

Fashion Market (FM)

FM is a retailer of low-price clothing. It opened its first store in country X in 1978. FM became a public limited company in 2010 with 150 stores in country X.

Fashion changes very frequently and so there is a fast changeover of clothing designs. FM's customers are often unsure how long clothing designs will be in store. This encourages FM's customers to purchase items as soon as they are available. Until 2020, FM's promotion relied mainly on customers telling their friends and family about the clothing designs available in store.

FM's marketing objective is to grow revenue faster than its competitors in all markets it operates in.

Timeline for FM

2020	A new Chief Executive Officer (CEO) is appointed. The CEO wants to make major changes to FM's marketing strategy.
2021	The CEO convinces FM's board of directors to start an ambitious international distribution plan (see Appendix 1).
2022	FM launches a range of sustainable clothing. This causes problems for FM and its pricing policy (see Appendix 2).
2023	Digital promotion campaign launched across stores. Digital in-store displays and a social media campaign using #fashionmania to advertise clothing and attract customers to FM's new website (see Appendix 3).
2024	The directors review the performance of FM and the recent changes to its marketing strategy under the current CEO (see Appendix 4).

Development of a new business strategy

FM wants to achieve global growth as well as ensure profitability for its shareholders. Some directors think a blue ocean strategy approach should be used to develop a future business strategy. However, other directors think approaches focusing on the external environment would be more appropriate for FM.

Appendix 1: Extract from CEO's international distribution plan (2021)

- To open 25 stores across 7 high-income countries.
- Market research into potential new international locations for stores will cost \$10m.
- New distribution warehouse to be built at a cost of \$30m.
- Pan-global marketing to be used to target customers.
- Forecasted annual international sales of \$180m.

Appendix 2: Operations Director's report on the impact of the sustainable clothing range (2022)

- Average fabric costs 35% higher for this range than existing clothing ranges.
- Average prices 25% higher for this range than existing clothing ranges.
- FM blamed for using suppliers who have been discovered to use unethical practices, FM's public relations costs tripled to deal with this.
- 21% of total sales volume from new sustainable clothing range.
- FM accused of misleading customers who question the sustainability of a \$2 t-shirt.

Appendix 3: #fashionmania campaign plan (2023)

- Boost sales after the closure of stores during the global pandemic.
- Use of #fashionmania to collate online images from social media to promote clothes.
- Create areas in store where bloggers can take pictures of themselves in FM's new clothes to post online.
- Use website as a medium to show new clothing designs and customers' #fashionmania pictures.
- Sponsor a reality TV programme to promote clothing ranges.

Appendix 4: Selected financial and marketing data for FM

	2024	2023	2022	2021
Revenue (\$000)	2 189 540	1 370 437	1 950 250	2 297 540
Marketing expenditure (\$000)	95 040	135 090	59 500	27 000
Profit from operations (operating profit) (\$000)	137 950	99 750	129 500	185 495
Share price (\$)	1.27	0.98	1.39	2.45
Market share in country X (%)	6.8	5.9	6.4	6.9

Answer **both** questions

- 1 Evaluate FM's marketing strategy between 2021 and 2024. [20]
- 2 Advise FM's directors whether blue ocean strategy is the best approach to develop a future business strategy. [20]

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