The Escape of Mediocrity

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- A theoretical analysis of a given market condition
Abstract
Previously, the rich customers bought expensive luxury goods, the impoverished customers bought cheap low quality merchandise and the middle class customers stayed true and loyal to the middle market. However, today there has been a change in the customer shopping behaviour, especially among the middle class customers who no longer want to be stuck in mediocrity. Either the customers “trade up”, which means that they buy goods with higher price and quality; or they “trade down”, which means that they buy cheaper low quality goods. This has created a change, which means that around the world, premium and no-frills products are squeezing middle-of-the-road products and services. Sales in the middle market are pressed while sales on both the top end and the bottom end of the market are rapidly growing.

The market conditions are changing and this thesis is written with the purpose to analyse the given market situation - giving companies, primarily in the fashion industry, an opportunity to overview the possibilities for positioning on a market where the gap between discount and premium brands is getting bigger. Obviously, the phenomenon of market polarization will continue and the pressure on the companies to change will increase. This thesis discuss therefore how a company can position and reposition itself in the emerging and ever changing environment.

Three companies have been researched – Helly Hansen, Pennyblack and Nova Star. The choice of the companies have been made on the basis of all being active on the Scandinavian middle market practicing in three different parts of the fashion industry, which gives this study a broader approach. The study is qualitative and based on interviews with representatives from each company.

After conducting the interviews and analysing the empirical framework, the conclusions suggest that the most beneficial way for a company to position itself on the current saturated market is by differentiating themselves, providing something that the competitors cannot offer. Nevertheless, the differentiation has nowadays become more complex and convoluted. This happened since the saturation has made attributes that previously have been seen as unique - such as for example, superior quality and design, to be mainly common. The saturated market leads to more and more tough competition between the companies. The study shows that this actually is the reason making the companies to try to make profit everywhere, attempting to reach people that should not fall within their targeted segment. On the contrary, it is more beneficial to target as narrowly as possible, specifically aiming at the consumers that would actually benefit form the products a company offers.

Lastly, the results indicate that the International brands attempting to enter the Scandinavian market should be prepared to adjust their strategies, since the Scandinavian market seems to be different from the rest of the world.

Keywords: positioning, repositioning, middle-market and market polarization.
We want to dedicate this study to our mothers, Lena and Jolanta. They are our biggest inspirations, they have always been the main role models in our lives and they are reason to why we have developed an interest in fashion.
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1. Introduction

In this initial chapter the reader will be given an introduction to the context of this thesis. A presentation of the background and a discussion of the studied problem will be presented along with the research questions that this study intends to answer. A description of the purpose with this thesis is followed along with the limitations of the study.

1.1 Problem background

Customer shopping behaviour tended, up until 1990’s, to reflect spending power. The rich customers bought expensive luxury goods; the impecunious customers bought cheap and low quality merchandise, while the middle class customers stayed true and loyal to the middle market. Today there has been a change in customer shopping behaviour, especially among the middle class customers who no longer want to be stuck in mediocrity. Instead the middle class is now trading up and trading down – both at the same time, creating demise for the middle market. (The Economist, 2006)

Svenska Dagbladet published on the 14th of April 2012 an article Dearly bought exclusivity. The article discusses how, in today’s society, there are customers that want their clothes to be unreasonable expensive since this would make the clothes unreachable for the average Joe, hence making them truly exclusive. These customers have not been affected by the recession, making this group the key customers for success. Fashion luxury companies have realised this and have therefore raised their prices to adequate this new need. It has been done without hesitation, since only about five percent of their customers, the rich ones, contribute to big parts of the overall profits. The strategy has been articulated by the CEO of Gucci, Patrizio Di Marco, who argues that this group of customers should make their primary target of the fashion companies. Consequently, Gucci has increased their prices with approximately 30 percent since 2009. Since the luxury companies have taken a step up in the price hierarchy, it has involuntarily contributed to the following of the middle market.

According to Riiber Knudsen, Randel and Rugholm (2005), managers around the world have acknowledged that premium and no-frills products are squeezing middle-of-the-road products and services in many different industries. Sales in the middle market are pressed while sales on both the top end and the bottom end of the market are rapidly growing. However, according to The Economist (2006), the middle market is still one of the largest market segments in most of the rich countries. During the period of 1999 to 2004; Riiber Knudsen, Randel and Rugholm (2006) investigated corporations from 25 different industries and product categories, by further examining both public and private financial information. The study was made in Europe and North America as well as on a global level. Based on the investigation the authors discovered that the growth rate of revenues, between the years 1999 to 2004, for the middle market products and services declined by nearly six percent per year. The US trading-up sales, in which the middle class consumer pays a price that is 50-200 percent higher than the middle price alternative, were in 2006 around 500 billion dollar (of a total of 3.7 trillion dollars). According to The Economist (2006), these figures are similar to the ones in Europe, where trading up also was found to be a trend.

The market, in which the middle class customers pay less than the middle market price, is called the trading-down market and, according to The Economist (2006), this market is bigger then the trading-
up market. In 2006 the sales for the trading-down market were around one trillion dollar in the United States, and the same trend was observed in Europe, especially in Germany. However, according to The Economist (2006), trading-down is a somewhat misleading term. Discussing the true reasons for why this change has taken place researchers reveal that the actual difference lies in the discount retailers raising the quality of their products, which in turn is followed by the raise of the prices. One of the important developments affecting this change is the high increase of transparency in the consumer markets. Internet has opened up the market for the customers bringing the Pricerunner.com and similar sites, devoted to the price and quality comparison, as close as just one click away. This has created a trend and a desire of always reaching the best quality and the best price. It has simply become status in getting a greater and cheaper deal. (The Economist, 2006)

1.2 Problem discussion

Matt Miller wrote in an article for The Deal Magazine that the middle market is a bit like the middle class – the category is broad, seemingly all-inclusive and overpowering. Yet, assumptions, definitions and characteristics are all over the map, and in the article Miller asks following questions concerning the middle market: How big is it? How can it be divided? And where does it begin and end? A citation from the former investment banker and author, Richard Trottie is given as an answer to these questions and it sounds like: “We all nod our heads like if we know what we're talking about. We don't.” (Miller, 2011)

Riiber Knudsen, Randel and Rugholm, discuss the vanishing middle market and how the market polarization has become a powerful trend that will continue to have great impact within sales channels and across industries and regions. The impact of the polarization will affect which products and services will be provided, and this will influence how the phenomenon unfolds. After all, for the companies that want to stretch their range taking advantages of the emerging opportunities, the best place to start will be developing a strong understanding of the changing needs of the customers. (Riiber Knudsen, Randel, & Rugholm, 2005)

For companies in industries like appliances, banking, mobile phones and apparel, the growth is strong at both ends of the market. These businesses face the challenge of choosing either to focus on playing at one of the market extremes or learn how to satisfy both value and premium customers (Riiber Knudsen, Randel, & Rugholm, 2005). The Economist (2006) discusses this further and believes that for companies that have been supplying the middle market with products, times are getting tougher, forcing companies in this, for the time being, divided middle market to move either up or down.

Michael Silverstein, the author of the book Treasure Hunt: Inside the Mind of the New Consumer, criticises the cost cutting strategy, as opposed to the strategy grounded on developing new consumer products that actually allow the companies to trade-up. Cost cutting is often ineffective, since it reduces the quality of the products. On the contrary, Silverstein believes that trading up would instead create new opportunities. However, there are companies that are trying to meet both the trading-up and the trading-down market at the same time, which today is possible since customers are drifting outside of their income-related price group. (The Economist, 2006) The article discusses further if it is at all possible to stay in the middle position if a company does not want to choose to either trade-up or trade-down. According to The Economist (2006), companies that get stuck in the middle may be doomed. On the other hand, the businesses that are trading up may, under certain circumstances, clash
with the ones that are trading down, creating a possibility for the ones who are not moving from the spot to end up as winners.

In the article for Svenska Dagbladet Björk (2012) describes how the polarization of the market creates a place for the challengers to establish a “reasonable level of price”. The author investigates the Swedish fashion company Acne. The company was actually forced to create a balance between meeting the Swedish market demands of sensitivity and durability and at the same time to position themselves on the global market. In spite of the fact that some Swedish customers complain about the loosening seams on the jeans, the prices abroad are actually much higher compared to the Swedish ones. As a matter of fact, Acne manages to sell a pink cotton and lyocell skirt for 7995 SEK in Sweden or for as much as 1100 Euro outside of Sweden. These prices have recently been considered to be pure luxury prices. Nevertheless, today they seem actually to be accepted as valid middle prices.

1.3 Research questions

With the assumption that the phenomenon of a market polarization will continue and that the pressure on companies to change will increase, this thesis aims to answer the following main research question:

*How should a company position itself in an obvious market polarization?*

In order to discuss and answer the main question, three minor research questions have been considered:

- What are the available strategies for positioning on today’s middle market?
- How does the market situation affect a company’s position?
- How can a company change its position in a changing market?

1.4 Purpose

The analysis is based on the perspective of three fashion companies that are active on the Scandinavian market. The aim of this thesis is to analyse the current market conditions, to describe the market polarization and to give companies, primarily in the fashion industry, an opportunity to overview the possibilities for positioning on a market where the gap between discount and luxury brands is getting bigger.

1.5 Delimitations

This thesis aims to study the phenomenon of marketing and positioning in a saturated market with a focus on the shrinking middle market. The thesis will discuss and illuminate examples from different categories of industries, however the main focus will lie on the fashion and apparel industry. Even if the middle market is shrinking, it is still the biggest market segment around the world and based on different limited variables this thesis is not able to present a result that comprises the whole middle market around the world. Therefore, the focus in this thesis will be on three fashion brands, active on the Scandinavian market.
The study has been done without financial assistance and the authors themselves had to provide the funds whenever it was necessary. The study has also been limited by time restrictions since the thesis consists of the course, *MSc Degree Project in Fashion management with specialisation in Fashion Marketing and Retailing 15 credits*, which corresponds with a time period of approximately 10 weeks. This has an impact on the results limiting a broader compiling of empirical data, which could have given the thesis a more profound analysis and, consequently, a more accurate result.
2. Theoretical framework

The following chapter aims to present the theories chosen to form the foundation for the study. A discussion of strategies, positioning and repositioning are provided. This is followed by a description of Michael Porter’s three generic strategies, as well as a further investigation of positioning and different positioning strategies. Finally, the chapter ends up in a presentation of the term “repositioning” and a discussion of how a company can change its position on the market.

2.1 Competitive strategies

According to Porter (2004) there are three types of generic strategies commonly used when a company wishes to outperform their competitors - namely the overall cost leadership strategy, the differentiation strategy and the focus strategy. It is occasionally possible to pursue more than one of these approaches at the same time, although mostly a company has to entirely commit to one single strategy of choice in order to become successful. The strategies strive, as mentioned above, to surpass the rivals in a chosen industry in one or other way. Succeeding to do so gives the company, in some cases, the opportunity to earn high returns of investment while in other cases it could merely render a company a chance to obtain the necessary acceptable returns of investment which are crucial for the firm’s survival.

2.1.1 The overall cost leadership

The main idea of this first strategy is to minimize the costs of the company by implementing functional policies that strive to achieve aggressive manufacture of efficient-scale facilities, tight cost and overhead control, prevention of marginal customer accounts and cost minimization in areas such as service, advertising, sales forces etcetera. The strategy culminates into a low cost in relation to the costs of the competitors. The lowest costs provides the ability to exceed the competitors in offering the cheapest price on the market, thus winning market share through the appeal to price-sensitive or cost-conscious customers. Albeit the strategy aims to achieve an overall cost leadership in a chosen industry, it does not mean that a company should neglect aspects such as quality or service, or other areas that are important for the survival of the organization. (Porter, 2004)

2.1.2 Differentiation

The second strategy strives to create a product or service that will be perceived as unique. This can be done by several different approaches such as design or brand image, technology, features, customer service, dealer network etcetera. In order for a company to truly succeed with the differentiation it is advisable to differentiate the company on many dimensions, for example by creating unique products with good quality while also providing great service. Differentiation is a strategy that can be viable for a company if it succeeds in creating a brand loyalty amongst its customers. This will normally decrease the customers’ sensitivity to price which will give a company a further opportunity to boost their sales and profits. (Porter, 2004)

2.1.3 Focus

The third and last generic strategy aims to focus on a particular buyer group, segment of the product line or geographic market. This strategy can take many different forms and differs from the other two strategies by serving one segment of the market very well. In order for this strategy to be successful the company must to have the ability to serve a narrow strategic target, more efficiently and
effectively than their competitors. This ends in either a form of differentiation to better be able to meet the demands of the targeted audience, or a form of low cost when providing the products to the chosen market, or in some cases even a combination of both these forms. (Porter, 2004)

**STRATEGIC ADVANTAGE**

Differentiation  
Overall cost leadership  
Stuck in the middle  
Focus

Uniqueness Perceived by the Customer  
Low Cost Position

Industrywide  
Particular Segment Only

**Figure 1 - Three generic strategies. (Porter, 2004)**

### 2.1.4 Stuck in the middle

The generic strategies are merely alternatives for dealing with the competition that exist within a market. Not being able to adapt to these strategies brings a high risk of ending up “stuck in the middle”, which is an extremely underprivileged position to be in. The risk of getting caught in the middle is also higher for the companies trying to implement more than one of the generic strategies, which usually is unadvised. The risk of loosing entire focus of the organisation is naturally increased when practicing more than one strategy, implying that the three competitive strategies are simply not entirely compatible with each other. (Porter, 2004)

The result of being stuck in the middle can proceed into making a choice of either implementing the necessities in achieving cost leadership or at least cost-parity oriented towards a particular market or, for example, achieve some kind of uniqueness. Both the orientation towards a particular market and achieving some kind of uniqueness may result in a shrinking of absolute sales and market share. The company’s capabilities and limitations are factors deciding which of these three choices will be made since different choices require different strengths; managerial style, resources and organizational arrangements. Albeit, once a company is stuck in the middle, great efforts and time is necessary to extricate themselves from this unfortunate position. All three concepts suggest possible relationships between market share and profitability, however the result may vary in different industries. For example, in some cases companies that are larger (cost-leadership) and the smaller ones (focused or differentiated) are the most profitable, while the medium sized companies are the least profitable. This proceeds into a U-shaped relationship between market share and profitability. The U-shaped relationship does, in other words, mean that when a company is stuck in the middle it should to either trade up or trade down. This could be done by either focusing on providing the market with high quality and expensive merchandises or selling cheaper products for a lower price. (Porter, 2004)
The U-shaped relationship in the figure above does however not hold in every industry. In some industries the only choice is cost-leadership and no opportunities for focus or differentiations are given. In other industries, on the contrary, there is only room for focus or differentiation. It is therefore important to choose the right strategy that is appropriate for both an industry and a company, by picking the strategy best suited for the company’s strengths and current competitors. (Porter, 2004)

2.1.5 The risks of generic strategies
The risks of the generic strategies can be divided into two aspects, firstly the risk of failing to pursue a strategy or not being able to sustain the strategy chosen. The other risk lies in evolution of the industry, which would mean an erosion of the strategy attained. All three strategies have also their own risk implemented in the overall strategy that can either break or make companies to have be well aware of the risks within. (Porter, 2004)

The main risk with cost-leadership is the constantly on-going burden for a firm to keep their position. This means always reinvesting in the most modern equipment, discarding obsolete assets, avoiding product line proliferation and being on a high alert for technological improvements. It is important to be well aware of the possibility to be outdone by competitors or new technology, which could instantly mean the demise of a company. The risk for the differentiation strategy is somewhat similar, making it crucial to constantly be on the look-out for new technologies and competitors, which all of the sudden could render your own company becoming far behind and out-dated. Another inherent of differentiation lies within the possibility for a company to become too differentiated and relying too much on the customer loyalty while increasing prices. This could easily create a down spiral in demand for the company’s products and/or services. For the third generic strategy, focus, the set of risks involve, among others, the slight chance of competitors finding submarkets within the chosen narrow target audience, creating an out focus on the company using this strategy. (Porter, 2004)
2.2 Positioning

In 1982 positioning became a term that would have a huge impact on the course of marketing. As an introduction of this new term, authors Al Ries and Jack Trout wrote a book entitled *Positioning: The Battle of Your Mind*. Ries and Trout (2001) define the concept of positioning as follows: “Positioning is not what you do to a product. Positioning is what you do to the mind of the prospect.” This is confirmed by Kotler et al. (2008), who states that the customers are so overloaded with information about companies, brands and products that they cannot re-evaluate products every time they are making a buying decision. Instead the customers organise companies, brands and products into categories “positioning” them on the basis of perceptions, impressions and feelings. To clarify the importance of the term positioning Kapferer (see Uggla, 2006, page 11) has stated following:

*Positioning is a necessary concept, first because all choices are comparative, and so it makes sense to start off by starting in the area in which we are strongest; and second because in marketing, perception is reality.*

It is today difficult to create and establish a completely new brand that does not already exist within consumers’ minds. This does, however, not mean that a newly founded company has nothing to do in the market, or that the company in question somehow does not belong there. It is instead important to manipulate what already exists in the minds of the consumers while becoming the first alternative a consumer thinks of when facing a problem that has to be solved. (Ries & Trout, 2001) A company can argue that they are different and better than their competitors in many ways, claiming that they are faster, safer, cheaper, more suitable, stronger, nicer, of higher quality, having better values etcetera. (Kotler, 2003). However, according to Ries and Trout (2001), a company has to pick one of these qualities and put all their efforts and focus on that particular characteristic they want consumers to associate with their company. In other words, the company must define the one and only thing they want to be positioned in the minds of their consumers, making positioning above all a communication strategy.

2.2.1 Finding the right position

Gueorguiev and Hansen (1996) talk about how positioning plays an important and significant role for a company. It is namely through the differentiated idea that a company can generate income. The authors also mention that a well-differentiated company often is profitable and has a greater chance of surviving. Furthermore, they point out that when the market competition grows stronger, it becomes even more crucial to properly position the company in order for it to endure the excruciating competition. Liljedal (2001) believes that it is common for customers to distinguish brands based on their positioning strategy, since positioning of a brand is about emphasizing the characteristics that differentiate one brand from another.

Kapferer (2008) and Uggla (2006) believe that a clear position is based on the answers, to the questions below, in relation to the brand:
1 **Brand for what?** What makes a brand better than the competitors? In which category should the brand operate, which needs and desires should the product or service satisfy?
2 **Brand for whom?** Who is the main target audience?
3 **Brand for when?** At which time should the product be consumed, and can this result in actual or subjective benefits?
4 **Brand against whom?** Who is the competitor, and which competitors are the most important on the market?

Kotler (1999) believes that a company should go beyond a wide position and instead focus, in a specific way, to pinpoint why the customer should pick their brand over all other similar brands. As many other authors Kotler mentions the well known brand Volvo as a exemplary role model, and discusses how Volvo have chosen to always put focus on one and only thing always putting emphasis on its main advantage, which as all know is safety, creating a brand that customers “automatically” turn to when they are in need for a safe and reliable car. 

Ries and Trout (2001) believe that the customers categorise companies, brands and products on the market based on a ladder that has been created in the minds of the customers for every specific product category. On the top of the ladder is the company, brand or product that has the strongest position in the customers mind and at the bottom of the ladder one can find the company, brand or product with the weakest position. 

Like Ries and Trout, Albertsson and Lundqvist (2007) argue that people have a tendency to choose what they know before the unknown – therefore there is no problem, or hesitation, for a consumer to buy products from a well-known and established company or brand. Albertsson and Lundqvist also emphasize the simple fact that only one company, brand or product in a specific category can obtain the top place in consumers mind. Trying to challenge the number one company, brand or product, in order to take their place, is a very risky technique and nothing that Albersson and Lundqvist advise since it can instead result in huge losses. 

According to Melin (1997), positioning is a company’s external position – which means the position a company wants to have on the market. To have the same position inside the organisation, and in the eyes of the employers, is called internal position. Melin (1997) argues that it is important for the employees to agree on a shared position in order to give the consumers a clear picture of the position the company wants to have.

**2.2.1.1 Perceptual mapping**

To plan a positioning strategy, marketers often use the classic perceptual map, which show the perception consumers have of a company versus their competitors on the market. The perceptual map is based on two dimensions. The dimensions can vary: Kotler et al. (2008) present the map with the dimensions of price and orientation, Larsson (2001) uses instead the dimensions of price and quality and Jobber (2010) presents the map with the dimensions of price and product range. 

Jobber (2010) has established four key steps in developing a perceptual map, see Figure 3:

1 Identify a set of competing companies, brands or products.
2 Identify important attributes that consumers use when choosing between companies, brands or
products using qualitative research, for example from a group discussion.

3 Conduct quantitative marketing research where consumers score each company, brand or product on all key attributes.

4 Place companies, brands or products on a two-dimensional map(s).

Perceptual mapping can also be used to identify both strengths and weaknesses of a company, as they are perceived by consumers. This can be very revealing to the managers of a company, since their own perceptions of their brand may differ from those of the consumers. The map can also be used to compare the actual and the ideal position, based on the scores acquired from customers of what their ideal position would be. (Jobber, 2010)

2.2.1.2 Spidergram analysis

Jobber (2010) presents an alternative approach to perceptual mapping, with the purpose of understanding the position of a company, brand or product on the market – namely the spidergram analysis. This approach provides a visual representation of consumer perceptions of the company, brand or product and its competitors, by using different dimensions that are essential to the consumer. However, the spidergram analysis also asks consumers to rate the importance of the attributes a company has, and the length of the spoke on the spidergram represents their relative importance. As for the perceptual map, Jobber (2010) has defined four key steps in developing a spidergram, see Figure 4:

1 Identify a set of competing companies, brands or products.
2 Identify important attributes that consumers use when choosing between companies, brands or products by using qualitative research and having, for example, a group discussion.
3 Conduct quantitative marketing research where consumers:
   (i) Rate the importance of each attribute in their choice between companies, brands or products on a ten-point scale.
(ii) Score each company, brand or product on all key attributes on a ten-point scale. Place companies, brands or products on a spidergram.

![Spidergram Positioning Map](image)

*Figure 4 - A spidergram positioning map. (Jobber, 2010)*

The spidergram analysis is, just like the perceptual map, a valuable technique when identifying how customers perceive the strengths and weaknesses of competing companies, brands and products; and it creates a visual portrayal of the positions along multiple dimensions. (Jobber, 2010)

### 2.2.2 Positioning strategies

When it comes to choosing a specific position Kotler (1999) presents seven possible choices:

1. **Attribute positioning**: a company can position themselves with an attribute or a characteristic, for example a hotel can position itself as the *oldest hotel in town*. However, this type of position can be weak since it is does not focus on a significant advantage.
2. **Benefit positioning**: a product is promising an advantage. This is the type of positioning that marketers first and foremost are working with, for example Volvo has positioned their brand with the promise that their cars are the safest.
3. **Use/application positioning**: a company positions their products as the best in different categories. Kotler gives an example of Nike, the company positions different shoes as being the best for a particular activity and another pair to be the most fitting for another activity.
4. **User positioning**: the positioning is based on the target audience. Apple, for example, positions their computers as the best for graphic design(ers).
5. **Competitor positioning**: a company is positioning itself as superior or different in relation to the competitors.
6. **Category positioning**: a company is known as the market leader in a specific category.
7. **Quality/Price positioning**: a product is positioned for having a specific quality and price level. Chanel No. 5 is, for example, positioned to be a perfume of high quality while also being very expensive.

Michael Treacy and Fred Wierseama (see Kotler, 2003) talk about three different positions: *product leadership*, *operative superiority* and *customer intimacy*. They argue that some customers prefer companies that offer the best product in the category, other customers favour companies that work in
the most efficient way, while a third customer group values companies that respond best to their requests. Yet another positioning strategy has been presented by Fred Crawford and Ryan Mathews (see Kotler, 2003). They talk about five possible positions: product, price, availability, service and customer experience. This theory is based on a study conducted on successful companies which showed that great companies, which where dominating in one of the five categories, differentiated themselves in one category while being at the same level as the competitors in the rest of the categories.

Regardless of which type of position a company chooses to focus on, Treacy and Wierseama (see Kotler, 2003), Crawford and Mathews (see Kotler, 2003) and Rise and Trout (2001) stressed the importance of choosing only one positioning, otherwise it would become a too complex process that would be too expensive.

2.2.3 Successful positioning

Kotler and Keller (2011) believe that in order to be able to decide what the competition frame of references for the positioning looks like; it is important to have an understanding of consumer behaviour and what considerations customers make when choosing a brand. It also requires finding a belonging in a specific category and defining whom the main competitor is. By doing this a company can effortlessly define relevant points-of-parity and points-of-difference. According to Kotler and Keller (2011) points-of-parity are important to confirm in the process of getting the customers to perceive a brand as a reliable actor on the market. Points-of-parity are associations that are not unique for just one brand; instead it is the features that are shared with other brands. Points-of-parity are not part of the main position of a brand, however without this knowledge, a company can experience problems. What instead is crucial for a position is, according to Kotler and Keller (2011), the points-of-difference, which are features and advantages that the customer are associating with the company and the brand. Points-of-difference are obviously the features that the customers cannot find among similar products and services provided by the competitors.

Jobber (2010) has created The 4-Cs Framework and he argues that this model is the key to a successful positioning. The success are based on four factors, see Figure 5:

1. **Clarity**: the idea for the positioning needs to be clear in terms of both which target market the company wants to reach and which differential advantages the company has, compared to the competition. Is the positioning statement too complicated will it unlikely be remembered by the customers. An example of a company with a simple and clear statement is BMW – “the ultimate driving machine”.

2. **Consistency**: customers are daily attacked with messages and advertisement. To be able to stand out in all this noise a company needs to deliver a consistent message. Confusion among the consumers can arise if a company position themselves one year as “the ones with the best quality” and then the next year positioning themselves as “the ones with the best price” instead. Examples of companies that throughout the years have successfully communicated a consistent message are Gillette – “The best a man can get” and L’Oréal – “Because you’re worth it”.

3. **Credibility**: the different positioning advantages that are chosen for differentiation must be credible in the consumers mind.

4. **Competitiveness**: the differential advantages need to have a competitive edge, and they should offer something of value for the customers that the competition cannot supply. An example of a company that has succeeded with this is Apple and their iPod, which was based on differential
advantages from seamless downloading music from a dedicated music store, namely iTunes, to a mobile music player that produces better sound than any other component on the market.

Figure 5 - The 4-Cs framework. (Jobber, 2010)

Melin (1997) discusses how a company should proceed to be able to construct a competitive positioning strategy. First and foremost, it is important to do a positioning analysis with the help of one of two models presented by (Uggl, 2006) and described earlier in this chapter: perceptual mapping or the spidergram analysis. Based on the result conducted from this analysis, a company must try to find a position that is still unclaimed. Melin (1997) also argues how important it is to embed the positioning strategy in the competitive advantages of the product or service. Just as many other authors Melin (1997) advise companies and brands to only focus on one of the attributes so the positioning does not end up diffused and incoherent. In addition to this, Melin (1997) advocates the importance of finding the core value of a product, and use of this when forming the positioning strategy. Another important positioning variable is price, which customers normally put big emphasis on.

2.2.4 Traps in positioning
As stated above, it is important to show the strengths of a company, brand or product when positioning it on the market. Nevertheless, one must be careful not to emphasize too many attributes. Kotler et al. (2008, 1999) discuss five different traps that should be avoided during the positioning process:
1. Under positioning: a company fails to position themselves, providing the customers with a weak understanding of the brand.
2. Over positioning: a too narrow position is chosen, which can lead to the losses of potential customers, who might think that a company is not applicable on them.
3. Confused positioning: the customers feel insecure of a company, brand or product. This can occur when a company is focusing on attributes that are conflicting with each other.
4. Irrelevant positioning: a company is focusing on irrelevant attributes that customers do not care
Doubtful positioning: when the positioning strategy is focusing on too many attributes creating a position that is regarded as doubtful.

2.3 Repositioning

According to Kotler (2003) no position will last forever. When the customers, competitors, technology or economy changes, the company has to follow and re-evaluate their position. This means that in order not to lose market share a company might need to reposition itself. Ries and Trout (2001) are arguing that this kind of change or adaptation is the only way for companies to keep on living.

According to Ugglö (2006), repositioning is about changing something that already has been established on the market and in the minds of the consumers. Temporal (1999), argues that all positions really are repositions, except for the cases when a company is just founded or no one ever have heard about the product that is about to be sold. If a company is already established on the market, regardless of for how long period of time, the customers always have an opinion about the company. This statement is also supported by Melin (1997), who explains repositioning as a process where a modification is made to an already established position, obviously with the aim to change direction and create a new position. Melin (1997) also argues that the structure of a brand is a continuing process, and since the surrounding world and competitors are changing, repositioning is a natural process for a company. Albeit, Aaker (2010) is sceptical towards this type of process of change, since he believes that it is uncertain, expensive and easily can harm the brand in the long term. To make short term changes can often create confusion, therefore a repositioning needs to be done on a long-term perspective. Ries and Trout (2001) compare this to the way an aircraft carrier is navigated:

*Changing the direction of a large company is like trying to turn an aircraft carrier. It takes a mile before anything happens. And if it was a wrong turn, getting back on course takes even longer.* (Rise and Trout, 2001, page 38)

2.3.1 Definition of repositioning

Melin (1997) argues that the reason for a repositioning is the situation when a brand’s position is no longer strong enough, in comparison to its competitors. The purpose with a repositioning is therefore, according to Melin (1997), to influence and change the customers’ image of the brand. However there are different other definitions for repositioning. Ugglö (2006) defines repositioning as something that is taken from an established position and then moved in the direction of something new and different.

2.3.2 Repositioning model

Ugglö (2006) discusses the term *core positioning*, which is the constant position that a company tries to both create and keep on the market. However the author points out that even this solid position needs to go through some changes in order to be attractive and relevant. According to Ugglö (2006), a position needs to be changed progressively, simply in order to be in phase and offer the right attributes to the customers.

When implementing repositioning, it is important to not move outside the frame of reference that the customers already have towards a brand or a company. According to Ugglö (2006), it is also important that the company asks themselves the question if they actually have the possibility to live up to the new promises and if the new position is achievable. Jobber (2010) discusses a model, which shows
how a repositioning can be made with four different directions. The most appropriate repositioning strategy can be found by doing an analysis of which type of change that has to be achieved, see Figure 6:

**Figure 6 - Repositioning strategies. (Jobber, 2010)**

- **Image repositioning:** this strategy is useful when the product and target audience is going to stay the same, but a change of the company’s image has to be done. Today the customers are using a lot of products in the attempt to show their special identity and social belonging. Even if a products quality is fulfilling the customer’s demand, a company can still fail if the brand image is lacking strength.

- **Product repositioning:** this strategy is based upon when a company is still targeting the same audience as earlier, but the product has changed in an attempt of making the brand more attractive to the current customers.

- **Intangible repositioning:** this strategy is used when a company wants to keep the same product, but change the target audience. The company can both extend the target market with a whole new segment of customers, but sometimes, if it is necessary, a whole new target audience can be created.

- **Tangible repositioning:** this strategy is used when a company is changing both the product and the target audience. This type of strategy is foremost used by innovating product development companies, where new products are created to attract a new target audience. (Jobber, 2010)

### 2.3.3 Repositioning strategies

Uggla (2006) presents three different repositioning strategies; *segment oriented repositioning*, *competitive oriented repositioning* and *image changing repositioning*. 
2.3.3.1 Segment oriented repositioning

According to Uggla (2006), segment oriented repositioning is the most beneficial repositioning strategy when a company wants to market a product towards new types of customers. The goal with this strategy can be both to reach a higher and a lower segment, when looking at price and quality. By using the examples of two well-known strategies the author discusses how this can be done, through choosing to work with a whole new and individual brand or by creating an affiliated brand. The first mentioned strategy is often used when a company wants to reposition themselves towards a more exclusive and higher segment. Meanwhile, the other strategy can be used regardless of which segment the company wants to reach; either the higher segment where the customers request higher quality and are willing to pay a higher price, or the lower segment where the customer prioritize low price before quality. Doyle (see Uggla, 2009) have presented a figure of segment oriented repositioning, see Figure 7:

![Figure 7 - Segment oriented repositioning. (Uggla, 2009)](image)

The figure shows how the market can be divided into four segments; discounts, mass-market (middle-market), premium and luxury. All of these four are put in relation to quality and price. When a product X is in the wrong position in relation to the quality and price demands for the chosen market segment, a repositioning is needed. In the figure above, product X has a higher price than the middle-market products, and lower quality than the premium products – this means that product X is in the wrong position. (Uggla, 2006)

In order to give a product a new and appropriate position four different approaches can be used: *introduction of a new brand, change of an existing brand, change of the perceptions about a brand or change of the importance of different attributes and values.* This type of repositioning can also be used when a brand position itself with help of alienated people. A good example of this is H&M, who, by collaborating with famous designers like Karl Lagerfeld, Versace and Sonia Rykiel, are trying to change the perceptions of the brand. (Uggla, 2006)
2.3.3.2 **Competitive oriented repositioning**

The strategies for competitive oriented repositioning are based on the possibility to change the competitors’ strengths to weaknesses in the positioning game. The goals are to undermine and discredit the competitor and therefore make them vanish from the minds of the consumers. This is a strategy with a tactical level in marketing, and it is all about the assassination of the competition by publicity and advertising in order to show the weaknesses and flaws in the competitors’ strategies. To use this type of strategy might seem unethical, but Uggla argues that both Ries & Trout and Kotler are marketing professionals that have repositioning of the competition as a mainspring and see it as something necessary in our saturated market. This has made competitive oriented repositioning one of the most used strategies in the marketing of today. (Uggla, 2006)

2.3.3.3 **Image changing repositioning**

An image changing repositioning is useful when a company wants to change the brand image, and reach a higher and more attractive market segment. This strategy is based on the fact that the image needs to change due to the extremely high competition. Even this repositioning has more than one approach, since one can either try to change the position single-handed, or by collaborating with a brand that already has the desired position. By doing this single-handed it can be hard to change an image, but it depends a lot on which type of product category the company are operating within. Image changing is all about revitalising the core brand, to make it more pure and suitable in the eye of the customer. In this context one can take H&M as an example: they could have created credibility in an H&M premium brand, but instead the company chose to use well-known designers with credibility and global recognition in the premium segment. (Uggla, 2006)

2.3.4 **Risks with repositioning**

There are also many risks with repositioning. Uggla (2006) argues that the promise from a company is very important. If a company is not capable in keeping that promise they easily can loose credibility and the attempt to reposition the brand will fail. Kotler (2003) talks about another risk with changing the position of a company, namely that a company has to be very careful when repositioning themselves in order not to loose the customers they have today. And, as mentioned before, Aaker (2010) argues that this type of change is very critical, expensive and can harm the brand in the long term, if not proceeded with caution and carefulness.
3. Methodology

In this part of the thesis the reader will be introduced to the choices that have been decided upon, and which have been used as the basic framework while conducting the research. The methodology chapter is important since the results can be affected by the choice of approach.

3.1 Research theory and approach

In the thesis the choice has been made to work with an inductive research approach, which has implied that firstly a formulation of the problem has been made, along with the chosen research area, that later on has been investigated with the compiling of data and an analysis, that further has been interpreted and conclusions drawn upon.

The inductive research approach is paired with the qualitative method. The qualitative approach has been chosen since it gives a possibility of gathering a wider understanding for the research question, while also accomplishing a wider explanation of the problem.

In order to gain the most relevant information for the study and achieving the best possible result a decision has been made to collect the theoretical material in terms of a theoretical framework from primary sources, such as literature, scientific papers and also the empirical material based on the qualitative interviews with Helly Hansen, Pennyblack and Nova Star.

3.2 Qualitative interviews

In order to reach the most relevant and up to date information qualitative interviews have been conducted with three different companies. The reason for having the qualitative interviews lies in the attempt to obtain deep and informative data that will further support our research. Conducting a qualitative interview means giving space for the respondent to answer the questions spontaneously and in their own words. The prime reason with a qualitative interview is to discover new aspects and opinions of a phenomenon, which means that there is a risk that the expected answers might not be got.

The interviews held have been via e-mail conversations with Peter Sjölander, CEO at Helly Hansen; Christer Aldero, CEO at Nova Star and Cristina Recchia, Sales and Marketing Manager at Pennyblack in Scandinavia. E-mail conversations have been chosen since distance has made it impossible to personally meet the respondents. A phone interview has been regarded inappropriate due to the large amount of information that was supposed to be obtained and dealt with, making a phone interview hard for both the respondent as well as the correspondent. By doing so the possibilities for follow-up questions and off-topic subjects have been suppressed. However, having structured the interview questions so that they cover the research problem, made the choice of interview method both valid and useable. According to Johannessen & Tufle (1998), there is a problem when dealing with qualitative interviews, which lies in disturbing the respondent’s answers. When a qualitative interview is held there is a risk that the relationship between the interviewer and the respondent will affect the outcome. This is something that has been avoided by having e-mail interviews.
3.3 Method criticism

According to Körner and Wahlgren (2005), for a study to be perceived as consistent and endorsed it must have taken into account whether the method used contains a high grade of validity and reliability or not.

The questions that have been created for the interviews have all been of great relevance for our research problem. The interview form has been divided into four parts: brand identity, products, market and position. The total amount of questions has been sixteen, and all three companies interviewed have answered all of the questions.

Only three interviews is not really enough in order to be able to give a true answer to the research question. The authors of this thesis are well aware of this issue, but argue that the study made contains an overall, and thoroughly conducted, picture of the problem, making it valid and reliable to a certain degree.

When writing this thesis a constant strive has been to allow as little subjectively as possible, consistently approaching a hermeneutical method. The results have been discussed and analysed in terms of awareness of all possible outcomes and interpretations, resulting in the study with high reliability and relevance for the research object.

3.4 Source criticism

The theoretical material for this thesis has primarily consisted of published sources that are suitable for the research question. In most cases we have chosen to seek out the original sources instead of referencing to secondary sources. This has been done in order to make sure that the references are, firstly, made correctly and, secondly, that the study gives an impression of being more anodyne and reliable. Books by established authors about competitive strategies, marketing, positioning and re-positioning have been compiled and researched. The scientific papers used for the study have all been published in scientific journals with high credibility.

Since there only has been one interview done with one employee at three companies, the result of this thesis cannot, without a doubt, be claimed consistent with reality. However, the interviews have been thoroughly performed, and each question has been used with a valid reason and purpose, which increases the reliability of the study.

3.5 Compiling

Continually during the production of this thesis a collection of data has been made, which then has been reflected upon, compiled and presented. This in order to keep the work process alive and not miss out on relevant information, which favours the study.

Organizing and conducting the interviews with Helly Hansen, Nova Star and Pennyblack was made early on in the working process because of a strategic reason to early in the work have a good knowledge of the companies and their way of action, which later would improve the conducted analysis.
Working on the study a qualitative analysis process has been used, which has directed the creating process in how to conduct and complete the thesis. The main characteristic of a qualitative analysis process is to focus on the entire whole and the connections within it, instead of seeing the different parts as the fragments of their own. Another characteristic that is crucial for a qualitative analysis process is that it is a procedural rather than sequential process. This means that the compiling of data and the analysis of it happens simultaneously. The compiling of data was the primary focus in the beginning of the work, but later on the focus has shifted to the investigation and analysis. However, working on a qualitative approach, it is virtually impossible to separate the analysis from the compiling of data.
4. Empirical investigation

In this chapter the results from the empirical investigation will be presented. The presentation of the three companies will start with a brief business and company description, leading further to a deeper presentation of each company’s strategies, positions and marketing.

4.1 Helly Hansen

Here the reader will be presented with the description of Helly Hansen, including company history and the product range. The empirical study will also be presented in the form of an interview with Peter Sjölander, CEO of Helly Hansen.

4.1.1 Company description

Helly Hansen is one of the world’s most profound sportswear companies founded nearly 135 years ago. The founder, Helly Juel Hansen, was a Norwegian captain that in the year 1877 began to produce garments made from coarse linen, which was soaked in linseed oil. Jackets, trousers, tarpaulins and sou’westers became an immediate success and the company sold approximately 10,000 pieces during the first five years of operation, creating a great accomplishment right from the start. (Helly Hansen, 2012)

Helly Hansen had walked their own path since the beginning. Standing for history, versatility and authenticity the company’s success has ever increased. Skiers, adventurers and world-class sailors, requiring full protection and performance when the conditions might be at their worst, use the garments of Helly Hansen. This is obviously rendering the company’s products a reputation of must-have protection for outdoor use. (Helly Hansen, 2012)

Authenticity, dynamism, honesty, integrity, teamwork and pride in the heritage are the core values of the company. Helly Hansen strives to constantly built business relationships based on mutual respect and trust. The company has a well-defined and clearly stated code of conduct, for example a requirement that Helly Hansen does not collaborate with suppliers violating human rights, using child labour or not applying acceptable minimum wages. Helly Hansen can today be found in 38 countries around the world and have in a total around 150 stores; the brand is also represented by a variable amount of retailers. (Helly Hansen, 2012)

4.1.2 Results of the qualitative interview

Below will the results of the quantitative interview with Peter Sjölander, CEO of Helly Hansen, be presented. The empirical data have been collected through an e-mail conversation executed in May 2012.

4.1.2.1 Competitive strengths

Peter Sjölander describes Helly Hansen as a brand that delivers a sense of individual and physical confidence and as a company that offers a Scandinavian design with an incomparable protection from elements like water, wind, cold and heat.
Helly Hansen has been around for more than a century and during the years the company has developed careful and thoroughly investigated core values that permeates the entire company, both internally as well as externally. The external core values can easily be summed up with the sentence “confident when it matters”; meanwhile the internal core values are deep and more profound. The internal core values are, according to Sjölander, divided into two categories – be good and be nice. The “be good” category contains values that will help the company in their constant search of becoming better and more improved. This is achieved through constant implementation of principles such as *learning new things everyday* and *elevate performance through a constant search for diversity*; implying that the company should not be on the lookout for things that make them different, instead looking for things that can make them better. It is also important to always work hard since that is what their competitors do. The category of “being nice” contains on the other hand values that are addressed to the employees of the company, containing principles such as being honest and clear with each other, sharing credit, working as a team, being transparent, decent and respectful in the everyday job.

One of the primary strengths of Helly Hansen is the worldwide recognition, being the biggest European brand in the business, as well as being a premium brand with Scandinavian design highlighted by clean lines, tight cuts, sophisticated details and colourful materials. According to Sjölander, Helly Hansen always strives to provide the market with high quality garments and the company boasts of the lowest return percentages compared to the competitors. Obviously, a higher price of the garments implies longer life expectancy of the products, which is very important for Helly Hansen. However, some products are made with the deliberate intention of being as light as possible, which makes compromising with the life expectancy inevitable. Another important strength defining the brand is the innovativeness, just as the history of being the company that invented synthetic fleece. Helly Hansen is also involved in creation of sustainable living providing products minimizing the harm to the environment, mainly due to the longer life expectancy of the products, on the contrary to the way too common throwaway merchandise of today.

### 4.1.2.2 Positioning

As stated above, Helly Hansen is a brand that is considered to be premium and innovative. Being a brand that is constantly pushing for new technology makes the company the first in the world to offer several new materials and products. An example is the “survival suit” made of hollow fibres, which can alternate between temperatures and has a built in satellite navigation, locator, distress beacon and transmitter. This makes it, without comparison, the most advanced “survival suit” in the world, having over 95 percent of the market share on the Atlantic Sea.

The attributes that characterise Helly Hansen on the market are high technical function, Scandinavian design as well as high quality. The company targets customers that are active individuals, regardless of gender and age. Nevertheless, Helly Hansen has a specific customer group that they put bigger emphasis on, namely the customers that Sjölander calls the “professionals”. The “professionals” is a group of consumers containing people who work in the great outdoors, for example, ski instructors, search and rescue personal, mountain guides and sailing instructors. When asking the company who their main competitors are, Sjölander mentions The North Face, Spyder, Musto, Norröna and Peak Performance. One of their primary goals of Helly Hansen is, to become one of the world’s three leading premium brands within the outdoor segment.
Communicating the brand and their positioning, Helly Hansen has made the choice of not to be seen in traditional fashion situations. Instead of showing their collections and garments in cities such as London, Milano or Paris, the company uses the grand outdoors as their catwalk, exposing their products in their right environment.

![Image](image_url)

Pic. 1 - Ad campaign for Helly Hansen.

### 4.1.2.3 The market’s influence on the position

Helly Hansen’s impact on the market is clear, by constantly pushing for new technology this company does not make it easy for the competitors. At the same time, the company is making it clear that they are worth noticing and remembering. The product range of Helly Hansen varies: water, outdoor and winter sport as well as training and work wear apparel. In all categories the company also provides their customers with footwear, accessories and base layers. The price range for Helly Hansen’s garments has an index of approximately 130 percent in comparison to their competitor’s prices.

Sjölander states that during the past three to five years the market has changed, creating a new demand for design and the way the garments look. Even for the most advanced outdoor products design has started to play a more significant role, placing extra weight on cuts, choice of colour and style. Even among the lifestyle products design has started to matter and graphic symbols have increased in popularity. Another change to be considered is the growing interest for lighter and simpler products that would imply an easier outdoor living. Nowadays, the company is more dedicated to creating “beautiful” and colourful garments, which naturally are of high quality.

The consumers purchasing Helly Hansen’s garments can, according to Sjölander, be divided into two categories, the ones that need the products and the ones that want them. The category of consumers who need the garments, buys them in order to survive the great outdoors while taking part in a specific activity or being in a specific environment. The ones who want Helly Hansen garments do so for the simple reason that the brand stands for status and will give the consumer a stronger self-esteem.
4.2 Nova Star

Here the reader will be presented with the description of Nova Star, with, amongst other things, the company history and product range. Furthermore, the empirical study will also be presented, represented by the interview with Christan Aldero, CEO of Nova Star.

4.2.1 Company description

Nova Star was created by Helena Orlenius back in 2004. The idea was generated after she had given birth to her first child – Novalieh. In 2006 Nova Star was acquired by the company BobbySue AB, which is owned by Christer Aldero. However, the vision of creating clothes with a cool and soft design for the children lived on and is still the basis that the company is built around. (Nova Star, 2012)

Nova Star is a Swedish fashion brand for children’s clothing, in the sizes 68 to 150, which can be translated to the ages six month to twelve year. The products are created with high quality and functionality and fit everyday challenges that a playful and mischievous child is exposed to. Nova Star is a company that strives to create a sustainable trend and products that never go out of fashion. Nova Star is known to be creating products of such high quality that they can easily be used for a long time, handed down in the family or resold. (Nova Star, 2012)

Nova Star is Sweden’s most popular street brand for children, however the brand is currently sold in more than seven other European countries and has in total over 200 retailers. By combining function, quality and price the brand hopes to expand and develop during the coming years. (Nova Star, 2012)

4.2.2 Results of the qualitative interview

Results of the interview with Christer Aldero, CEO of Nova Star, are presented in the next section. The empirical data have been conducted through an e-mail conversation executed in May 2012.

4.2.2.1 Competitive strengths

Nova Star is a brand that is fully committed in providing the market with high quality children’s wear for active and playful children. The brand designs unisex clothes with inspiration from the skate and street culture, offering edgier garments for kids. The main idea of the brand is to create fashion items that do not resemble garments for grown ups, giving children the opportunity of staying children as long as possible, instead of looking like mini-adults.

Design, function and quality are the main values of Nova Star. It is important that the garments produced are durable and have a long life expectancy, being the natural companion in every child’s mischievous activities. Another aspect that is important for Nova Star is the endeavour to reduce fast consumption, mainly by providing resistant and functional, long lasting garments to be used and reused (just as it is mentioned above), rather than being thrown away. The clothes are also designed with, for instance, cuffs, which gives an opportunity to adjust the size for the growing children.

4.2.2.2 Positioning

Nova Star is a brand that targets parents of young children, who want their kids to be dressed in slightly edgier and cooler way. The company’s main competitors are the big clothing chains of Sweden – namely H&M, KappAhl and Lindex, that are selling garments for people in all ages.
Nevertheless, Nova Star does also consider smaller brands, such as Polarn o Pyret, as their competitors. Christer Aldero, the CEO of Nova Star, states that the company mostly sees their smaller competitors as colleagues, since they resemble each other.

The brand positions itself as a high quality brand for everyday use. However, Aldero conveys that the quality is relevant, considering that the garments are used in other types of circumstances than garments for adults, such as for example in the kindergarten or on a playground. Nova Star designs unisex garments mainly comprising the basic items essential to the wardrobe of every child. As a result, the clothes can easily be mixed and matched just as they can be worn by both girls and boys.

4.2.2.3 The market’s influence on the position

Nova Star offers a wide range of products that radiates into three categories; tops, bottoms and outerwear. The brand offers a lot of basics and the price range of all products is fairly similar. The brand offers affordable garments, but, nevertheless, this is not a question about any cheap merchandise. The brand has a higher price range than their big and well-established competitors, since they put big emphasis on offering the market high quality, function and design, which, according to Aldero, increases the prices. Compared to their competitors, Nova Star has maintained the price range, instead of increasing prices, which, according to Aldero, has happened to a lot of children’s wear recently. Nova Star considers the capability to stay on a constant price to be a substantial competitive advantage.

The brand strives to offer products that are affordable for every parent. The thought is that choosing Nova Star should be an active choice, pushing on the fact that this is a brand that offers great value for money.

Promotion wise, Nova Stars uses primarily blogs and retailers. However, in order to be able to strengthen the brand image, the company has, among other things, participated in events together with other well-known brands. For example, when Volvo launched their new V60, Nova Star attended the event and promoted their brand by arranging a drawing contest for children and packing a Volvo with merchandise produced by the firm.

4.3 Pennyblack

Here the reader will get a chance to learn about Pennyblack, including the company’s history and the product range, just as in the previous company-cases. The empirical study follows and is represented by the interview with Cristina Recchia, the Pennyblack’s Sales and Marketing Manager for Scandinavia.

4.3.1 Company description

Pennyblack was founded 1978 in Italy and the brand is designed, created, produced and distributed by Manifatture del Nord, a company that is a part of the MaxMara Fashion Group. Pennyblack is today one of the most popular women fashion brand in Italy and is constantly growing. Currently, the brand is to be found in 85 countries in Europe, Central Asia, Far East, South America and Australia. The company has been active on the Scandinavian market since 2009, distributing the garments through various retailers. (Pennyblack, 2012)
Pennyblack’s vision is to offer good value for money and satisfy the needs of today’s sociable and self-confident women, who are seeking a sophisticated but easy-to-wear style of clothing. Pennyblack offers garments and goods in several different categories: coats, jackets, dresses, trousers, shirts, tops, knitted garments, accessories, bags and shoes. The brand is known for using high quality fabrics and for the accurate finishing on their products. (Pennyblack, 2012)

4.3.2 Results of the qualitative interview
Below will the results of the quantitative interview with Cristina Recchia, Sales and Marketing Manager at Pennyblack in Scandinavia, be presented. The empirical data have been collected through an e-mail conversation that took place in May 2012.

4.3.2.1 Competitive strengths
Pennyblack is a brand that represents an authentic, urban and contemporary style, where colours, feminine details and the highest quality of fabrics goes hand in hand with a modern twist of women’s fashion. It is important for Pennyblack to continue competing on today’s saturated fashion scene as well as maintaining a high level of passion and commitment. The company also makes a great effort to preserve the traditions of service, which, according to Recchia, is interconnected with the strong tradition of personality and rigour.

Pennyblack consider itself to have an advantage on the market based on the quality, style, just as well as the knowledge and genuine attention to the desires and needs of modern women. The company constantly researches for new materials, shapes and fit, never compromising on quality.

As an Italian fashion company, Pennyblack’s products reflect the brands identity. Recchia explains this as obsession with quality and finishing, as well as the constant strive for renewal. In order to understand the demands of the market and to renew their products accordingly, the company carefully analyses the sales results of the stores all over the world. The product range of Pennyblack comprises a collection made of more than 500 pieces, which Recchia argues is a much larger collection than most of the brand’s competitors are offering. The merchandise offered by Pennyblack consist of a full setup of clothing and accessories, from coats to knitwear, from jackets to dresses, from t-shirts to jewellery – which is divided in to four lines:

- **Black label**: elegant and sophisticated looks for everyday, from work wear to the important meetings.
- **Grey label**: a casual and informal easy-to-wear style, for weekend and leisure time.
- **Pink label**: ironic and romantic for the special moments, as well as glam parties and ceremonies.
- **Accessories**: a part of the must-haves of the season that are always updated with new details, materials and volumes.

Pennyblack has chosen to keep a medium to high price level. In Scandinavia, the company has chosen to maintain a mark-up of 3.0, which gives the sell-out prices of around 1500 SEK for a dress and 3000 SEK for a coat.

Regardless of that, Pennyblack never compromises on style, elegance or beauty. It is important to have a great respect for the history of the brand and to proudly keep a close relationship to the family in the
MaxMara Fashion Group, which has 41 companies and more than 5000 employees, operating in 105 countries worldwide.

Recchia ends the interview by stating that Pennyblack offers an excellent quality/price ratio – which means that every customer gets value for money when buying Pennyblack. Interestingly, the brand is distributed via retailers carrying brands that the company considers to be their main competitors. Recchia explains, however, that Pennyblack focus on the quality of their products rather than pushing the lower price level, as the primary “means” of competition.

4.3.2.2 Positioning

With key words like fun, sleek, colourful, authentic, easy-to-wear, versatile and modern, Pennyblack is creating a collection that stands out on the market. Nevertheless, it is the prioritising of quality, fit, finishing and comfort that sets the company apart from its competitors.

Pennyblack is targeting a woman from 25 up to 50 plus, being a modern woman with a modern lifestyle. She needs clothes that fit all different aspects of her lifestyle: from every-day to weekends and from work-wear to special occasions. Therefore, Pennyblack’s collections reflect on the different occasions of use that the customer is looking for. At the same time, the Pennyblack woman is looking for styles that easily can be mixed and matched, and that can be reinterpreted according to the latest trends. Pennyblack is a brand that offers the customer everlasting pieces that never go out of style.

According to Recchia, all modern working women are looking for clothes that reflect their lifestyle and personality. They can indeed be interested in fashion, without ever being fashion victims. They appreciate good quality, interesting details and joyful colours, they are looking for a style that is young, modern and always fun to wear. Recchia argues that, for example, Pennyblack’s collection of dresses is very broad in terms of styles and does not find much competition on the market. But, at the same time, Recchia stresses that coats and knitwear also is something that is within the brand’s specialisation.

On the Scandinavian market Pennyblack is positioned on a high level, and the main competitors are: Marlene Birger, Tiger of Sweden, Filippa K, French Connection, In Wear, Patrizia Pepe and Twin-Set, all of them offering a products range with a full collection of women’s fashion clothing and accessories, and these brands are also in the same price range. Pennyblack takes a challenge to even compete with other brands that normally are positioned at a higher price level, for example D&G, Max Mara, Hugo Boss, etcetera. According to Recchia, this is possible in the Scandinavian market since the quality and style of Pennyblack’s products is very much in line with that of the “higher competitors”.

4.3.2.3 The market’s influence on the position

According to Recchia, Pennyblack is accurate on the market at all time. The customers come to the company when they are in need of a new work-wear outfit, or if they are going to a wedding and are looking for the perfect outfit for just this type of special occasion. Occasionally, the customer can be on the hunt for a new piece to reinterpret their wardrobe, or maybe they are in the need of something specific – such as a new coat or a warm down jacket for the winter.
Pennyblack’s collection meets the demand of their distribution network. Since the company have stores and retailers in more than 85 countries all around the world, the collections are conceived to satisfy taste and needs of a very broad market. According to Recchia, Pennyblack puts a great effort in creating products that are consistent with the company’s heritage and yet responsive to the newest trends.

During the last three to five years the brand has observed a change in the market, which has created the need of changing the communication strategy. Pennyblack has, among other things, started a strong communication campaign on Facebook and on their own website. Keeping up with the current trends the brand has started to use famous international bloggers, for example The Sartorialist, Jack And Jil, The Blonde Salad, etcetera in order to promote the brand. Pennyblack is also very active pushing the brand by association to special events in the most important international capitals, such as Vogue Fashion Night Out or Salone del Mobile in Milan. However, in spite of being present Scandinavia since 2009, the communication of the brand on the Nordic market is still very narrow or, rather, virtually non-existent.

Another change that the company had to perform during the last years in order to adapt to the current market situation is to start selling through online channels, Pennyblack has no web shop of their own. Instead, they sell the products to other online retailers. In Scandinavia, for instance, the brand is cooperating with Nelly.com. Further on, in order to increase the profitability by giving the stores a constant flow of new merchandise.

In the interview Recchia explained how the company has been affected by the market polarization. In Scandinavia, Pennyblack must keep a higher mark-up than in many other countries in Europe – 3.0 in comparison to 1.0 in Italy. According to Recchia, the reason for that is actually the market polarization between the low-price market and the high-price market, which is much more prominent in Scandinavia compared to the rest of Europe. The middle segment, which the brand normally is attributed to in, for example, Italy, Spain and France, does not exist in Scandinavia. Hence, Pennyblack must naturally position themselves on a higher level.
5. Analysis

In the following chapter the results from the empirical investigation will be analysed in perspective to the theoretical framework. The analysis has been divided into four categories – the companies’ current strategies for positioning, positioning on the middle market, the markets impact on the position and methods for future repositioning.

5.1 The current strategies for positioning

Porter (2004) developed three generic strategies that could help a company surpass and outperform their competitors on the market. These strategies consist of ways a company can get high returns on their investments rendering further success on the market.

Analysing Helly Hansen’s current strategy on the market the observations show that the company distinctly uses the generic strategy of differentiation. According to Porter (2004), the differentiation strategy emanates in having products or services that can be perceived as unique in aspects such as, for example, design, brand image, technology etcetera. This strategy can be appropriate since it generates loyal consumers that usually are not sensitive to the price but rather stay faithful to the brand. What distinguishes Helly Hansen on the market are the attributes of having high technological function, Scandinavian design and high quality. Helly Hansen is a brand that combines both function and design, finding both the purpose of the garments as well as their visual aspects to be equally important. Consumers that purchase Helly Hansen’s merchandise know that they get stylish garments that fulfil the specific functions consumers are in need of. Another one of Helly Hansen primary characteristics is creating garments that have a long life expectancy implying that the brand is of high quality and that the company does not support “the wear and tear” culture that most brands have acquired lately. Further, the company’s long presence on the market and their heritage gives them the benefits of having high integrity and trustworthiness. This has created a loyal customer base that has no objection paying the slightly higher prices that the company has chosen to have.

According to the collected empirical data, Nova Star implements the focus strategy. As mentioned above, the generic strategy of focus is the most suitable when a company attends one segment of the market. Porter (2004) does, however, convey that this particular strategy can take different forms, of either emanating into a form of low cost or a form of differentiation for better meeting the demands of the targeted audience. Nova Star’s strategy proceeds into a form of differentiation, since the company provides the market with high quality children’s wear that are durable and that have a long life expectancy. By designing more edgy clothes the brand distinguishes itself on the market. Furthermore, Nova Star creates unisex garments, which can be worn by both boys and girls. The high quality does also indicate that the clothes can be handed down among siblings and friends. The company finds it important to design clothes for children that are suitable. By mixing function and design, Nova Star let children to be children, in terms of looking age appropriate and by giving them the freedom to play like children normally do. Another important aspect is the Nova Star’s strive for a sustainable living. As mentioned above, Nova Star offers high quality garments supposed to last, rather than to be a part of the “wear and tear” culture. Additionally, the clothes have been designed with cuffs, which, when adjusted, can increase the size of the garment, making sure the clothes can be worn while the child
grows a size. This distinguishes the Nova Star further, creating competitive advantages that are beneficial for the brand.

Pennyblack is currently not implementing any of the generic strategies full on; the company is teetered between two strategies – focus and differentiation. Porter (2004) describes the focus strategy as the one most suitable when a company is targeting a specific consumer group or segment of the market. By attending one segment of the market particularly well, it is crucial that the company in question has the ability to serve the market efficiently and effectively. As discussed above, Porter (2004) describes the differentiation strategy as a strategy that emanates in having products or services that can be perceived as unique. Pennyblack creates garments that are characterized by joyful colours and feminine details, always putting big emphasis on high quality, which is the primary thing that distinguishes the brand. Pennyblack states that they never compromise on quality, rendering it to be the key factor of the brand. In addition, another distinctive element that makes Pennyblack unique on the market is their effort to provide fashionable women with clothes that appropriate all occasions. Therefore, the brand provides the market with wide range of products, that all fulfil different needs. Further on, Pennyblack consider itself to have the knowledge of needs and desires of the contemporary women. The company is also persistently investing in research considering new materials, garments and shapes. In order to always be up to speed on what their consumers might want and need, the brand carefully analyses sales results from their own stores all around the world. This gives Pennyblack a foundation for understanding what their consumers really want. That understanding is crucial for the focus strategy, which, as stated above, is dependent on the brands ability to satisfy the consumer more rapidly that the competitors. However, Porter (2004) discusses the risk of getting caught in the middle; which may occur when anyone is trying to implement more than one of the generic strategies or not being able to relate to any of the strategies. The theoretical framework that we have been discussing before claims that an effort to conquer two or more strategies at the same time is usually nothing more than a disaster. Porter (2004) points out, that this kind of effort might indeed bring a risk of loosing the entire focus of the organisation. When being stuck in the middle, a company, according to Porter (2004) and his U-shaped relationship model, must either trade up or trade down. This might be achieved by either focusing on providing the market with high quality and uniqueness, offering cheaper products with a lower price or keeping the same price and product and instead aim towards a particular and specific market segment. Yet another alternative is to work hard on preventing the risk of getting stuck in the middle by a thorough evaluation and improvement of the strategy that is currently used.

Naturally, there are risks with choosing a specific strategy to be implemented into an organisation. The risk of the generic strategies can be both that the company fails to pursue a strategy or that it is not able to sustain the strategy chosen. All the three strategies can make or break a company, it is therefore important that the managers of a company are well aware of the risks before implementing any chosen strategy. (Porter, 2004)

5.2 Positioning on the middle market

Kotler et al. (2008) discuss how customers today are overloaded with information about different companies, brands and products, so that they cannot re-evaluate all products every time they are making a buying decision. Therefore it is important to establish a position in the consumers mind, perception is the key to success. Determining the position of brand it might be useful to answer the
questions based on; *brand for what, brand for whom, brand for when* and *brand against who* might enable the problem. (Kapferer, 2008) (Uggla, 2006)

Helly Hansen’s brand has a clear category, which answers the question of “brand for what”. The company operates in the outdoor and lifestyle segment; and strives to constantly develop and enhance their products. This gives Helly Hansen well-defined benefits compared to their competitors. The target audience for the brand is broad, targeting every active person that likes to spend time in the great outdoors – regardless of age and gender. Nevertheless, they put bigger focus on consumers needing their garments in their working environment, providing the best possible work apparel. In other words, when answering the question concerning “brand for when”, the target audience of Helly Hansen can be divided into two categories; the ones that need their garments and the ones that only want them. Some of Helly Hansen’s consumers will purchase their products because they are in need of garments that can, for example, stand cold temperature or avoid being entirely soaked in water. These types of consumers acquire actual benefits when purchasing Helly Hansen’s products. The other category, the consumers who only want Helly Hansen’s products because of the status they provide, receives instead subjective benefits, which can increase their self-esteem and make them feel better about themselves. During the interview with the CEO of Helly Hansen, Sjölander stated that their consumers see Helly Hansen as a European alternative to all American outdoor brands, putting American companies such as The North Face and Spyder as their competitors. However, Helly Hansen also competes with other Scandinavian brands such as Peak Performance and Norrøna.

In order to find the right position, a company makes either a perceptual map or a spidergram analysis; which both show the perception that the consumer have of a company versus their competitors on the market (Jobber, 2010). Presented below is, based on Jobbers (2010) four key steps, a perception map of Helly Hansen’s position in relationship to their competitors. The dimensions used are; quality and product range.
Taking about Pennyblack, the answer to the question “brand for what” is to satisfy the needs of fashionable women, trying to provide them with quality, style and attention. The company provides clothes in three different sub-categories, having something for fashionistas. Being an Italian brand, Pennyblack never compromises on attributes such as elegance, beauty and style – offering great value for money. The target audience for Pennyblack is modern women in the ages of 25 up to 50 that are in need of clothes that fit their modern lifestyle. This is a brand targeting women who want to look fashionable without being seen as fashion victims. As mentioned above, the company has three sub-categories, making sure they carry everything the modern woman might need. Since the brand offer a wide product range, the time at which the consumers purchase their items, might vary. Pennyblack can satisfy the needs of, for example, a work-wear outfit as well as an outfit for special occasions such as weddings or similar events.

Pennyblack is a fashion brand that only provides the market with regular clothes. The consumers purchasing the items gain only subjective benefits, mainly in terms of knowing that they look fashionable and stylish. On the Scandinavian market Pennyblack competes with Scandinavian brands like; Marlene Birger, Inwear, Filippa K and Tiger of Sweden. However, by having the Italian heritage as one of the core characteristics; Pennyblack also competes with other Italian fashion brands active on the Scandinavian market examples of this is Patrizia Pepe and Twin-Set.

In order to find the right position a company makes either a perceptual map or a spidergram analysis; which both show what perception that the consumer have of a company versus their competitors on the market (Jobber, 2010). Presented below is, based on Jobbers (2010) four steps, a perception map of Pennyblack’s position in relationship to their competitors. The dimensions used are; price and degree of fashion.
Nova Star operates within the segment of children’s clothes, which answers quickly the question of “brand for what”, namely being a brand that strives to provide the market with high quality garments for children that can stand the playfulness a child has. The target audience for the brand is wide, every parent with children in the ages of six months to twelve years are appropriate customers. The answer to the question of “brand for when” is a brand for everyday use, being applicable on all occasions a child can be present in. Nova Star does actually offer both subjective and actual benefits in the forms of providing children with clothes that look good while at the same time being functional in terms of durability and long-lastingness. The market for children’s wear is wide, being full of competitors the brand has to surpass. Most competitors are well established, among them Polarn o Pyret; which has for a long period of time been a brand that stands for qualitative unisex children’s wear, while also letting children be and act like children. Other competitors are the big chains such as H&M, KappAhl and Lindex.

In order to find the right position, a company makes either a perceptual map or a spidergram analysis, which both show the perception that the consumers have of a company versus their competitors on the market (Jobber, 2010). Presented below is, based on Jobbers (2010) four steps, a perception map of Nova Star position in relationship to their competitors. The dimensions used are – price and quality.

Figure 9 - Perception map for Pennyblack.
The chosen companies have a tendency to position themselves in the higher level of the middle segment, even though the position differs slightly on the Scandinavian market. Helly Hansen is a premium brand that is considered to have high quality while always being innovative and of high standard. Being a lifestyle and outdoors brand, the price segment for this company differs already from the start compared with the most other fashion brands on the market. Nevertheless, when compared with their competitors, Helly Hansen’s prices are approximately 30 percent higher, indicating that Helly Hansen is an expensive brand within its own segment.

Pennyblack is, on the other hand, a brand that has a true middle market status in Europe. However, as stated in the problem discussion for this thesis, Björk (2012) mentions the differences between the Scandinavian and the global market. The polarization has created “a reasonable level of price”, making companies such as Acne to position themselves differently in Sweden contrary to the rest of Europe, resulting in cheaper prices in Sweden since the consumer here are not willing to pay as high prices as the European consumers do. Nevertheless, the prices considered in Sweden as reasonable are still remarkably high. The same goes for Pennyblack. Being a brand that position itself as a middle market brand in Europe, the company has invested both time and resources positioning the upper segment of the market in Scandinavia. Pennyblack is competing in not only in their own price segment, as shown in the perceptual map (see Figure 9). According to Recchia, Pennyblack is also competing in an even higher segment with brands like Dolce & Gabbana, Max Mara and Hugo Boss.

Nova Star puts big emphasis on quality, making sure they provide the market with clothes that can suit children in all their activities. However, the high quality does results in slightly higher prices. The company still wants their products to be affordable to all parents. The biggest challenge for a little brand as Nova Star is the competition from the giants like H&M. Albertsson and Lundqvist (2007) argues that customers have a propensity to choose what they know before the unknown – therefore, the customers do not hesitate choosing products from an established and well-known brand.
A positioning being the main object of the discussion in this thesis is a brand's external position, namely the position the brand has on the market and in the minds of the consumers. In order to be truly successful, a company must just as well be positioned internally. The latter positioning is clearly beneficial for the business. If an organisation is well aware about who they are internally, the values and principles of the brand will easier be transmitted to the customers. (Melin, 1997) Helly Hansen has implemented both the internal and external positioning in their corporate culture. This is beneficial in terms of having the employees at Helly Hansen knowing the core values of their brand and in that way becoming ambassadors for the company.

Kotler (1999) mentions that a company should choose a specific position when deciding on how to be perceived on the market. The author then provides seven different positioning choices that give companies an edge on the market; both Helly Hansen and Pennyblack have unmistakably chosen to differentiate themselves with the quality/price position. The merchandise the company offers is all of high quality having a high price. Price and quality does usually go hand in hand, making this choice of positioning a natural and logical decision. At first sight it may look like Helly Hansen has a use/application position since they are a company that have several different products in different categories, targeting different customers. However, Helly Hansen is a company that strongly emphasise their values in communication on the market and therefor the brand image of Helly Hansen is always clear and consistent. Ries and Trout (2001) reinforce this strategy by pointing out that a company has to make positioning into a communication strategy. Nova Star’s position can, on the other hand, be defined as the benefit position. The company strongly communicates the fact that they are the brand to focus on the children, being the most fitting when it comes to design, function and quality. Nova Star’s position can also be evaluated to be a user position, because their position is based on their target audience – parents of children between six months to twelve years.

Analysing the brands from the perspective of Jobber’s 4-Cs angle one can easily determine if the chosen position is successful. By observing the key factors of clarity, consistency, credibility and competitiveness the answer will become clear or indistinct. (Jobber, 2010) Helly Hansen’s position on the market can easily be defined as clear. The company has a well-defined target audience, target market and several differential advantages that only they can provide the market with. Their statement is clear: Helly Hansen is a brand that has passion for those who look for adventure or work outdoors, in the mountains or in the ocean. The brand provides beautifully designed purposeful products bringing both physical and personal confidence. Helly Hansen has chosen a different approach when marketing itself, making the consistency of their market communication even more apparent. According to Jobber (2010), consumers are daily attacked with numerous messages and advertisements, giving them a hard time in selecting one particular advertisement and later on remembering it. Helly Hansen has a long history of successful products, giving the brand a strong as well as highly respected, position to stand on in the market. Looking at Helly Hansen’s advertisements it becomes clear that the brand does not scream for attention. Instead they put emphasis on the products, making sure they are located in the right surroundings, with the word “Confidence when it matters” in the lower left corner. Analysing the key factor of credibility, once again does Helly Hansen’s great history play a significant role. Even though the company does not play considerably much on their heritage, having the reputation of always providing the market with garments that survive the hardest of the elements of nature, increases the credibility of Helly Hansen. A further advantage is the rather small amount of competition on the company's native market, where they have obtained a large market share. An important edge of image of Helly Hansen obtains is the continuous pushing for new technology and endless innovativeness, which gives the brand a strong
competitiveness. By offering truly remarkable, ground-breaking and advanced garments Helly Hansen offer the customers something of value that other brands cannot.

Using the 4-Cs angle on Pennyblack is slightly more difficult, because the brand actually resembles many other brands on the market. The company has a defined target market, as well as target audience that they want to reach, i.e. fashionable women. However, the brands positioning statement is neither clear nor unique, except for the part of having distinguished traits and offering good value for money. Nevertheless, the brand does stand for authenticity, an urban and contemporary style, and they put big emphasis on feminine details, colours and high quality. When it comes to consistency, the brand always pushes the fact that they are an Italian brand and that they offer high quality to the market, creating a consistent message to be transmitted to the consumers. Pennyblack is part of the Max Mara group, being distributed by the Manifatture del Nord, which gives the company benefits. The Max Mara group has always been considered high fashion, exclusive and high-class. Belonging to the Max Mara group renders a higher credibility in the minds of the consumers. It is not entirely clear whether Pennyblack has any distinctive advantages that give the brand a competitive edge. Pennyblack does, however, offer high quality merchandise to the market, which is a value that most consumers appreciate. Another competitive advantage is the offering of style that is constantly in time and trendy without any tiresome and tedious tones. The company does also offer garments in a varied range of alternatives, which makes life a lot easier for women that do not have time to shop around in several stores and that instead appreciate the opportunity to find all they need in a store of one single brand. This gives Pennyblack a level of competitiveness and an edge of a unique benefit.

Implementing the 4-Cs approach on Nova Star is really challenging, considering that this is a brand acting and operating like most other children’s wear companies on the market. Having a defined target group as well as a defined market segment enables the brands establishment on the market. Nevertheless, the position of Nova Star is somewhat unclear. They provide high qualitative clothes for children, being distinguished by the fact that their clothes are unisex and have a slightly cooler design. Looking at the other brands offering children’s wear, the same characteristics can be found. Therefore, one can easily get an impression that the “unique” features or advantages offered by the brand are not that unique after all. Considering the consistency of the brand, they relentlessly communicate being a company that offers function and design as well as quality creating a constant message to the consumers. Looking at the angle of credibility, the brands continuous growth and success implies that Nova Star has a loyal consumer group that finds their garments to be highly appreciable. Being a brand that offers clothes that can accompany children during a longer period of time, since they have been designed with cuffs, gives, however, this brand a strong competitiveness. Another feature contributing to competitive advantage of the brand is the broad product range offering almost anything a parent might need in order to be able to dress their children in an appropriate way.

Regardless of which position a company, brand or product chooses to obtain, the position always comes with some traps and risks. As mentioned earlier, a company must be careful not to emphasize too many attributes. To be able to compete in todays market and to not fall of the wagon, companies needs to avoid the five different traps presented by Kotler et al. (2008) (1999), during the positioning process.
5.3 Market polarization affecting the position

According to Kotler (2003), no position will last forever. When customers, competitors, technology or economy changes, the company has to evaluate and re-evaluate their position in order to continue on staying relevant in the minds of their consumers.

The current market polarization emanates into companies choosing to either trade-up or trade-down, since customer-shopping behaviour has recently changed. Consumer do no longer belong to a specific consumer group, instead they shift between the high and the low end of the market. In combination with the disappearance of the middle market, companies have been forced to re-think their strategies and current position on the market. (The Economist, 2006) Helly Hansen, Pennyblack and Nova Star have all been affected by the market polarization. All three companies have moved to the high end of the market, focusing on providing the consumers with qualitative and expensive merchandise, instead of focusing on selling cheap merchandise with low quality.

Recchia stated that Pennyblack has been affected by the market polarization, keeping a higher mark-up in Sweden compared to the rest of Europe. According to Recchia, the reason for this is that the middle market, which the brand normally belongs to, does not exist in Scandinavia. On the Scandinavian market Pennyblack had to adjust both price and position, based on the fact that some markets have bigger impact on companies than others. In order to still be able to compete at the right level and at the same time to have an approved profit, Pennyblack has, among other things, increased the mark-up for the Scandinavian market in order to be able to compete with the relevant competitors.

5.4 Strategies for future repositioning

A repositioning can be done in several different ways. In order to be able to investigate which repositioning strategy would be the most efficient for the three companies, exemplified in this study, an analysis will be made based on which factors that are important for the company’s position. The analysis will be interpreted from Jobbers (2010) repositioning model.

Helly Hansen is a company that put big emphasis on being innovative, by continually providing the market with new materials and new ways of allocating with the problems their target audience might deal with when being in the great outdoors. The company listens to the demands of the consumers, creating a loyal consumer base, trustworthiness and a relationship between the brand and their target audience. For a further repositioning the brand should therefor keep their targeted consumers and instead focus on creating a product repositioning. According to Jobber (2010), a product repositioning is based on keeping the same target audience, concentrating on making the brand more attractive and appealing for their current consumers. This can actually be done by creating new and even better products that are more attractive for the target audience. By doing so the brand would strengthen the relationship with their target audience, further increasing the company’s success.
Nova Star, on the other hand, is a brand that should strive to obtain a more defined and premium target audience. The company should target parents that are looking for something unusual in order to dress their children, instead of targeting every parent with children in the ages of six months and twelve years. This can actually be done by further strengthening the brand image of the company through quality, image and price. For a repositioning the brand should therefore implement a tangible repositioning. Jobber (2010) conveys that a tangible repositioning emanates into changing both the products and the target audience of a brand. By creating new and more attractive products, the brand can acquire a more-defined target audience, which is exactly what the brand needs in order to become more successful and established on the market.
The third company, Pennyblack, is in neither need of changing their target audience nor changing their products. Being a brand that provides the market with feminine high quality garments the brand should instead focus on using strengthening their brand image when positioning themselves on the market. Since the brand does already position themselves with other exclusive brands, such as Max Mara, Pennyblack should further implement the strategy of image repositioning. Image repositioning is, according to Jobber (2010), a strategy that is highly useful when a brand wants to keep both their products and target audience the same, however is in need of changing the brand image in order to obtain a larger segment of the market. Since many consumers are today using products in an attempt of showing of their special identity and social belonging, Pennyblack should focus on being the brand that has a strong brand image that stands for quality, uniqueness and style, being the natural companion for all fashionable and modern women.

Uggla (2006) present three types of repositioning alternatives: segment oriented repositioning, competitive oriented repositioning and image changing repositioning. The segment oriented repositioning is the most beneficial type of repositioning when a brand wants to introduce products to new consumers, when striving to broaden their targeted audience. The goal with the segment oriented repositioning can be to either reach a lower or a higher segment of the market, when looking at price and quality. All three companies should strive to obtain a higher segment in order to stay trustworthy and accurate to their core position. This is because Helly Hansen, Nova Star and Pennyblack share the values of prioritizing high quality closely related to higher prices, which would mean that targeting a lower segment of the market would be useless.

The image changing repositioning is useful when a company wants to alternate the brand image, in order to reach a higher and more attractive market segment. This strategy is constructed on the fact that the brand image is in need of change, in order to exceed the competition on the market. (Uggla, 2006) The analysis shows that the image changing reposition is highly applicable on both Pennyblack and Nova Star. Both companies are in need of becoming more targeted towards a more clearly defined
and narrow consumer group, instead of targeting as widely as they do and trying to satisfy everyone who falls within the segment. The reason for this is, according to Treacy and Wierseama (see Kotler, 2003), Crawford and Mathews (see Kotler, 2003) and Rise and Trout (2001), the importance of focusing on one and only one position, rather than indulging in the process that would become too complex and expensive.

The most used repositioning strategy is, according to Ugglå (2006), the competitive oriented repositioning strategy. This strategy is based on the possibility to change the competitors’ strengths into weaknesses, with the goal to undermine and discredit the competitors. Several authorities regard this strategy to be very important in today’s saturated market, where the competition is hard.

Nevertheless, Ugglå (2006) talks about the term of core positioning, which is the persistent position that a company tries to both create and maintain on the market. The author points out that even this constant and solid position needs to go through some changes in order to be attractive and relevant. The position has to be changed progressively, in order to always be in phase and in order to be able to offer the right attributes to customers. Helly Hansen has always been pushing for new technology, making their innovativeness a core positioning. By meeting the continuous demands of their customers, the brand has managed to maintain the position of high technical function, which together with Scandinavian design and high quality are the main attributes defining the brand. It is crucial that the company continues on implementing these core attributes in their future position, always maintaining the same values that permeate the entire company. Being a brand for children’s wear, Nova Star put all emphasis on being a qualitative alternative for parents with small children. Along with function and design the brand builds a position on the market competing with already established, big competitors. However, the core positioning of Nova Star is rather hard to pinpoint. The company pushes for the same attributes as other brands for children’s wear do on the market, which does not really distinguish Nova Star. Nova Star should instead proceed into adapting a more sustainable position on the market. This should not be that difficult for the brand, since they already have the resources to do so. By providing the market with qualitative unisex garments the brand should put emphasis on being a company whose clothes can be handed down, regardless of the child being a boy or a girl, striving to reduce fast consumption. The brand does also offer clothes that can be increased size-wise, due to the design with cuffs, which should also be reflected in the position, since this clearly is a competitive advantage, which other companies lack.

It is important to keep in mind that even if repositioning often is necessary there still are many risks associated with this type of exercise. Ugglå (2006) argues that it is important to be capable of keeping the promise given to the customers, Kotler (2003) mentions the risk of loosing the loyal customers of the brand in its current position and Aaker (2010) discusses the high financial burden that in the long term may be inflicted to a brand. Therefore, the repositioning must always be executed with caution and carefulness.
6. Conclusions

In this chapter the research questions, stated in the introduction chapter, will be answered. The conclusions made are based on the analysis of the results obtained during the empirical investigation, evaluated in relationship to the theoretical framework.

6.1 What are the available strategies for positioning on today’s middle market?

The ways of how to become successful on the market are summarized by Porter’s generic strategies: implementing the cost-leadership, focus or differentiation strategy. This is how a company can establish a brand on the market and stay strong getting a considerable market share.

However, the market of today has altered, getting divided into two market segments instead of three, as it used to be before. The traditional market for the middle class consumer is shrinking, since the middle class consumer no longer wishes to be a part of the mediocrity and averageness. The market nowadays evolves proceeds into being separated into having a high end and a low end, and companies have to choose to either trade-up or trade-down.

The results of the study show that if a company wants to become successful on the current market, they generally have to implement the strategy of differentiation, since striving for cost-leadership is difficult and hard to manage. As mentioned in the analysis, the differentiation strategy is beneficial when a company provides the market with something that is truly unique, having values and attributes the competitors cannot provide.

However, the market is saturated and virtually full of companies that offer pretty much the same products. Therefore, most companies, which have decided upon using the differentiation strategy, have become even more alike than before. This is happening since most of the companies provide the market with the same attributes and values. Quality, function and design are no longer characteristics that make a brand unique, in fact it is something that has become custom. It is also something that most customers, paying a slightly higher price, take for granted.

Companies should embrace the differentiation strategy. However, when doing so they should further investigate and invent new characteristics that could define and distinguish their brand on the market, instead of rendering the brand into oblivion.

If a company has got stuck in the middle, there are only two ways to escape this unfavourable position – either trade up or trade down. This is done by finding the strategy that fits with the goals and objectives of the company at the same time being the strategy that is most congruent with the company’s strengths and resources.

6.2 How does the market situation affect a company’s position?

A company’s position is always depending on the current trends on the market and today’s polarization force companies to choose between serving the high or the low end of the market. The
market today has no room for a middle market, because the consumers nowadays either want to find bargains or are instead looking for something that is truly unique, exclusive and worth every penny. In other words, the vanishing middle market has become somewhat of a trend, and this trend seems to be going to stay for a considerable time.

Obviously, the disappearance of the middle market will not leave the remaining market unaffected. The disappearance of the middle market has a huge impact creating a new view on the consumers and their demands. The new idea is to develop and implement a strong understanding of what consumers need and want. Simply put, companies that wish to broaden their market share will have to develop products and services that consumers ask for effectively and efficiently. A company that accomplishes in doing this is Helly Hansen. The company has succeeded remarkably in creating a loyal consumer base, since it always seems to satisfy the demands of their consumers.

There are three different positions: the **product leadership, operative superiority and customer intimacy**. These three strategies proceed into the relationship between consumers and brands, which originates in the different demands a consumer might have. Some consumers want companies that can offer them the best products in the category, other customers search for companies that can work in the most efficient way, while the third category of consumers want companies that can respond well to their specific demands. This implies that if a company wishes to truly satisfy the demands of the consumers, they have to choose how they will attend to the target audience. However, it is important to realize, that no company will ever be able to satisfy all consumers and their demands, since they all want different things, at different prices and at different haste. If a company still wishes to implement more than one strategy the outcome will most likely be unbeneeficial for the company, creating a arbitrary relationship between the company and their targeted audience.

Further on, consumers have the ability to choose and trust companies they are familiar with, compared to companies they do not recognise. Consumers have neither hesitations nor problems when buying products from well-established brands or companies but are normally cautious when it comes to trying something that is new or simply unknown. It is therefor important for companies to obtain the first place in the minds of the consumers. It is also important to have an understanding of what considerations a consumer makes when purchasing a product and how consumers behave considering a brand. This pinpoints the competition frame of reference showing companies what their positioning looks like.

In concluding and answering the question of how the market situation affects a company’s position, the best way to proceed would be to target a defined and narrow audience, since then it would be much easier to satisfy their specific needs and demands. The brand should also put big emphasis on creating a loyal consumer base that stays faithful to the brand. Positioning plays a crucial and important role for a company, since it is through a distinguished idea that a company can spawn income and profit. A well-defined company is likely more profitable and has a higher chance of surviving. Once again, the usage of the differentiation strategy would come well in hand, since this strategy does usually provide a loyal consumer base that usually is much less sensitive to the price as long as it is charged by the brand they know and have a close relationship with.
6.3 How can a company change its position in a changing market?

The market changes constantly. New materials, needs and technologies appear, which affects the market. No position will last forever and a brand needs to change its position in order to continue being relevant on the market, in other words, a repositioning has to be done.

Nevertheless, it is hard for a company to change their current position in the most effective way. Firstly, it is highly important for a company to pursue the right position, focusing on the attributes that make them better, different or distinguished on the market. Most companies do nowadays provide the market with similar attributes that renders them alike with the rest. Helly Hansen have acknowledged this, and the CEO of the company has stated that the company does not investigate what makes them different on the market, instead focusing on what makes them better than their competitors – the brand chooses to distinguish it as the better alternative on the market.

A repositioning should be based on the factors that are important for the continuous prosperity and survival a company. This is done by continuous evaluation of the company’s products answering the question if these products should stay the same or rather be changed and, also, by evaluation if the company should keep targeting the same market or opt for a change. This evaluation should also answer the question considering which type of repositioning that the company needs and which repositioning is the most suitable one. A company can choose to do an image repositioning, product repositioning, intangible repositioning or tangible repositioning.

Knowing which type of repositioning that has to be implemented, the next step is to find the best strategy to carry it through. There are three alternatives to choose from – segment oriented repositioning, where a company wants to reach either a higher or lower segment of the market; image changing repositioning, used when a company wants to alternate the brand image with the aim of reaching a more attractive market segment; and competitive oriented repositioning strategy, where a company changes the competitors’ strengths into weaknesses with the goal to undermine and discredit them from the market.

In order to accomplish a successful repositioning on the changing market, companies must therefore take into account various factors. However, the successful repositioning should provide the brand with a more effective and overall stronger position in the minds of their consumers.

6.4 How should a company position itself in an obvious market polarization?

Implementing a repositioning is an activity that takes time and effort. It is a procedure of analysing the current situation, conducting the desired position, setting up milestones and overall goals. Simply put, it is a process that does not happen during one night.

All positioning can be defined as the way a company wants to be perceived on the market. However, what is really important is to remember taking the consumers into account. This is crucial since the consumers’ perceptions of the brand might differ from that of the managers of the company, creating a misleading picture of the brand. In order to define the accurate position, companies can use perceptual mapping, which is very useful identifying the strengths, as well as the weaknesses, of a company. By
identifying the competitors and attributes that affects the company and conducting a qualitative research, where consumer can score all companies and placing them on a map, companies can obtained the answer to how their target audience perceives them on the market. The perceptual mapping can further be used as a comparison between the ideal and the actual position, giving companies something to strive for, since the consumers are the only ones who can tell how the brand is alleged on the market in reality.

Another aspect companies should embrace is the need to position them both externally and internally. It is beneficial for a company to invest in positioning internally, since it gives the company a true understanding of the values they want to transmit to the market. For a change to truly prosper it has to start within, affecting the remaining position. When a company itself knows who they are it will become easier enabling the external positioning and establishing the desired position on the market.

The concepts of points-of-parity and points-of-difference are important finding a belonging in a particular category and outlining the main competitors. Points-of-parity is something that helps consumers to recognize the brand as a dependable and consistent actor on the market. Nevertheless, points-of-parity is not something that is unique for the brand. Points-of-difference are, on the other hand, the advantages and characteristics that the consumers associate with the brand, which are attributes that competitors cannot provide. It is, therefore, important that companies pushes and pursues the search of their unique points-of-difference. Nevertheless, the points-of-parity are equally important to be aware of, since lacking them can mean certain difficulties for the recognition and attribution of the company.

Changing the position in an altering market, companies have to be aware of the four factors – clarity, consistency, credibility and competitiveness. By pinpointing these angles and keeping them in mind, a company can proceed into a successful positioning, because companies need to have a clear idea of the target audience and their own individual advantages, being consistent in their advertisement and having a high level of credibility in the minds of the consumers. Lastly, the brand must have differential advantages with competitive edges offering something their competitors do not.

The companies in this study have all positioned themselves on the middle market, but only Helly Hansen seem to had been truly successful in their positioning. Both Pennyblack and Nova Star’s position is somewhat hard to pinpoint since both are positioned are slightly “all over the place”. Both companies are trying to become something appealing for everyone within the market segment, and since they have a broad target audience, it renders the companies difficult to assimilate and adapt.

Since the market has become as saturated as it is today, companies try to make profit wherever they can, instead of taking time and putting up limitations for their own brand. Taking Pennyblack for example, as mentioned in the empirical investigation, this particular company targets fashionable women in the ages of 25 to 50 years old. Since consumers identify themselves with the products they buy, believing these products to somehow enhance their unique personality and having in mind that this is a clothing company, it becomes quite hard to grasp how the same garment can be appealing to a newly graduated student and a grandmother to be. Therefore, a brand should define their targeted audience narrowly, putting all the emphasis and effort into serving that particular segment well and thoroughly.
The market polarization is increasing and due to the saturated market, this emanates into companies ending up in the perimeter of the middle market, coming into the high end of the market. Companies in this position have to make a choice. This choice renders into companies picking to either position themselves as expensive middle market merchandise or instead going into the luxury sector, positioning themselves as a cheaper alternative in the premium segment.

Another aspect that is crucial to take into consideration is the difference between the Scandinavian market and the international market. The middle market that exists internationally does not exist in Scandinavia, which forces the brands to position themselves as higher price in order to stay profitable. International brands have therefore acquired different strategies wishing on enter the market of Scandinavia, which is not that easy to endure and sustain.

6.5 General conclusions

- To successfully surpass competitors in the market, companies should implement one of three generic strategies – namely the cost-leadership strategy, the differentiation strategy or the focus strategy. Companies that cannot implement one of these strategies, or tries to implement more than one, will get stuck in the middle. Being stuck in the middle is an unfavourable situation that companies should try to avoid.

- The current market has shifted from three segments to two segments; the high-end segment and the low-end segment. The middle class segment does hardly exist anymore, creating new needs and demands.

- Nowadays it is hard to implement the cost-leadership strategy since the market is saturated. Companies should instead focus on differentiation.

- A company’s position is always affected by the current trends of the market.

- The current market has created a new view on consumers and their demands, striving to provide their needs and wants more effectively and efficiently.

- Three different positions are defined when choosing on how to satisfy the needs of the targeted customers; product leadership, operative superiority and customer intimacy. It is important that companies learn that they cannot fulfil the needs and demands of all consumers, since different consumers wish to fulfil their demands differently.

- Customers choose brands that are well established since they are familiar with them. It is therefore important that companies try to establish a position in the minds of their consumers.

- Creating a loyal customer base is highly advised, since having a relationship between the brand and their targeted audience results in faithfulness and trustworthiness.

- Well-recognized companies that are distinguished on the market make more profit.

- No position will last forever since the market is constantly changing resulting in the need for the companies adapt – which means that a repositioning must occur.
• Most companies provide the market with similar attributes, it is therefore important that companies further investigate what makes them different on the market.

• Repositioning takes time.

• It is important to take consumers into account when a company goes through the process of repositioning. A position is the way companies want to be perceived on the market. Consumers are the ones who can tell if the desired position conforms to the right position of the brand on the market. This can be done with the help of perceptual mapping.

• A company should position itself both internally and externally. Externally for the sake of consumers, and internally so the company itself obtains thorough knowledge and understanding of its values and principles.

• Points-of-parity and points-of-difference are equally important to acquire when positioning a brand, product or service on the market.

• Clarity, consistency, credibility and competitiveness are four factors that are useful when a company wishes to proceed into a successful position.

• Companies with a broad target audience will easily become difficult to assimilate and adapt to. A more narrowed target audience would instead be beneficial, rendering more profit.

• Middle market companies that have been pushed over to the high segment of the market, should choose on either establishing themselves as expensive high end brands or instead position themselves as a cheap alternative to premium brands.

• International companies that wish to enter the Scandinavian market should acquire different strategies in Scandinavia compared to the rest of the world, since the middle market has slowly ceased to exist in Scandinavia.
7. Concluding discussion

_In this finishing chapter, the authors have chosen to discuss their thoughts on the thesis. Suggestions for further studies will be presented as a last part._

Primarily the authors of this thesis want to state that none of the companies investigated has any plans of fulfilling a full on repositioning at the moment. The strategies are just suggestions based on the companies current situations. A repositioning is a long-term process and even if the companies started to do changes of their organization, brand and position, it would take a few years before the result would become apparent.

It could probably have been possible to come to different results and different conclusions if the study would have been made for a specific company that had started to plan and implement a repositioning strategy. Obviously, more accurate results could have been obtained if the study had been conducted during a longer time period, rendering a possible to examine more companies and to follow the companies in order to be able to observe the changes in the market as well as the impact of these changes affected the companies during that time. It would also have been of an interest to obtain and measure the sales and profitability numbers, and have the possibility to draw more concrete conclusions of how the companies are affected – both by the market polarization and by different strategy decisions.

The thesis is limited to the study of only three fashion companies. A further study with participation of a bigger number of companies with preferably more varying profiles could certainly contribute with more interesting results and insights into the topics of vanishing middle market as well as repositioning.

In addition, it could be interesting to study the consequences of a repositioning. Hopefully, it could elucidate if there is possible to connect successes and failures of repositioning to the analysis of the companies’ current situation. Moreover, it could also be interesting to study the ways of how the repositioning process could or should be approached, as soon as a company has decided to change the current position of its brand.

Finally, it could be of great interest to study consumers’ point of view on the issue of market polarisation and repositioning. After all, it is the change of consumers’ perception of the companies and their brands that is the mane objective of repositioning, which makes the consumers’ point of view really crucial.

In conclusion, the study has elucidated the issue of market polarisation as well as the possible repositioning strategies that could and should be implemented in order to adapt to the ever-changing business environment. The study has provided quite a few enlightening answers, but also raised quite a few intriguing questions that hopefully will be answered by future research.
Bibliography


Appendix – Interview questions

Brand identity
1. How would you describe your brand?

2. Which are your brand core values?

3. Which attributes characterises your brand the best?

Products
4. What does your product range consist of?

5. Which price level are you striving to obtain?

6. Which quality level are you striving to obtain?

Market
7. Who does your brand target?

8. Is there a specific customer group that your brand would like to satisfy?

9. When do your customers purchase your products?

10. How do you differentiate your brand on the market?

11. Who are your main competitors?

12. How does your company affect the clothing and fashion market?

13. Have your brand experienced any changes in the market during the last 3-5 years?

Positioning
14. What position does your brand obtain on the market?

15. Have you done any changes to your position on the market, in order to adapt to the reign market?

16. How do you communicate the choice of position in your marketing?