: 45
- I will buy more clothes on clearance sales: 5

*Figure 22. One hundred consumers were asked to choose the alternative/s they thought matched their future the best. The number in the figure indicates how many of the respondents that agree to that particular option.*

The consumers in the survey were asked to reply on how they think they will behave towards clearance sales in the future, as illustrated in figure 22. The options to choose several of answers were given. The majorities do not think they will change their buying behavior and will buy the same amount on clearance sales as they do today. Many of the respondents choose the alternative that they will be tired of the clearance sales phenomenon and buy their clothes at ordinary prices. Only five consumers reply that they will buy more clothes on clearance sales and eight believe retailers will have becomes better at planning their purchases in 5 years time. 24 respondents reply that they will buy fewer clothes on clearance sales in five years and 22 respondents reply that they will buy fewer for the reason they have become more environmentally conscious.
5 Analysis and Discussion

This chapter aims to give answers to the research questions by analyzing the answers from the companies and consumers and comparing them with the theoretical framework.

37.7 percent of all products in the clothing industry were last year sold at a discounted price (www.habit.se). According to several of the companies interviewed this figure does not illustrate a trend but is related to today's volatile economy and a high level of inventory. However, as the graph from GfK Fashion *Scope indicates the curve on products sold at a discounted price constantly increase and to ignore this possible trend could be dangerous if the consumers’ behavior towards consumption are about to change. According to Sandow (05.14.2012) there are more clearance sales in stores today because of a decreasing willingness to consume. A majority of the interviewed companies claim they have less clearance sales today compared to a couple of years ago.

On the other hand the questionnaire indicates that the main reason for clearance sales today is because the assortment doesn't match consumers’ need. This is also the view of Multibrand Retailer 1 who claims, that the entire clothing industry has had difficulty obtaining knowledge about consumers demands, and this absence of information has resulted in an over-production in the marketplace. As Mattila (1999) describes a fluctuated consumer demand can cause clearance sales. Due to globalization there have been some difficulties receiving knowledge of whom the company’s consumers are and how to reach out to them. According to Multibrand Retailer/Branded Marketer the world economy controls everything and refers to it as its greatest competitor.

Companies believe that consumers buy fewer products at a regular price because of the volatile economy. Interestingly, consumers reply that they do not think their own economy is the reason why retailers offer clearance sales products today. There seems to be a contradiction between the company’s stated purposes for having clearance sales and the consumers’ belief in these reasons. The authors claim this conflict could be found in a lack of communication and information between the retailer and the consumers.

Both the consumers and interviewed companies claim that retailers purchase too
large quantities and that these stocks have a high impact on clearance sales. Branded Retailer 1 has adjusted its stock volumes and therefore has fewer clearance sales today. Also Branded Retailer 2 today buys fewer products with the goal of reaching a higher sell through. It appears as if Branded Retailers have begun to adjust their quantities to the demand for garments. The Franchise companies in this study receive a new collection every month and a result of this could be their weekly “zone-four” clearance sale. There is no clearly common view among the Multibrand Retailers in this connection between large purchased volumes and large clearance sales but this could derive from the fact that Branded Retailers have a more transparent and controlled supply chain. Multibrand Retailer/Branded Marketer, who controls its own supply chain, believes that large volumes have a high impact on clearance sales. Franchise companies and Multibrand Retailers are more controlled and have a complex supply chain. It is more difficult for them to know their end consumers demands in the different markets.

The consumers also believe that one reason companies have clearance sales today is because of the expectations among consumers, that every large retailer in Sweden should have a clearance sale. Andersson (04.20.2012) says companies need to look at their competitors because their actions affect the situation on the market. When asked, the majority of companies, claim not to look at their competitors regarding clearance sales. However Branded Retailer 2 admits they look at their competitors, and clarifies that only companies who know their consumers are not obliged to do so. Most of the companies claim they only have clearance sales to get rid of unsold goods and hence, indirectly they do not want to offer clearance sales to their consumer.

There is no pattern between the different retail constellations as regards the reasons for having a clearance sale. Branded Retailer 1 claims clearances sales are important, especially since other retailers have them, although the company also replies it only has clearance sales to get rid of unsold goods. The same contradictions are found at Franchise 1. This behavior could be explained that due to the increased amount of clearance sales on the market, companies have not yet realized the effect clearance sales can have on both their consumers and their business. Clearance sales could have caused a new consumer behavior where consumers willingness to buy products at a regular price have decreased and these companies have not yet realized this possibility. Both Multibrand Retailer/Branded
Marketer and Hultén (2007) believe that due to economies of scale retail chains can offer products at such low prices, that they have created a new consumer clearance sales behavior.

The majority of the consumers in this research are attracted to clearance sales of 50 percent. The method companies use to attract consumers to their clearance sales, with commercials and large advertisements, can increase consumers expectations as to how a clearance sales should be designed and how retailers should behave. Further Lantz (04.26.2012) explains that clearance sales may also be used to tempt consumers into the store.

Consumers usually look for cheap clothes and bargains (Mattila, 1999). The consumers in this survey rate low prices as the most important factor when they buy clothes in clearance sales. It might be that today's volatile economy has affected consumers’ price awareness. The behavior of always seeking out low prices was recognized in the early 1793 when the cotton gin was invented (R. Shell, 2009). What then was a lack of knowledge in the production costs of garments might still now be an issue in today’s western consumption society.

Companies have continued to make consumers believe garments are cheap to produce by constantly seeking for the less expensive suppliers and transportation and distribution systems. When prices continuously become lower, it is not surprising that almost one fourth of the consumers indicate that they fully agree to the statement that they have waited for a sweater to become an object in a clearance sale. This behavior illustrates that these consumers do not value their clothes very highly. “Why pay more than it is worth when it is likely to be on clearance sales later” 16. Another respondent responds, “I love to find bargains to reduced prices” 17.

Multibrand Retailer 1 also claim consumers sometime change their mind on how a garment looks when the price is reduced. However 35 percent of consumers do not want to take the chance of waiting to buy a garment and risking that it might be sold out before a clearance sale. This way of thinking as a consumer is known and used by many retailers who takes advantage of it, as Epstein (1999) explains. For example, Branded Retailer 2 confirms it only has a limited amount of sizes of one

16 Anonymous consumer, 04.17.2012
17 Anonymous consumer, 04.17.2012
product in the stores at a time with the purpose of encouraging consumers not to hesitate to buy the garment. Hultén (2007) says that larger retailers have educated consumers that their garments will only be in the store for a limited time. According to Epstein (1999) consumers who recognize the pattern of products being price reduced after a certain time, may refuse to buy the products at a higher price and instead wait for the clearance sale.

The way companies use clearance sales have changed, but the consumers’ view of clearance sale has not.

The development of clearance sales began by companies wanting more consumers to enter their stores when their willingness to buy garments had decreased as Wannamaker detected in the late 1800’s. This is a strategy consumers have learned and adjusted to, i.e. lower prices and returning clearance sales periods. Today however the scenarios is that companies claim they do not use clearance sales as a main tool to attract consumers, only to get rid of unsold goods.

Franchise 1 says it is important not to fake a clearance sale, meaning that the products on the clearance sale should have been available for purchase recently in the store. In France the clearance sales regulations control this situation with a law that says all products on clearance sales must have been found in the store 30 days prior to the clearance sales start day. (www.economie.gouv.fr)

It is important for consumer not to feel fooled when they buy a product (Lundèn, 2008). A reason for why products sold at clearance sales are increasing could be that consumers are recognizing the pattern of more clearance sales periods. According to the companies in this thesis none of them have clearance sales more than four times a year. But consumers do not agree and reply “It is much more clearances sales today compared to three years ago. You can buy garments on clearance sales almost all year around if you wish”. 18

The Franchise companies divide their assortment into four zones where the fourth is sold at a discounted price as a part of their business strategy, meaning they technically always have a clearance sale. This can not only harm the relationship with consumers, that will learn of this strategy and adapt to it, but it is also not allowed to sell products at a clearance sales for no particular reason according to

18 Anonymous consumer, 04.17.2012
Swedish Federation of Trade (Sandow, 05.14.2012). Franchise 1 refers their increasing clearance sales to its constantly arriving collections. The frequently speeded up systems force producers to launch new collections more often than before and to keep prices down, companies are forced to purchase large quantities (Johansson, 05.15.2012).

Sandow (05.14.2012) claims there are more clearance sales in stores today due to the increased number of and less defined seasons. The less defined seasons lead to a more frequent replenishment of products in stores, which then take up inventory space. Products therefore have to be marked-down more frequently to make way for new products. Because the periods in between clearance sales periods have decreased the time when a product is sold at a regular price has thus become shorter. Franchise 2 and Branded Retailer 2 agree - but still claim that clearance sales are necessary in order to get rid of unsold goods from previous seasons and free the space needed for new collections and products.

Mattila (1999) claims the number of sales seasons each year has increased from two to four. The authors find that the constant new collections and products in the stores have created a wear and tear behavior and a demand for low prices in order for consumers to continually afford to buy the new products. Hultén (2007) believes the wear and tear behavior is about to change since younger consumers have become more aware of their consumption and the impact it has on the environment.

However 45 percent of the consumers do not think their consumer behavior in relation to clearance sales will change during the next five years. 34 percent of the consumers reply they will become tired of clearance sales in five years and buy their clothes at regular prices. 43 percent answered yes compared to 40 percent who replied no to the question if they thought about the environment when buying clothes. Yet the authors claim that in the near future consumers will become more aware of the effect on the environment of excessive consumption and become tired of the clearance sales phenomenon.

Multibrand Retailer 1 mentions that it is cheaper to produce garments in the Eastern countries and therefore companies can take bigger risks during their purchasing operations. The authors claim high production margins have had an impact on the general acceptance by companies to sell garments at clearance sales.
This has also led to the over consumption in the Western society, as both of the Multibrand Retailers and Franchise 2 say.

“If the (normal) sale has been good it will result in less products on clearance sales which means a lower impact on the environment, but if the (normal) sale decreases it will result in a bigger clearance sales and hence, have a greater impact on environment” (Branded Retailer 2, 04.24.2012). This quote illustrates a straight connection between clearance sales and the environment. The authors can see that companies are moving towards a more environmentally conscious behavior. According to Johansson (05.15.2012) companies with strong brands are more concerned for the environment than the unbranded larger retail chains. Multibrand Retailer/Branded Marketer has the strongest brand among the companies in this case study and has earlier tried to re-mill old clothes and reduce them into new textiles. Although at the moment this process is stopped because the process is too costly.

The majority of companies say clearance sales are a necessity for them. They claim they are unavoidable and therefore companies have to make the best of the situation. Franchise 1 says for example that because all consumers will not like all styles there will always be odd sizes and styles left. The difficulties of predicting future demand is the one reason why clearance sales cannot be avoided claims Multibrand Retailer/Branded Marketer and Multibrand Retailer 2. According to Mattila (1999), forecasting contains several risks for a company e.g. classification, price, style, size and color. The main issue when forecasting new seasons is what trends will be popular and to predict what consumers will demand.

Faulty purchased sizes, volumes, color and styles could be avoided with better knowledge about the market. Today many retailers try to target everyone and sizes can vary from XX-small to XXX-large. This makes forecasting sizes difficult for companies. The majority of the companies interviewed in this study said that sizes sometimes had an impact on their clearance sales. A majority of the companies believe that weather has a high impact on how many products will end up at clearance sales. This could be a local problem for Sweden since the weather is unpredictable and extremely shifting from year to year.

Retailers produce their clothes in developing countries to maintain high margins, but this production will also have an impact on forecasting errors and late
deliveries according to Mattila (1999). Al-Zubaidi & Tyler (2004) claim that to look at the price is the traditional way of purchasing, but it is now more essential than ever that products are on time and are of good quality. According to Andersson (04.20.2012) some products that are late end up at clearance sales directly. The authors claim that by moving production closer to the end market this could result in shorter lead times and make forecasting periods shorter and less of a problem. This might eventually also lead to products of a higher quality.

A garment’s price is connected to consumers’ values and its quality according to Schäder (2006). Consumers urge for low prices and quality products have forced retailers to constant improvements. Hultén (2007) claims that it has become cheaper to consume and purchase goods today compared to 30 years ago. Interestingly, Schäder (2006) describes that company’s knowledge regarding consumer behavior and value preferences are limited today, and that due to a lack of time companies do not follow up the effect of their own actions on the operating market. Further the authors explain that due to limited theoretical and logical information many companies rely on old habits and routines regarding price setting, instead of discovering new pathways companies are focusing on strengthening the existing pattern.

The authors believe many of the retailers on the Swedish market today are stuck in old habits regarding clearance sales and pricing since the companies in this case study do not have a clear clearance sale strategy. Meanwhile, the consumers in our survey claim they have become more price sensitive, especially when there are changes in their living situation whereby they become students or start a family. It is thus important for retailers to never lose sight of their consumers.
6 Conclusions

The main research question in this thesis was “Do fashion retailers use different sales strategies and do retailers clearance sales affect companies as well as the consumers in today’s volatile business environment?” As described in the introduction the question has been divided into three minor questions, which will be answered in this chapter.

1 What is the relationship between consumption and clearance sales and does companies’ purpose of clearance sales match consumers’ expectations of clearance sales?

The authors find a strong relationship between consumption and clearance sales

In Sweden we live in a society built on consumption and a mentality that garments can be produced cheaply. Low prices and bargains have for century’s drawn consumers to the stores, a behavior taught by the retailers. With new and developed technologies, transport- and replenishment systems retailers have competed in offering consumer products to the lowest prices while still retaining high margins.

Companies lower their prices to attract consumers in order to get rid of obsolete products. When more collections are launched every year, retailers face obsolete products more often. Consumers recognize this pattern of products, which soon end up at clearance sales and begin to value cheap clothes differently and even sometimes wait with their purchase until the clothes are at a clearance sale. The speeded up system, with more collections each year, stresses and forces retailers to purchase more products that cannot be sold at regular prices, which in the end lead to even more clearances sales.

The authors claim consumers’ thoughts and expectations of clearance sales have changed. Clearance sales no longer attract consumers in the same way as it did when there were less clearance sales periods and therefore the purpose of the clearance sale has lost its function and power. When products can be found at clearance sales all the year round it is hard for consumers to see a reason to buy clothes at a regular price. We are right now in a middle of a shift where consumers’ behavior has gone in one direction, and the willingness to purchase has cooled down partly because of the rise of environmental thinking. Meanwhile the companies try anxiously to use the clearance sale as a tool.
2  Is it a must for companies to have clearance sales?

According to the companies in this study they are forced to have clearance sales to get rid of unsold goods to create space for the next collection and to get rid of tied up capital in the inventories. Retailers’ behavior has created a demand for clearances sales among consumers. Retailers are dependent on their consumers and must consider their usage of clearance sales because consumer have quickly adapted to low prices. The authors find companies have neglected this aspect and now have to face the consequences with a demand for low prices.

The authors claim that due to the similar assortment of clothes among retailers on the Swedish market, retailers have been forced to follow the market and the increased clearance sales periods. If a company did not offer clearance sales at the same time as their competitors, consumers would likely go somewhere else where the prices of similar product are less expensive.

3 How will companies manage clearance sales in the future due to the increase environmental awareness?

Companies must know their consumers and their market if they are to be able to forecast more correctly and thereby have less unsold products that will end up at clearance sales. To niche the assortment could be one way to constrain leftover products. Due to the price competition on the market only those who are big enough to handle low margins will survive. The authors believe this could be a danger to the freedom of competition.

Our consumption today is not sustainable. Both cotton and oil, used in the production of garments, are finite resources. The authors believe that one scenario in the future could be that that developments in the Eastern countries will improve environments and wages will be increased, products will therefore become more expensive. This will lead to retailers margins being reduced and consequently result in higher prices to the end consumer and thereby indirectly to fewer clearance sales.

Or, a second scenario is that because of the retailer’ desire for higher margins, they will keep searching for a less expensive way to produce and not invest in sustainable machines and instruments that our future environment requires.. It may
be that some kind of regulation is needed to control the urge for producing cheap products in order to save the environment. For example the authors find the way France controls the clearance sales periods today could be one way of increasing the knowledge of the problems relating to low priced products.

“Do fashion retailers use different clearance sale strategies and how do retailers clearances sales affect retailers as well as the consumers in today's volatile business environment?”

During the thesis and the interviews with seven companies the authors could not find a strategy that were used to manage clearance sales. Instead the companies claim that clearance sale were a result of faulty forecasting or a decreased willingness among consumers to buy due to the volatile business world.

The authors find that clearance sales could affect the companies differently because of their various business concepts. Branded Retailers and Multibrand Retailer/Branded Marketer have a more transparent and controlled supply chain and can therefore control the volumes of products to lower the amount of clearance sales. Franchise companies have less control over the inflow of products because their head office controls them. Since Multibrand Retailer companies offer different brands they could have a more mixed and broader market and hence, it might be more difficult for them to forecast right products and quantities. The risk is that Franchise companies and Multibrand Retailer companies have more obsolete products and therefore have most clearance sales among the companies.

An increased consumption and the consumers’ wear and tear behavior will take time to change. It is not certain that any changes in the retailers efforts in improved forecasting and planning to decrease their amount of clearance products will change the consumers’ behavior. It could also be naive of companies to believe they can control consumers’ demand by decreasing and increasing the amount and price of products in a volatile business environment.

However to inform consumers and to take responsibility for a sustainable production might ensure that consumption behavior changes and such a change will be just as crucial for the retailers existence as for the entire environment.
6.1 Further Research

Limited studies concerning clearance sales were found in the initial phase of this thesis. However the authors have found that clearance sales have a big impact on the participating companies and consumers. Therefore the authors recommend further research within this field. Interesting areas are listed below.

- How would retailers on the Swedish market react to regulated clearance sales periods?
- What impact has campaigns and other temporary offers on retailers and consumers on the Swedish market.
- Can campaigns be a substitute for clearance sales?
- Is there a difference between women’s and men’s view and reaction on clearance sale?
- How is clearance sales managed in other parts of the world?
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**Figures**

Figure 1. www.habit.se. Retrieved on 03.15.2012
8 Appendix

8.1 Appendix A – Questions in the Consumer survey

1. What sex are you?
2. By what discounted percent are you attracted by clearance sales?
3. You found a sweater you really like. Have you ever made a conscious choice to wait and see if it will be on a clearance sale later?
4. You choose to buy more clothes at clearance sales today compared to three years ago?
5. How much clothes do you buy on clearance sales in a year?
6. Do you think of the environment when you buy clothes?
7. What do you expect when you buy clothes on clearance sale?
   - Low price
   - Good quality
   - A wide range of clothes
   - Trendy styles
   - Basic styles
8. What do you believe is the main reason retailers have clearance sales today?
   - Consumers expect that every big retailer have a clearance sale today.
   - Consumers do not have enough money to buy clothes to an ordinary price
   - The offer doesn’t match the consumers’ needs.
   - The retailers have bought too large quantities.
9. Choose the alternative that matches you the best. In five years.
   - I will be tired of the clearance sales-phenomenon and buy all my clothes to ordinary price.
   - I buy fewer clothes on clearance sales because I am more environmental conscious.
   - I buy fewer clothes on clearance sales.
   - There are no clearance sales anymore because retailers have become better to plan their purchases.
   - I buy same amount product on clearance sales as I do today.
   - I will buy more clothes on clearance sales.
8.2 Appendix B – Interview questions for the companies

- Last year were 37.7 percent of all goods in Sweden sold at a discounted price, what do you believe is the main reason for that?
- How do you believe consumers are seen clearance sales today, compared to three years ago?
- In what way is your company working with to reduce or decrease its clearance sales?
- How many times per year does your company have clearance sales?
- What is your company’s purpose with clearance sale?
- What is the main reason why your company has clearance sales?
- What type of consumers does your company want to attract through clearance sales?
- How do you believe your consumers are reacting to clearance sales?
- What expectations have your consumers in relation to clearance sales?
- In what way is it important to offer consumers clearance sales?
- How do you believe the environmental influences and the limited resources will affect your company’s clearance strategy in the future?
- What impact does today’s volatile economy have on you’re products and therefore leads to them ending up on clearance sale?
- Clearance sales - a necessity for your company?
  Don’t agree 1 2 3 4 5 Fully agree
- What impact has competitors’ clearance sales strategies on your clearance sales strategies?
  Low impact 1 2 3 4 5 High impact
- You have clearance sales only to get rid of left over goods?
  Don’t agree 1 2 3 4 5 Fully agree
What impact does the weather have on your products and therefore leads to them ending up at clearance sale?

What significance has changes in trends and styles on your products and therefore leads to them ending up on clearance sale?

What significance has faulty purchased volumes on your products and therefore lead to them ending up on clearance sale?

What significance has faulty purchased sizes on your products and therefore leads to them ending up on clearance sale?

What significance has faulty purchased colors on your products and therefore leads to them ending up on clearance sale?

What impact does delays in deliverers have on your products and therefore leads to them ending up on clearance sale?

What impact does a goods quality problem have on your products and therefore leads to them ending up on clearance sale?

What impact has the price on raw material on your company’s price setting on clearance sale?
• If all your companies’ clearance sales products been sold out the first week, is it a good or bad thing?

• Does your company have a clearance strategy?

• If your company can reduce the volume of your clearance sale products, can you then reduce the price on products that are sold to the regular price?

• At which discounts does your company sell most products on clearance sale?

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