

Realizing the growth potential of small Danish fashion companies



Department of Marketing
Author: Razieh Negarandeh
Cand.merc. MCM Master Thesis
Supervisor: Lise Skov
Copenhagen Business School
April 2008

Executive summary

The Danish fashion industry consists of about 92% one-man companies and only about 2% who have more than five employees. Even though it still has the sixth largest export commodity in Denmark in 2006 and has a turnover of about DKK 23 billion in 2007. This contradiction was one the reasons for this thesis choice of research. There is a focus on how can the small fashion companies best be assisted to overcome the challenges they face to grow and become successful.

An overview of the international industry is given in order to give a background understanding and how the strong the competition is. Next and overview of the Danish fashion industry is given first its history and development and next the facts and figures that enables to get a deeper understanding of the fashion industry today. Subsequently the initiatives taken by the government and the fashion industry are discussed. It illustrates that the government is willing to assist the SMEs within fashion and has put forward some initiatives that now needs to be developed further by the fashion industry and its stakeholders. In order to give a practical example on how the SMEs within fashion can be assisted, London College of Fashion has been used as a best example case. It is excellent learning example that should be studied by the stakeholders within Danish fashion industry and the government.

Next Management of SMEs was analysed on a theoretical base and practical base. An important part of making a fashion company successful is the marketing and branding aspect. As argued by Saviola et al. "Fashion is all about the intangible values and the intangible values it creates" thus branding is the ultimate tool to create this. The theories on how to create a strong, favourable, and unique brand were provided.

Finally and discussion and recommendation chapter is made that discusses the initiatives that need to be taken in order to best assist the SMEs within Danish fashion. Three actor levels is defined, the government, the fashion industry, and the SMEs in order to specify who should or could be responsible for the formulated recommendations.

Table of Content

1. Introduction	3
1.1 Background.....	3
1.2 Problem Identification.....	4
1.3 Delimitations	5
1.4 Definitions	6
2. Methodology	7
2.1 Research approach	8
2.2 Research strategy	9
2.3 Data Collection	10
2.4 Theoretical framework.....	14
2.5 Structure of the project.....	15
3. Ethnographic study	17
4. International Fashion Industry	19
4.1 France.....	19
4.2 Italy	21
4.3 London	22
4.4 New York	22
4.5 Spain.....	23
4.6 Germany	23
4.7 Scandinavia.....	23
4.8 Asia	24
5. Danish fashion.....	25
5.1 History.....	25
5.2 Danish Fashion Fairs.....	27
5.3 The outsourcing of Danish apparel production	28
5.4 The fashion geography	29
5.5 Danish Fashion industry today	30
6. Development within Danish design industry	31
6.1 Number of companies and employment.....	31

6.2 Fashion industry.....	32
6.3 The fashion companies organizational structure	34
7. Initiatives in the Danish fashion industry	36
7.1 Governmental initiatives	37
7.2 KravleGaarden.....	42
8. London College of Fashion.....	44
8.1 The Centre for Fashion Enterprise.....	44
8.2 Fashion Business Resource Studio	47
9. Management of SMEs	49
9.1 SMEs Entrepreneurial background	49
9.2 Strategic management in SMEs – a theoretical approach.....	51
9.3 Development of SMEs – a practical approach	55
9.4 Development of marketing and branding strategy.....	61
10. Discussion and Recommendations	68
10.1 Challenges faced by the SMEs	68
10.2 Resources on the Danish market for SMEs within fashion industry	70
10.3 Ideas gained from best practice example	72
10.4 Recommendations.....	73
11. Conclusion.....	83
Bibliography.....	85
Appendix.....	88

1. Introduction

1.1 Background

Danish Design has the last couple years become a high priority in the Danish government's strategy concerning Danish trade and business life. The government has for many years concentrated on building Danish competitiveness within knowledge industry such as IT or pharmaceutical but lately it has acknowledged that the Danish industries' strength is more than the traditional industries connected to knowledge. The report "Et billede af dansk design" by Erhvervs- og Byggestyrelsen (EBST) from 2007, shows that Danish design has revealed to be a great competitive factor that generates billions per year and employs a great number of people. Danish design is defined as furniture, graphic, communication, interior, and fashion design. Fashion design is also seen as part of the Danish textile and clothing industry which alone stands for the fourth largest export industry in Denmark¹.

There are about 4500 small and medium enterprises (SMEs) within Danish Design². Of those about 92% are one-man companies and only about 2% who have two or more employees³. From the research done into this field it has been discovered that many of the smaller businesses tend to not succeed optimally or fail completely, the reasons behind this phenomenon are several and will be a part of this project's inquiry.

In the start of the information gathering process, it was felt necessary to talk to some industry insiders who could help with an overall understanding of the fashion industry in order to evaluate the research field as well as to narrow the research field. This was done by talking to the head of MOKO (fashion consortium), that is a research department within Danish Design School, Tomas Schødt Rasmussen and with Eva Kruse head of Danish Fashion Institute (DAFI). They both contributed to present different perspectives on the Fashion industry and the challenges that lie within. Also a great insight was given into the field of fashion research by Else Skjold that gave a seminar on the field of research within the international fashion.

¹ EBST, Et billede af dansk design, 2007

² EBST, Et billede af dansk design, 2007

³ Regeringen, DanskDesign, 2007

The first research question that was contemplated was the how to best market, more specific brand, Danish fashion internationally. But question field seemed too broad and it was felt that a more specific and narrow research question was needed. After reading some different reports on the subject and the above mentioned industry insiders it was clear that the small fashion companies were having trouble growing and too many were kept as one-man companies. The focus in the fashion industry seemed to be on the internalisation of Danish fashion and less on the small companies within that were struggling. Therefore I found it interesting to have a closer look at that side of the industry and less on the success stories that was focused on in the industry and the media. Consequently these meetings and the conducted research helped to narrow the field of research and come up with the problem formulation.

Later on in the process it was felt that in order to come up with some realistic and tangible solutions to the problem, it was necessary to have a benchmark or a best practice example. Both New York and London was researched, since they both are perceived as fashion capitals. London College of Fashion was chosen, given that the British governmental and school system most resembled the Danish system. Also interesting was that the British fashion council has realised that many of the British fashion talents leaves Britain for an international career, which in parts is caused by the lack of opportunities in Britain. The British government has tried to address the challenges the British designers are facing and in collaboration with London College of Fashion different organisations have been started. These organisations can act as a learning example and is therefore used as a best practice case.

The above mentioned research and my line of thinking has lead me to below described problem formulation and the sub questions connected to it.

1.2 Problem Identification

The purpose of this project is to examine the situation of Small and Medium Enterprises (SMEs) within Danish fashion and use this understanding to examine the frameworks that can help Small and Medium Enterprises to succeed and grow.

Problem Formulation

What are the best courses of action to minimize or overcome the challenges faced by Small Medium Enterprises (SMEs) within Danish fashion?

In order to solve above problem formulation a number of research questions will be sought answered.

1. What are the greatest challenges that designers encounter when entering the market?
2. What initiatives can be taken governmental and within the industry to overcome these problems?
3. What lessons can be learned from London College of Fashion?
4. How can the challenges met by the SMEs within Danish fashion best be solved?
5. What recommendations can be given to best sustain and market the SMEs within Danish fashion?

The first question is a descriptive question that will map out the conditions of Danish fashion design industry and the SMEs within the industry. For the second questions three actor levels have been identified; the government, the industry including Federation of Danish Textile and Clothing and the fashion design schools, and finally the SMEs within Danish fashion. For the third question the organisations The Centre for Fashion Enterprise and Fashion Business Resource Studio, which are connected to London College of Fashion, will be used as a Best Practice case based on available information. The fourth question will be sought answered through use of relevant theories and an analysis will be made based on theories and research made. For the fifth and final question recommendations will be given based on the analysis made so forth.

1.3 Delimitations

The focus of this paper will solely be on Danish fashion design within the Danish Design industry. This means that the interest of this paper is the fashion designers that make branded

apparel, and not the large apparel manufactures that make generic apparel with no individual designer or designer figure. It is chosen in order to be able to answer the problem formulation/research question and fulfil the purpose of this paper. Furthermore the Danish apparel and textile industry includes many forms of manufacturers, which include everything from work and industrial apparel to home textiles. The scope of this project is to get a deeper understanding of the Danish fashion design industry and the designers who represent it in order to be able to explain their problems and come up with some recommendations. This can only be done when concentrating on the fashion design alone, how small it may be.

The project's main interest is in the national market and not the international fashion market. There will be a quick overview of the different international fashion markets but that is merely to put the Danish fashion market in context and give a better comparison level for the reader.

In chapter 5 the Danish fashion history is outlined, the source used for this chapter stem from a project "Dansk Mode – Historie, Design, Identitet" written by Marie Riegles Melchior and Nikolina Olsen-Rule for MOKO, that highlight the Danish fashion and its history. The project is the only one that systematically describes Danish fashion in the period 1950 to 2006. This report is the most recent and complete and uses primary sources but also multiple articles support its findings. All taken into account it is believed that the project from MOKO is valid and trustworthy source that can fulfil this projects requirement and scope regarding Danish fashion history.

1.4 Definitions

Fashion Design:

This means that fashion design is to be understood as fashion apparel that are designed by fashion designers and are manufactured in smaller quantities compared to mainstream apparel that is produced by larger manufactures that are generic.

SMEs:

Is the abbreviation of Small Medium Enterprises, which also includes small and medium businesses.

Designers:

The term designers will be used in chapter 9 concerning management of Small Medium Enterprises. When using the term designers it is meant designers, who own or manage their fashion company. This is instead of using the term “company owners” since the companies referred to are fashion design companies owned primarily by fashion designers.

Maison:

Originally it is used for French haute couture fashion houses⁴ but in this paper it is used about great fashion houses mainly French but also some well known and acknowledged Italian fashion houses.

2. Methodology

The following chapter will introduce the reader to the methodological basis of this paper, and will comprise of research approach, research strategy, data collection, and finally validity and reliability.

It is an inescapable conclusion that it is not possible for a research scientist to cover an entire field of subject consequently the research scientist can broaden his or her knowledge but yet not obtain a full view of the field⁵. Thus this paper will be based on desk research as well as field research and will furthermore be influenced by skills, understandings, and perspectives acquired throughout my master degree. This will influence the final result of the paper and also the entire process of studying, interviewing, processing data and so forth. Therefore the methodology and the research strategy will be conducted in what I find to be the most optimized way.

⁴ Saviola et al., 2002

⁵ Andersen, 2005

2.1 Research approach

This section will explain the approaches taken in order to get the best understanding of the research field in question, and also it gives an understanding of the thoughts behind it and the development of knowledge throughout the process.

Blumberg et al. point out that there are two research approaches, *positivism* and *interpretivism*. Positivism is a research approach that is adopted from the natural science. Knowledge is according to positivism developed by investigating the social reality by observing objectively. Further that the social world consists of simple elements to which it can be reduced. It is therefore believed that researchers that observe a social phenomenon will arrive at the same result. This is why studies following the positivism approach often result in one single explanation and deliberately neglect other aspects, in order to explain and understand the outlined phenomenon. Interpretivism on the other hand holds the view that the social world cannot be understood by applying research principles that are adapted from the natural science. The basic principles of interpretivism are; the social world is constructed and is given meaning subjectively by the observer, the researcher is part of what is observed, and that research is driven by interest. Interpretivism also rejects the fact that research is value-free. It believes that the research includes the researchers interpretation of the social world and the researchers motivation and beliefs. On the basis of that interpretivism assumes that social phenomenon can only be understood by looking at the totality. This means that interpretivism does not attach a great deal of importance to the generalizability of findings. It believes that the world, and especially the business world is constantly changing and what may have been sensible some time ago may not be relevant anymore. Therefore generalization becomes questionable ⁶.

Research is rarely conducted in only one manner and a more pragmatic view is therefore needed⁷. The research approach used in this paper is mainly based on the interpretivism approach since it

⁶ Blumberg et al., 2005

⁷ Blumberg et al., 2005

is believed to be most optimal for the problem area of research in question. This point of approach has the effect that the findings in this paper is based upon my view of reality, meaning that if another researcher were to analyse the same field the outcome would be different. Thus my interpretation is not to be looked upon as neutral due to the fact that they are influenced by my social constructed reality. Finally this paper came about from my strong interest in fashion and my aspiration to work within the field of fashion.

Furthermore Saunders et al. also point out two further approaches that can contribute to the above stated approach of research. These are called deductive approach and inductive approach. The deductive approach emphasizes scientific principles, with theory as a starting point followed by empirical data. It requires a collection of quantitative data and application of controls to ensure validity of data, an operationalisation of concepts to ensure clarity of definition and a highly structured approach. Meanwhile, an inductive approach focuses on gaining an understanding of the meanings of the relationship between humans and events. It requires a close understanding of the research context and associates with the collection of qualitative data. This type of study also allows a more flexible structure to permit changes of research emphasis as the research progresses⁸. It can be said that the deductive approach is rooted in positivism and the inductive approach in interpretivism.

Thereby, it can be seen that the research approach has had an interpretivism approach that is also inductive and has an emphasis on qualitative data, since the final answer to the problem formulation cannot be quantified or measured in numbers. This will be further discussed in the data collection section. The interpretivist approach has moreover made it able to get a nuanced understanding of the stakeholders in question, and has given the opportunity to present recommendations that are grounded in the field research as well as the reality of the stakeholders.

2.2 Research strategy

The research strategy is a general plan of how the researcher will structure the answering of the problem formulation⁹. The foundation of this paper is based on qualitative research and methods as well as being exploratory. These methods have been chosen in order to make the research

⁸ Saunders et al., 2000

⁹ Saunders et al., 2000

achieve its set purpose and to give a better understanding to the systematic approach used in this paper. Furthermore, the research is a combination of desk and field research, which shows in the data used and collected. The data collection and its method will be discussed in a separate section.

The research strategy applied in this paper can also be explained in terms of research purposes: exploratory, descriptive, and explanatory¹⁰. The research purpose and problem formulation of this paper indicate that the research is a combination of the three research types. It is exploratory in a sense that there has been gathering of as much information as possible, being literature and interviews, on the specific problem with the purpose of giving recommendations to the problem. It is descriptive since there is an intend of describing the areas, such as the Danish fashion industry and the international fashion market, of research and to draw conclusions from the collected data. This research is also explanatory in a way that when answering the problem formulation, it will begin by explaining the relationship between different variables, for example the different stakeholders role and the industry situation.

2.3 Data Collection

The following section has the purpose of presenting the papers data collection during the research process. Both desk research as well as qualitative data method has been used in order to cover the field to the best effect. The two approaches supplement each other well and give a deeper insight to the field.

The gathering of secondary data has been by means of desk research where among others quantitative data has been collected in order to support the findings.

The secondary data used are different kind of literature and documents regarding for example entrepreneurship, method research, internet sites, reports, academic articles, etc. They have been used to give a background understanding and an overview of the field of research. They have also

¹⁰ Saunders et al., 2000

been able to provide with needed background knowledge to achieve the optimal qualitative data collection.

Qualitative semi-structured interviews

Qualitative research is foremost considered as meanings expressed through words. The collected information tends to be non-standardised and can be observed but not measured¹¹. The method of qualitative research data collection has made it able for this paper to reach its purpose and has given a much deeper and nuanced understanding of the field of research and its stakeholders.

According to Flick (2002) one of the central idea and features for qualitative research is the choice of appropriate methods and theories. The appropriateness of methods and theories is based on the idea that only research ideas that can be studied empirically should be chosen and whether the methods are available. There are suggested several solutions but the interesting solution here is the realisation that the problem formulation is the determining factor for method choice and not the other way around. The problem formulation is studied in its complexity and its every day context. This has been the case in this study where the problem formulation and the thought behind it have been central for the research methods and the choice of theories. Danish fashion design has to a large extend not been researched and the information available is modest. Therefore the empirical field have been somewhat of a challenge and in order to get a deeper understanding the research field, in the form of interviews and informal talks, has been needed. Furthermore Flick (2002) points out that the goal is less to test the already well known but rather to discover the new. Also the validity of the research is assessed in reference to the research and not to exclusively to follow abstract academic criteria. Rather the criteria in qualitative research are whether the findings are grounded in empirical material¹². This is done in this paper in the form of using a combination of entrepreneurial and strategic management research and theories as well as some marketing related theories and knowledge that has been gained during my master studies. The focus has been to form recommendations and give an understanding that is more

¹¹ Saunders et al., 2000

¹² Flick, 2002

consultant-based approach. This has been done with the purpose of reaching a result that can be useful for the stakeholders and more important tangible and be understood by the stakeholders.

Semi-structured interviews

The use of primary data collection has been interviews that have been semi-structured. The objective has been to gain insight to the respondents and what they consider relevant and how they interpret the situation¹³. Furthermore it has also been the intention to see whether the respondent can confirm insights and information that I already had from my desk research on the field. The purpose has been to gain knowledge about the Danish fashion industry and to get an overview of how the industry is made up and functions on the day-to-day basis. The second part has been to get an understanding of the problems and barriers the designers encounter when starting their company and how they have achieved to overcome them.

The process has been use of an interview guide in form of pre-made questions depending on the different interviewees and their role. This has been done to make sure that the interview covers the necessary areas seen as related to the research field and to be able to ask the same questions in the interviews, giving it some base for analysis in the paper¹⁴. Other than that the flow of the semi-structured interviews has been important and the questions have been left open for the interviewees to elaborate on and for me to ask follow-up questions. The documentations of the interviews have been based on notes made during the interview and a summery of the interviews was made right after interview. This kind form of documentation is frequently used by consultants¹⁵ and was chosen here on the basis that the desired outcome of the interviews has been to get a general picture of the field and to hear from the designers directly how they perceive the problems that they encounter. This is believed to help to reach the purpose of this project, which has been to make an applicable and tangible project that can be used by the stakeholders.

¹³ Blumberg et al., 2005

¹⁴ Blumberg et al., 2005

¹⁵ Andersen, 2005

Sampling of respondents

The respondents that were targeted in the beginning of the interview process were persons who had knowledge about the Danish fashion industry and who could give a practical understanding of the field. Ideally I wanted to interview fashion design companies and its designers on different level, right from the ones who were to start-up to the ones who were well established and had proven to be a success. The line of thought was to understand the challenges that the fashion companies encountered when they were small and new and how it was possible to overcome these, seen from the larger and successful companies view. The focus was still on the SMEs within the fashion companies since they are the ones with greatest growth potential and which this project is focused on.

The interviewees have been broad and have been chosen from a non-probability sampling method¹⁶. The interviewees have been chosen on the background of their role in the Danish fashion industry and their knowledge about it. That is the case for the person who represents the trade association and the ones who represent the networking organisation for Danish designers. More importantly it has been interesting to interview designers and fashion company owners, which have been chosen based on their believed success, their size and how well they are established on the market. It must be pointed out that many designers that were approached did not show an interest in participating in the interview; especially the larger and well-established designers who did not see time or desire to participate. Also several of the other less established designers did not feel they had time to participate. Another very useful method that was used is the Snowball sampling, which refers to how an interviewee is chosen, and that is through referral networks¹⁷. This has been used for many of the interviewees that have been referred to by other interviewees.

The interviews have provided a substantial amount of exploratory research, that has the purpose of seeking new insights within the field and provide with knowledge of what is happening in the area¹⁸. The interviewees have different background and have all in one way or the contributed with their story and knowledge. The interviews have given a more in-depth understanding of the

¹⁶ Blumberg et al., 2005

¹⁷ Blumberg et al., 2005

¹⁸ Saunders et al., 2000

way they think and how they view the fashion industry, it has also contributed to identify areas that probably would not come into mind if not pointed out by the designers and other stakeholders within the industry. The interviews consist of ten fashion design companies, two from network organisations for designers, and one consultant from the industry association.

The interviewees are:

- Thomas Frederiksen - Consultant at Federation of Danish Textile and Clothing.
- Maria Tranberg – Owner of network organisation Designersnetwork.net
- Henrik Ralf Nielsen – Co-owner of network organisation ArtRebels.com.
- Benita Poulsen – Designer and owner of Soulmade.
- Rikke Hubert – Designer and owner of Rikke Hubert.
- Maria Schmith – Designer and about to start own company.
- Hanne Lerrain – Sales Manager of Casch
- Nicolaj Nielsen – Owner of Won Hundred
- Maja Briks – Designer at Henrik Vibskov
- Silas Adler – Designer and co-owner of Soulland
- Lisbeth Nordahl – Designer and owner of Hübsch und
- Lisa Lauenborg – Owner of Nur Rock
- Anna Gulmann – Designer and owner of Anna Gulmann

Finally there has also been use of a couple of unstructured short telephone interview to London College of Fashion in order to gain some information about the daily work. It was felt that the information provided on their internet site did not give a full understanding of how their work was carried out on the day-to-day basis. These were also influenced by the Snowball method in the case of references to other departments that could be of interest.

2.4 Theoretical framework

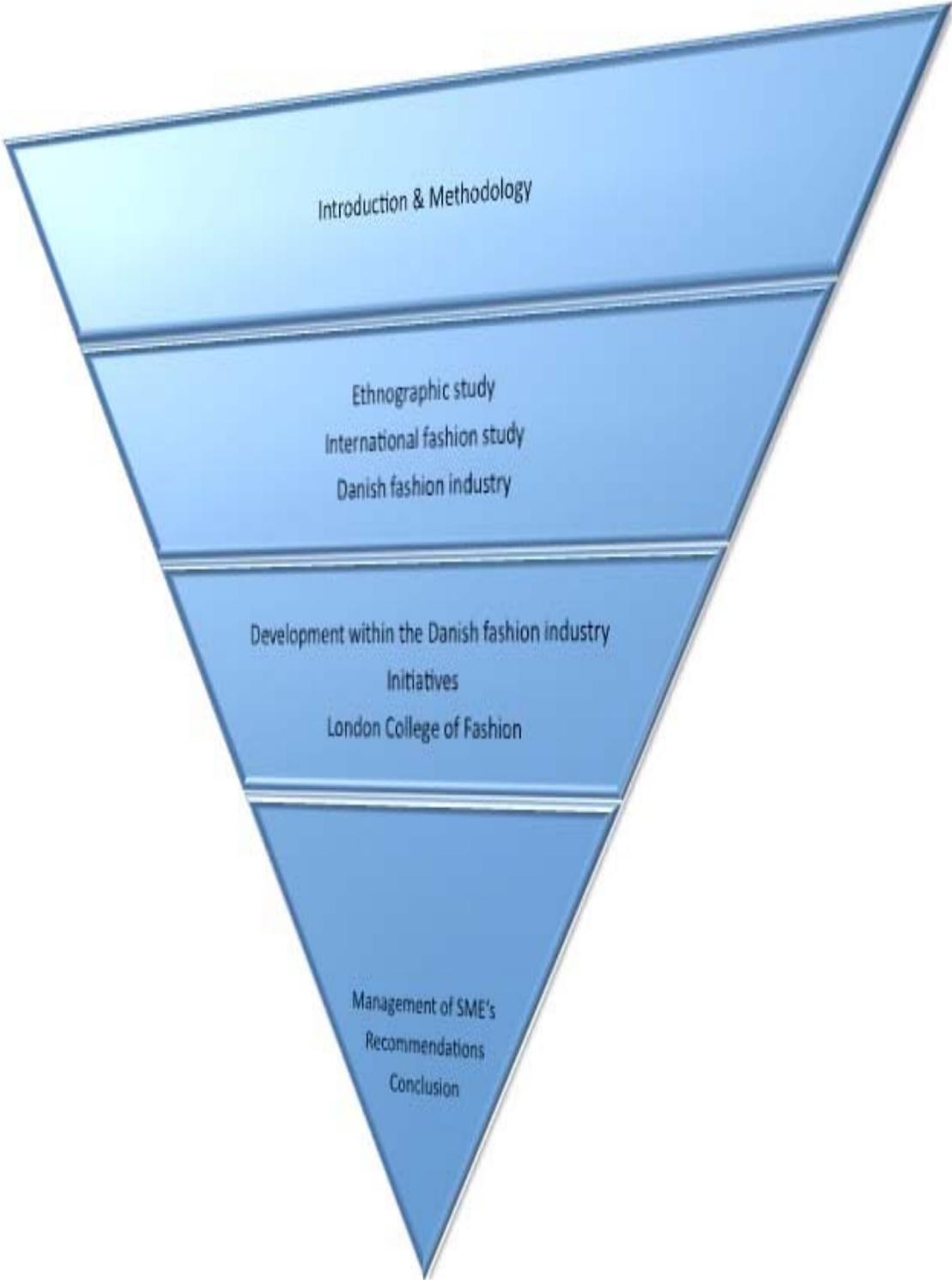
There are no theory solely concerned with SMEs within fashion design, thus the theories in this paper is chosen on the grounds that general entrepreneurial theories, strategic management

theories related to SMEs, and marketing and branding theories that can be applied to SMEs within Danish fashion design. The theory will be applied implicit within the analysis.

2.5 Structure of the project

The structure of this project is made up as sift, as seen in figure 1, and will begin with introduction to the research field and the background for choices made in order to solve the problem formulation. The second part will start with Ethnographic description of the designers interviewed in order to give a picture of the persons and their mindset. Thereafter an overall framework of international fashion and Danish fashion history will be described. The third part will explain and analyse development within Danish fashion industry and the governmental initiatives taken on the field of Danish design, and more specific Danish fashion design. Here London College of Fashion will be used as best practice case in order to benchmark the Danish fashion industry situation and possibilities compared to what London College of Fashion offers. Finally, in the fourth part the theoretical foundations will be laid where relevant entrepreneurial theory will be presented and used in correlation to Danish fashion industry. Also strategic management theories will be presented and used to analyse the Danish fashion industry and in connection with that a more practical approach will be presented in which marketing and branding theories will be used. At the end, the markets descriptions, best practice case and analysis will be used to present a number of recommendations that could be useful for the SMEs within Danish fashion industry and maybe even lead to ideas that could be used in the private or public sector to push Danish fashion forward.

Figure1: Structure of the project



3. Ethnographic study

Ethnographic studies are usually connected to social science but are also used to study business phenomena. Ethnographic study gives the possibility to describe the world of study and give it richness¹⁹. In this section a description of the designers and owners of fashion companies interviewed will be given. Qualitative behavioural (description of specific behaviours and habits) and non-behavioural description (visualisation of company's surroundings) will be given²⁰.

The designers interviewed were usually young and some others had been in the industry for a longer time. Almost all of them had some kind of fashion design educational background and few of them had relevant work experience before starting their own company. The things they had in common were that they all had a rosy perception of what it means to manage your own company before starting up, and all could agree that it was a really hard work that required and that you really have to be passionate and wanting to make it work.

Throughout the interview process it was quickly clear that the way the designers' perception of starting a company and managing it was very different to myself, a business student. The idea of starting a fashion company was based on the creative identity and personal intuition and beliefs, not so much on the strategic planning and market opportunities. There was a naïve perception on what it will say to manage a fashion company and what skills are required. The way of thinking about the challenges and possible solutions and how a company should be managed were also points of differences.

Most of the designers who had started their own fashion company were very young and had little work experience related to fashion. They usually were newly graduated fashion designers and had not really thought through what it means to have managed a fashion company. That is partly to blame their educational background where they are not prepared to the business world and given a thorough insight in managing a fashion company. Some seemed timid and unsure when asked questions concerning the business aspect and future planning. They had no real understanding of

¹⁹ Blumberg et al., 2005

²⁰ Blumberg et al., 2005

these concepts and felt intimidated by the business side of the company, therefore it was also not given much priority and was pushed away.

The surroundings were usually very simple and the space was small. The workspace usually consisted of samples of their collection, a worktable, sketches and fabric samples. They usually worked alone and did not have anyone to spare with.

However the situation was most of them seemed optimistic and accepted the fact that it was real hard work and that it wasn't as they had expected. They seemed though frustrated on other aspects of the company such as the lack of financial return, even though they worked hard and had healthy sales numbers, it didn't amount to enough to support them and they had to live economical. Or they couldn't afford to employ others who could assist them and take off some of their workload. Also they expressed a feeling of lack of support and not knowing where to go to ask for assistance on several areas, such as financial, strategic, production, export etc., areas that were related to running a fashion company. Furthermore there was also not much support from the fashion industry or the designers within. The competition is high and the designers were all trying to protect themselves. Consequently there was a lack of support and a strong network.

To sum it up, I felt that the designers were creative and optimistic persons who were like fish out of water when they started their own fashion company. They had imagined a complete different scenario of how it is to start own fashion company, a very creative and cosy work, compared to what they were presented, the administrative and business responsibilities. Also they quickly realised that it isn't that easy to sell and that the competition is very hard.

These facts can be overwhelming for the designers that often are very young and combined with the fact that they didn't know where to go for assistance it has meant that many had a slow or difficult growth and experienced little financial success.

In the next chapter a will be closer look at the international fashion industry in order to give an overview and understand the comparison to Danish fashion industry.

4. International Fashion Industry

The international fashion industry has changed constantly through out the years; initially Paris was the fashion capital of the world where the Parisian haute couture was an inspiration to the rest of the world. However in 1950s the Italian designers entered the fashion stage with their imaginative creations. Soon after in the 1960s London followed and before long New York, Tokyo, Germany, Scandinavia, Spain, and Hong Kong were part of the fashion world.

Design is only one aspect of the fashion industry, the textile mills that supply the fabrics, the sewers who make the garments, and the trimmings houses that create the enhancements are all part of bringing the finished product to the consumers around the world. Each of these industry segments can be based around the world. In today's world the production of apparel is usually based in a low labour cost country and that is why so many countries are today perceived as part of the international fashion industry²¹. The roles of the different countries will now be looked upon in order to understand the scope of the fashion industry.

The European fashion capitals have the oldest Maisons or Brands that we know today and create the most inspiring collections both prêt-a-porter and haute couture. Paris, Milan, New York and London are Europe's and the worlds leading fashion producers, with Germany, Spain and other countries beginning to attract international attention.

4.1 France

Paris has always been known as *the* fashion capital of the world, its history goes back a century and has been characterised by endless of talented haute couture designers that inspired the world of fashion. Until 1950's Paris was the centre of the fashion world, and nearly all the fashion houses, the so called Maisons, had their headquarters there. The term Haute couture are legally protected and can only be used by fashion houses that are member of the Paris Chambre Syndicale de la Couture Parisienne, which was opened in 1968. Membership is limited and the

²¹ Diamond, 2002

members are bound by strict rules. Haute couture is an ambassador for the French tradition of quality and prestige and is an important part of the fashion that reinforces the “Made in France” brand²². Today however only a fraction of the consumers can afford haute couture designs and the couture designs is mostly used as an inspiration for the prêt-a-porter designs that makes out the most of the French fashion industry. It is also the prêt-a-porter design that brings in the profit for the designers²³. And economic wise the Parisian fashion industry is somewhat smaller than Milan and New York²⁴.

France’s position can be attributed to several factors. The history must be mentioned first as one of the most important factors that has contributed to French fashion. Other important factors are; firstly the relationship between art and fashion, Paris has always been the workshop for arts and has a long and renowned history. Secondly the cooperation of designers, institutions, the media and opinion leaders make Paris fashion shows a powerful communication event that is centred on fashion, culture and national pride²⁵. Furthermore Paris has a fashion district where retail shops, manufactures, fashion museums etc. are gathered at one place²⁶, supporting the Parisian fashion industry and its culture. Also the cooperation between the different institutions mentioned does not end here, there is also a clothes cooperation between the design schools and the corporate life. This consists of for example lectures given by persons from the fashion design companies, which results in a strong network between the design schools and the design companies²⁷.

The French attitude to fashion has always had a luxurious, prestigious, and exclusive character²⁸. This is still kept today and with the Parisian designers innovative and stunning designs it is likely that Paris will remain the most famous fashion capital in the world²⁹.

²² Saviola et al., 2002

²³ Diamond, 2002

²⁴ FORA Report, 2005

²⁵ Saviola et al., 2002

²⁶ FORA Report, 2005

²⁷ FOR A Report, 2005

²⁸ Saviola et al., 2002

²⁹ Diamond, 2002

4.2 Italy

The Italian textile industry went through a great reconstruction in the 1970's that meant downsizing of the large textile companies that had come to prominence in the 1950's and 1960's. It also resulted in the development of a strong and widespread network of small companies that reinforced the textile industry in the local areas. In the same period the Italian prêt-a-porter and the Italian designers won international recognition. Until then the Italian designers tend to be anonymous and it was the manufacture's name that was on the labels. The international Herald Tribune described the situation in March 1980 this way “ The competition between Milan and Paris is in full force, and Milan is clearly winning. Paris provides the inspiration and the direction, and Milan interprets and manufactures....France earns glory, but the Italians are much better at earning money”³⁰.

During the 1980's the success of Italian Fashion grew rapidly and the Italian products got known for their quality and craftsmanship. Italian leather products and Italian style, which was perceived as unique and original, was the base for the development of “Made in Italy” brand that today is regarded as quality stamp³¹.

Today Milan is seen as the fashion capital of Italy and is the place where the major designers have their maisons and where one of the most important place for fashion shows to be held. Milan is today far away from the days when it was solely known for its quality leather and fabrics. Strictly economically Milan has the second largest turnover, right behind New York³². Today Milan has emerged as one of the worlds leading fashion capital that is known for its sexy and glamour's designs that holds some of the world's top designers and brands³³.

³⁰ Saviola et al., 2002

³¹ Saviola et al., 2002

³² FOR A Report, 2005

³³ Diamond, 2002

4.3 London

London is the capital for British design and houses some of the leading fashion design companies. Furthermore it counts for some the worlds leading fashion design schools such as the renowned St. Martins, and further recognised for its fashion shows during London Fashion Week. London is considered to have the third largest turnover falling behind New York and Milan³⁴.

Traditionally prêt-a-porter and fine tailoring has been London's hallmarks, that was before 1960's when the youth-oriented designs lead by Mary Quant emerged on London's street. This new approach to design inspired the fashion world and started the British design culture, as we know it today. London has since then developed to be one of the most important and inspiring design capital in the world³⁵.

4.4 New York

New York City plays a great role in the prêt-a-porter wear and is seen as one the fashion capitals of the world. Since the early years, going back the late 1940's, it has been known for its sportswear or casualwear and the perception hasn't changed much³⁶. The first American designers got started during the World Wars where the American retailers weren't able to offer Parisian fashion. The designers understood the fashion mass-market and successfully combined practical and chic outfit with the active mid-century American woman, and so began the democratic fashion tradition³⁷.

After the Second World War the first American designers started to appear on the world's fashion scene. But it was first in the 1960's that the great American designers appeared, and the battle against the Europeans for the world market. The American success can be attributed to the invention of casualwear, the rise of mass market, and a superior marketing management allowed the Americans to enter international markets by building a competitive position hard for the

³⁴ FORA Report, 2005

³⁵ Diamond, 2002

³⁶ Diamond, 2002

³⁷ Stanfill, 2007

European competitors to imitate³⁸. A further notable factor is New York's fashion district where 50% of the buildings are employed by the fashion industry in some way or the other. And like Paris it helps to bring the industry closer and develop a strong culture. Also the area houses The Fashion Center that offers free consultancy and information related to fashion industry as well as functions as a networking center³⁹.

Today New York has the largest turnover of all the other fashion capitals, Milan, Paris, and London⁴⁰. It is known as the fashion capital of the United States and has comfortably positioned itself as a one of the main fashion capitals of the world.

4.5 Spain

Spain has also greatly been known for its leather products, specially shoes, it has in the recent years developed to a recognised design hub that holds a wide range of both mainstream clothing to high-end designer clothing⁴¹.

4.6 Germany

Germany has more than 2000 fashion manufactures located throughout the country⁴². It also has some well know designers and brands such as Hugo Boss, Escada, Adidas, and Puma.

4.7 Scandinavia

The Scandinavian countries are many times recognised collectively, each country has a distinctive approach to fashion design. Sweden and Norway are more known for moderately priced and youth-oriented design while Denmark is seen as having a more high-end and expensive design⁴³.

³⁸ Saviola et al., 2002

³⁹ FORA Report, 2005

⁴⁰ FORA Report, 2005

⁴¹ Diamond, 2002

⁴² Diamond, 2002

⁴³ Diamond, 2002

4.8 Asia

The Asian market is broad and consists of many countries that have moved into the fashion industry gradually. In the beginning of 1960s Japan and Hong Kong were the first countries to enter the fashion arena. They were later joined by South Korea, Singapore, China, and Taiwan. The Asian market collectively counts for a significant amount of the world's fashion production⁴⁴. However today Hong Kong, Taiwan and South Korea have lost their attractiveness as production sites because of the increased cost of labour and are today seen as logistic and service centres. While Mainland China, Malaysia, Thailand, the Philippines, and Vietnam have taken the role as the new production sites. These countries are involved in textile manufacturing and garment construction with Mainland China being one of the main textile producers in the world, particularly in regards to natural fibres such as wool and silk⁴⁵. Japan is the only country that today mainly consists of original designing companies.

Japan, or Tokyo, has a greater role in the fashion world when it comes to original design and recognized designers. Tokyo has long been perceived as the fifth fashion capital right after the four originally recognized fashion capitals; Paris, Milan, London, and New York. Since the 1960's Japanese designers have captured the attention of the global market. Designers such as Kenzo, Issey Miyake, and Rei Kawakubo for Commes des Garcons are world famous and very successful⁴⁶.

Above the international fashion industry was summarised and gives a picture a large and complex the market is and most of all how great the competition is. The Danish fashion industry is small compared to many of the international ones and needs to be developed much further in order to be a serious contestant. Next chapter will outline the Danish fashion industry's history and how it has developed throughout the years.

⁴⁴ Diamond, 2002

⁴⁵ Saviola et al.,2002

⁴⁶ Diamond, 2002

5. Danish fashion⁴⁷

In this chapter the Danish fashion industry's history and its development will be looked upon. This will give an overview of how the Danish fashion industry has developed from imitating international fashion to developing its own design signature within the fashion world. As explained in the delimitation part, because of lack of sources that can provide an overview this chapter and has been based on project "Dansk mode – Historie, Design, Identitet" from 2006 that was written by Marie Riegles Melchior and Nikolina Olsen-Rule for MOKO. Furthermore it is the newest and only compiled source on Danish fashion history

5.1 History

The Danish Fashion industry can be tracked back to the Marshall Plan right after World War II. It was through the Marshall Plan that Denmark received machines and know-how to start a textile industry that mainly grew in Central Jutland and flourished through out the years. By middle of the 1960's 80% of the Danish apparel market was Danish produced but that number had fallen to about 30% by the middle of the 1980's. The changes in the market and global economy meant that by the early 1990's the Danish textile production was outsourced to low paid countries in East Europe and Asia. Today this means that there's a very little production in Denmark and what's left is mainly niche products such as working clothes. The impact of this development will be discussed further down.

Export of Danish fashion first started in the 1960's and while the export grew so did the import and the Danish fashion industry started to feel the competition from the foreign markets. The industry had to compete with the price and quality from the foreign competitors and the high Danish salary started to play an important role in the development of the industry. The Danish manufactures started to realise that they had to start to improve on the production development and process development. That lead further to the companies within the industry started to specialise in different areas and some choose to focus on niche products and other focused on

⁴⁷ MOKO, Dansk mode – Historie, Design, Identitet, 2006

developing a design signature. This was quite significant for the Danish fashion industry since it was no longer sufficient to copy the international fashion, the fashion companies had to develop their own design vision and design position in order to differentiate from the foreign competitors, enhance the quality, and to justify the price difference. Design was now an important competitive resource that developed steadily, it was a mean for the companies to differentiate themselves and therefore the need for professional designers grew.

Throughout the 1960's there was a great development within not only Danish fashion industry but also the international fashion industry changed. The impacts of youth culture grew on the fashion trends and lead to a greater industrial production of clothes. The London youth culture inspired the trend and soon the Parisian designers followed and the prêt-à-porte fashion was born. For Denmark this meant that the professional designers name was now being mentioned on the labels of clothes together with the manufactures name. And the most known designers started to produce in their own names as well as producing for different manufactures. The designers own labelled clothes where sold in the department stores newly developed youth departments and in small fashion boutiques.

The Danish designers also started to play a greater role when it came to export. The designers started to attract attention to the Danish fashion industry markets and they where used to start an export offensive in the late 1960's. In 1969 a group of Danish designers found "Export group 69", which purpose was to promote Scandinavian fashion in New York. The idea came from earlier initiatives taken to promote Scandinavian Design in London and in New York. The promotion was a success and several department stores in New York bought collections and the designers received positive press. That initiated a greater interest in Danish fashion both abroad as well as in the Danish press and the Danish Fashion design was seen as successful as traditional Danish design such as furniture design. The legitimation of Danish fashion and the positive press has ever since been consistent and grown the Danish industry's self-esteem.

5.2 Danish Fashion Fairs

The Danish Fashion fairs have been a great factor in the development of the Danish fashion industry. The success of the Fashion fairs has contributed to the awareness and growth of what is today understood by Danish Fashion.

The first ever Fashion fairs can be traced back to 1947 where the Jutlandic Hosiery Association held the first Textile Fair in Herning. The purpose of the fair was to showcase textile and apparel. In 1950 it changed to include sale and changed its name to Danish Textile Fair. During the years several PR stunts was used to bring awareness to the fair both nationally and internationally which turned out be successful. By 1966 the fair was extend to include exhibitors from whole Scandinavia and at the same time changed its name to Scandinavian Textile Fair. At this time the Fair was still held in Herning in Jutland while Copenhagen had some years before started its own fair by the name Scandinavian Fashion Week and they too included exhibitors from the whole of Scandinavia. At first there was a great rivalry between the two fairs but the organiser agreed to work together in order to enhance export of Danish Fashion. The Copenhagen organisers marketed heavily their fair abroad and it paid off. The Scandinavian Fashion Fair in Copenhagen outplayed soon the fair in Herning and in 1970 the Scandinavian Textile Fair in Herning closed for good.

The great success of the Copenhagen fair came to an end in the early 1980's, the competition had grown and Copenhagen was loosing exhibitors mainly to the Stockholm Fashion Fair. The downturn lasted to the middle of the 1980's when the fair changed its name to Future Fashion Scandinavia. The next crises to hit the fair was in the early 1990's which was caused by the general uncertainty in Fashion industry that rooted in the outsourcing dilemma. The markets had changed and in order survive the apparel manufactures had to move their production to Asia and East Europe. Not all could adapt to the changes and many apparel manufactures had to close down.

The Copenhagen fair changed once again in 1993 its name to what it's known as today; Copenhagen International Fashion Fair (CIFF). But it wasn't until recent years that Copenhagen really became the largest and most important fair in Scandinavia. In 1998 the fair expanded by

adding CPH Vision which is more concentrated on the trendsetting Scandinavian fashion and is therefore seen as being more design oriented and fashion forward. CPH Vision has established it self as an important part of CIFF and as the place to spot the new and upcoming designers. It is particularly popular with the press and the foreign buyers and has helped to strengthen the identity of Danish Fashion.

5.3 The outsourcing of Danish apparel production

The outsourcing of the Danish apparel production started in the beginning of the 1990's as mentioned before. The competition on the international market had changed and the consequences of globalisation were being felt by the Danish fashion industry. The production of apparel was moved to low paid countries and in order to survive the competition the Danish manufacturing companies had to follow. Low costs and price was now the new competitive parameter and the Danish manufactures could only compete by moving from the high intensive salary driven Danish market to markets where the manufacturing costs where much lower.

The outsourcing was concentrated to the manual process such sewing, pattern cutting, and packaging. This had a great impact on Jutlandic apparel manufactures since the companies were mainly situated in the centre of Jutland and where manual intensive production sites. In 1950 the textile industry employed about 50.000 people by 2005 that number had fallen to merely 16.720. The reason behind it was the consequences of outsourcing. The changes in the industry lead to new types of fashion companies. The new companies had to learn to adjust to market conditions thereby developing in to mainly knowledge-based companies. The areas that are managed from Denmark are mainly; Design, Logistic, and Marketing.

The development has had several positive consequences according to the Federation of Danish Textile & Clothing. Mainly outsourcing has meant that the traditional fashion companies had to innovate themselves and the business field that they operate in. It has produced new fashion companies that have integrated the design aspect with business and production knowledge. Secondly the knowledge driven part of the production process is still kept in Denmark. These progresses has forced the Danish fashion industry to professionalize their processes in

production, control, and logistic. Furthermore the companies had to understand the importance of a solid market knowledge regarding sale and marketing which has been essential when entering new markets. These initiatives have been needed in order to match the international competition when it comes to design, sale and a fast time-to-market production process.

5.4 The fashion geography

The above mentioned developments has had a great impact on the Danish fashion geography and the way the Fashion industry changed. The development has lead to divided and separated Fashion industry. The industry exists around to main areas; on the Jutland side the industry is exists mainly around the centre of Jutland and the cities Herning, Ikast and Brande while the other great part of the industry is concentrated around Copenhagen.

The companies located in the centre of Jutland are mostly larger fashion companies that produce price conscious apparel that is mainstream and mass-produced. While around the Copenhagen area it is mainly small design driven fashion companies in the midrange prices. This is part of the reason that the Danish fashion industry is seen as divided. It is not just the price and the design difference there is also a deep cultural difference between the two parts of the country. The Danish Textile trade magazine TØJ described it in 2002 this way; *“In Copenhagen the fashion suppliers call themselves fashion stylist while in Jutland they see themselves as merchant.....In Jutland the managers in the Fashion companies are known for being very economical minded while in Copenhagen it is not given much thought....The Jutlandic companies like to exhibit their products in the Bella Center during Copenhagen Fashion Week while the stylist and designers from Copenhagen are standing in line to get an eight square metre stand at the CPH Vision....In Copenhagen they employ cool-hunters and trend-spotters while the their Jutlandic counterparts employ product developer...”*

This shows quite well the very different understanding and approach the two sides have to fashion and how it should be managed. This can at times cause a confusing picture of how successful Danish fashion really is. The Jutlandic companies have clearly a higher turnover and are the main reason that Danish fashion has such a high export rate today. However it is the small

and medium fashion companies in Copenhagen that are prominent and cause all the hype in the press. Thus it is not the only the fashion forward companies in Copenhagen that compose the Danish fashion industry as it is believed by many but rather a combination of the two arts that makes what we know today as Danish Fashion.

5.5 Danish Fashion industry today

As described earlier the Danish fashion industry has since the middle of 1990's increased its import remarkably, in order to understand that better there's two important factors that must be mentioned. The first factor is the outsourcing of the production process to low cost countries, which has developed the Danish industry from being a production industry to a distributors that develops and designs the apparel. The second factor is that there simultaneously has developed a whole new kind of business' that contains promising small medium sized fashion companies that are design driven and innovative.

The Danish Fashion industry has today a strong platform with an ever rising export rate, a striking design signature, high media cover, and political awareness. The political awareness has mostly been concentrated on the success of the industries ability to export and adjust to the global market, hoping that it can be used as a model for other industries. From a small home market industry the Danish fashion industry has grown to be a successful export industry counting as the fourth largest export industry in Denmark. It has been developed through out the years by skilled business people and talented designers and what the future will bring depends on the further collaboration between the business and creative side of the industry⁴⁸.

A review of the Danish fashion industry and its development throughout the last decades has been made. It is to serve as a background understanding for the industry's structure and how it is organised today. In the next chapter an overview of the relevant facts and figures in Danish design industry will be given.

⁴⁸ MOKO, Dansk mode – Historie, Design, Identitet, 2006

6. Development within Danish design industry

This chapter will contain facts and figures surrounding Danish fashion design and Danish design as overall. As mentioned before there is not much in depth research regarding Danish fashion design, consequently the facts and figures is derived primarily from the report made by Erhvervs- og Byggestyrelsen (EBST) and some of the specific fashion related figures are from Federation of Danish Textile and Clothing (FDTC). Danish design includes of five main design areas; furniture, graphic, communication, interior, and fashion design. These are seen as interrelated as they are all part of the creative industry.

6.1 Number of companies and employment

One of the greatest challenges in the Danish design industry is the size of the companies. The design industry consists of more than 4500 companies in 2006⁴⁹. The number of fashion companies alone can be difficult to get the exact number of. This is due to the industry number (CVR-nummer) that each company is given when starting up. The challenge is that a fashion company can be registered under several types of sub-related industries that do not immediately seem to have anything to do with fashion. However the Federation of Danish and Textile (FDT) estimate about 1200 fashion companies in Denmark in 2006⁵⁰.

A further interesting aspect, that is part of this project and the problem faced within the industry, is the size of the companies within the industry. The positive development through out the years has not changed the structure within the industry, meaning the industry still exist mostly of one-man companies. About 92% design companies employ only one person, while only about 2% have more than five employees⁵¹. This means that the increase of turnover and persons employed within the Design industry must be caused by influx in the industry rather than a growth within the existing companies.

⁴⁹ Regeringen, DesignDanmark, 2007

⁵⁰ Interview with Thomas Frederiksen from FDT

⁵¹ Regering, DesignDanmark, 2007

Furthermore it is shown that the one-man design companies tend to not grow and flourish during its existence but rather remains small with a low turnover⁵². This gives picture of the structure of the Danish design industry and the challenges that they face seen from a business perspective.

6.2 Fashion industry

In this section the fashion industry will be examined closer. There will comparison to the other design sectors within the design industry, the other design sectors are; furniture, graphic, communication and interior design.

Turnover

The Danish fashion industry had a total turnover of about DKK 17.5 billion in 2000 and rose to about DKK 27.7 billion on 2007 that is an increase of 30% in a seven-year period⁵³.

The average turnover of individual firms within fashion design was DKK 3.7 million in 2004, which ranked it as third best within the design industry⁵⁴.

Export

Export is one of the major indicators on how an industry is doing and has also a great importance for companies' growth. It is important for the fashion design companies to have international clients, in order to expand their business and grow further than what the Danish market allows. The Danish fashion design industry export has substantially increased from the period 1997 to 2007. It has increased from about DKK 10 billion in 1997 to more than DKK 20 billion in 2007. Today export accounts for about 89% of the total turnover in fashion design⁵⁵. The reason behind this is believed to be related to the fast growth within the industry and has meant a parallel growth in the export side⁵⁶.

⁵² EBST, Et billede af dansk design, 2007

⁵³ Federation of Danish Textile and Clothing, annual reports 2000-2007

⁵⁴ EBST, Et billede af dansk design, 2007

⁵⁵ Federation of Danish Textile and Clothing, annual reports 2000-2007

⁵⁶ EBST, Et billede af dansk design, 2007

The Fashion industry has also the highest export rate compared to the others. It had an average of DKK 1.3 million per company in 2004⁵⁷. And it is the sixth largest export commodity in Denmark in 2006 however it is decline from 1996 when it was the fifth largest⁵⁸.

The fashion industry is seen as the most international in the overall design industry. Fashion industry exports most compared to the size and turnover of each company⁵⁹

The large growth within export can therefore be seen as having a positive impact on the sustainability of the industry and further growth.

Employees

The Fashion industry is seen as the industry that has the greatest success within the Design industry, however the greatest threat is the very small size of each company that can have a great effect on their survival⁶⁰.

The Fashion industry has an average of 1.7 employee per company which the second lowest compared to other industries within the Design industry, and has the highest turnover per employee⁶¹.

Number of companies and geographic

It is believed that in 2006 about 200 new design companies started-up and that 40% of these where situated in the Copenhagen area. It is difficult to get the exact number since the companies can have different industry codes when registering for a CVR number⁶², it can be they design companies register as a retail shop or a wholesaler⁶³.

⁵⁷ EBST, Et billede af dansk design, 2007

⁵⁸ Statistic Denmark, 2007

⁵⁹ EBST, Et billede af dansk design, 2007

⁶⁰ EBST, Et billede af dansk design, 2007

⁶¹ EBST, Et billede af dansk design, 2007

⁶² A number given to all companies that is established, the number helps to identify the company an the industry it belongs to.

⁶³ Interview with Thomas Frederiksen from Federation of Textile and Clothing.

It is estimated that about 50% of the design companies close down within 4 years⁶⁴. The reasons behind this are not researched into.

The Fashion industry has the greatest diversification geographically and has the greatest concentration in the Copenhagen area, where 43% of the fashion companies are located. The other large areas are concentrated around Ringkøbing county and Vejle county that have long traditions within the textile industry. That is also where two major design colleges are located, the TEKO design school and Design School of Kolding are situated. About 8% of the design companies are located in each area. Finally there's Aarhus county that also counts 8% of the total fashion companies⁶⁵.

6.3 The fashion companies organizational structure

The size of the companies has influence on their success. There is a positive connection between the size of the companies and their success in export and turnover per employee. There are several areas that the size of the can have an influence. One factor could be lack of trust from a potential business partner on whether the company is capable of delivering and fulfil its needs⁶⁶.

Furthermore, the small size in the fashion design companies results in some other and graver problems for the companies. That is often the lack of knowledge surrounding business management and understanding of their value chain⁶⁷. These are some of the most aspects, from a business point, to have understanding about for the company to have sustainable chance of growing and being successful.

It is also shown that the companies that have an integrated workflow between the design focus and the market focus have a larger and more sustainable growth⁶⁸. Therefore it is important for the fashion design companies to get a better understanding of the market they compete in and the

⁶⁴ Interview with Thomas Frederiksen from Federation of Textile and Clothing.

⁶⁵ EBST, Et billede af dansk design, 2007

⁶⁶ EBST, Et billede af dansk design, 2007

⁶⁷ EBST, Et billede af dansk design, 2007

⁶⁸ EBST, Et billede af dansk design, 2007

consumers they produce for. The factors that the companies need closer into are marketing research, consumer behaviour, analytical and strategic understanding of the business etc.⁶⁹. These are areas that would help the fashion companies enter market with a more solid understanding of the market and the consumers, and thereby help them to fit and manage the companies in a structured manner. That at the end would lead to more successful fashion design companies.

Even though the above mentioned factors have a great influence on the success of the companies, it must be considered that most fashion design companies are one-man companies with little time on their hand. That combined with little liquidity and lack of importance given to these areas by the designers results in the challenges observed⁷⁰.

A further interesting aspect that could help the companies to succeed is the cooperation with other professionals. It is shown that the companies who work with other professionals such as Business or University professionals have a greater chance of succeeding in parameters such as turnover per employee and export⁷¹. The reason behind the lack of cooperation has shown, from the interviews made, to vary depending on the person in question. Mostly it is the sheer fact that there is no network to people in the fields in question or that there is a lack of energy or motivation to find a partner that could support the business side of the company.

The above mentioned factors show that there's a need for the design companies to have a greater knowledge about business models and organisational concepts. It is important that the design companies acquire a business understanding, such as marketing and strategic understanding. Furthermore it is also a very good idea to have a greater interdisciplinary professional cooperation, which could be achieved through a partnership when starting up a business.

This chapter has given an overview of the facts and figures in Danish fashion industry and will on to review the initiatives taken from the government and the fashion industry.

⁶⁹ Et billede af dansk design, 2007

⁷⁰ Based on conducted interviews

⁷¹ Et billede af dansk design, 2007

7. Initiatives in the Danish fashion industry

The Danish government has realised the potential in Danish fashion industry and the magnitude of the export entity of about DKK 20 billion in 2007⁷². The potential for Danish fashion industry is great and it has been noticed by the government that has since 2005, where the FORA report⁷³ about Danish fashion industry and its potential to be the fifth international fashion cluster came out. The report pointed out some areas that are necessary to be aware of and work on in order for the Danish fashion industry to be even more successful internationally and establish itself as a serious player. This report has since been used as the basis for the government's vision for Danish fashion industry and has been the reason that some different institutions, such as MOKO and Danish Fashion Institute (DAFI), have been launched and other kind of initiatives have been taken. These initiatives will be discussed in this chapter in order to understand how the government and other players are trying to encourage the industry to grow further and maintain the success reached so far.

Before the initiatives will be discussed critique of the Danish fashion policies, based on the FORA report, will be given. The FORA report which has been used as an argument for the Danish fashion industries future possibilities, is itself not very well documented and argued. There is a lack of well documented conclusions and the arguments that are given are not based on a methodological framework. Furthermore the initiatives that it outlines are too unrealistic and not funded in how the Danish and international fashion industries situation are on a day-to-day basis. As a result the policies and vision, which has been outlined since 2005, when the report published, have not had the intended result and not has elevated Danish fashion as much as believed possible. The fact that for a long time the governmental policy had been to turn Copenhagen into the fifth fashion capital or cluster, seems unrealistic and out of touch with the reality of the international fashion industry. The Danish fashion industry has for many years used the FORA report as an argument that needs to be stopped, and the new initiatives by the government and the challenges faced by the SMEs must be taken into consideration. The Danish fashion industry needs to change its vision from becoming the fifth fashion capital into how can

⁷² Federation of Textile and Clothing, Annual report 2007

⁷³ FORA, Brugerdrøven innovation i dansk mode – den 5. globale modeklynge, 2005

we create great international fashion designers and how can we make the Danish fashion industry stronger and supportive of each other.

The last critique that will be raised is the use of figures to underpin the success of Danish fashion. It is difficult to assess the exact figures for Danish fashion since fashion is considered very broad when it comes to gathering figures. That is caused by the use CVR-number or the industry codes that's given to each company, occupation, and products. The fashion can include such areas as fur, professional work apparel, or accessories and other things that somehow can be connected to apparel. Therefore the figures can easily be manipulated depending the wanted output, and that is something that must be considered when reading the figures given about Danish fashion. During the research made for this project I was presented with several different figures for the same area, and had to analyse exactly what the figures represented and how they were obtained. This involved discussions with the different institutions that had prepared the figures. They had different methods on obtaining the figures and the greatest fluctuation depended on which industry codes that were used.

In the next section the initiatives in the Danish fashion industry will be outlined. The new initiatives put forward by the government and fashion industry indicates that the vision of making Copenhagen the fifth fashion cluster is being slowly disregarded and more realistic approaches are summarised.

7.1 Governmental initiatives

The government's ambition is to strengthen the growth and the development within Danish design industry as it is believed that the design industry will enhance Denmark as a country that is filled with ideas and creativity and at the end transfer into larger export and more jobs. The government's vision is to "Bring Denmark back in the world elite of design"⁷⁴. In order to reach that goal the government has crafted different initiatives that would support the Danish design industry and that includes the Danish fashion industry as well. In this section the initiatives that are relevant for the Danish fashion industry will be discussed.

⁷⁴ Regeringen, Design Denmark, 2007

Denmark has developed to one of the leading fashion hubs regarding fashion fairs. Copenhagen Fashion Week is Northern Europe's largest fashion fair and the Danish fashion industry is the most successful concerning total turnover compared to the rest of the Danish design industry⁷⁵.

As mentioned the purpose for the initiatives laid out the government is to ensure a continued positive development and further the export. Export is an important factor for a company's growth⁷⁶, it's therefore considered important for the Danish fashion companies to do well internationally. The development on the export sector has been positive and proven that Danish fashion design has great potentials. The factor that needs to be considered is the small size of the companies. The small companies do not have any experience or knowledge about international trade therefore it is necessary to support the companies move towards internationalisation⁷⁷.

An initiative that have been taken to further the export, is the development of BornCreative in 2005, which is part of the Foreign Ministry. The purpose of BornCreative is to promote Danish design internationally and to assist design companies to manage on the international market. A global team of consultants has been established to achieve the goal of BornCreative⁷⁸. The BornCreative team show great potential for assisting Danish fashion design in the international markets and they have already created some results last fall when they where part of a great promotion set-up in New York. It resulted in among others that several Danish fashion brands were sold in one of the world's most exclusive department store Takashimaya. It must be pointed out the BornCreative is mainly addresses some what established companies that have the capacity to enter the international market.

The decisive initiative taken by the government that focuses solely on the fashion industry is the creation of a fashion district or zone, as the government calls it. The fashion industry has shown positive growth but it consists of mainly small size companies, about 95% are one-man business', therefore they are vulnerable and in need of support. The government has started a process that

⁷⁵ Regeringen, Design Denmark, 2007 and Statistics Denmark, the 10 largest exported product lines, 2007

⁷⁶ EBST, "Et billede af dansk design", 2007

⁷⁷ Regeringen, Design Denmark, 2007

⁷⁸ Regeringen, Design Denmark, 2007

will evaluate the possibilities for a fashion zone. The fashion zone purpose should be to help the designer with guidance to business development, export and further growth⁷⁹.

The fashion zone is inspired by New York fashion district where companies within the fashion industry are closely located. The result should be a visible fashion milieu and a place where the companies can collaborate and network with each other. The fashion zone should also assist the start-up companies and other fashion companies with business development, export, marketing etc. Thereby hoping that more fashion companies will show a sustainable growth and become more professionalised⁸⁰. This initiative show promise and can develop to become what is needed on the Danish fashion industry, a place or area where the companies and designers can get the help they need and where essential knowledge concerning the fashion industry is concentrated. Networking, sharing of experiences, meeting the right people who can assist with the different dimensions of managing a fashion company, a platform for marketing and so much more could come out of a fashion zone. However, in order to reach the vision it is necessary that the fashion industry and its stakeholders make an effort to make it happen. There is need for ideas and strategies for how to realize the vision and most of all there has to be determination from the stakeholders. The opportunity is there now the industry and its stakeholders need to put time and effort in making it happen. At the end it can be viewed as a win - win situation for the involved parties and the fashion industry as whole, since it has shown, such as New York or Paris, that it can lift the Danish fashion industry.

Furthermore it is stated that there's a need for the Danish design educations to become more aligned with the needs of the business world and be more internationally oriented. A reform was made in 2003 on the design educations including fashion design. The academic structure was changed and the educations are today build as bachelor and masters degrees. This hasn't change the fact that it is still not geared towards the business world and does not give the students much business understanding. The government is ware of that and states that there is still a need for enhancing the fashion design educations towards the business world's needs. It should happen by focusing the education on the markets needs and how it can be applied. Also there is a need for a

⁷⁹ Regeringen, Design Denmark, 2007

⁸⁰ Regeringen, Design Denmark, 2007

higher international focus in order to improve the students' capabilities on the international market⁸¹.

This not only should improve the design students' ability to succeed on the business market and becoming a successful entrepreneur, it should also help to bring down the unemployment rate among design students. It is shown that the unemployment rate for design educated is almost twice the normal Danish workforce⁸².

The initiatives taken by the government, on this matter, has the aim to enhance the level of business understanding as well as internationalisation of the design educations. Regarding the fashion design education there is cooperation with Danish Design School and Design School Kolding where the aim is to enhance the educational level to match some of the highest international level. Part of the internalisation of the educations should be in form of exchange programs and traineeships internationally. Also there should be a better cooperation with the business world through communication and partnership⁸³. This can lead the students to get an insight in the business side of the industry and it exposes the student potentials to the business world. Finally there is a suggestion of an interdisciplinary cooperation between the universities and business schools and the fashion design schools. This could be done by giving the possibility to attend courses across the schools. These initiatives are long term visions that should be implemented by the cultural ministry latest by 2010⁸⁴. If these initiatives are put in motion and are embraced by the design schools as well as the design students it could mean a whole different type of design graduates. The design graduates will hopefully learn many of the skill needed to manage a company and market a brand, and at the end make the graduated much better rounded and ready for the business world.

A further initiative on the educational side is to lift the skills of the already exciting design educated. They should have the opportunity to enhance their skills on business management and communication. Danish Design Centre and others should assist on having courses that relate to

⁸¹ Regeringen, Design Denmark, 2007

⁸² Regeringen, Design Denmark, 2007

⁸³ Regeringen, Design Denmark, 2007

⁸⁴ Regeringen, Design Denmark, 2007

sale and marketing, strategy, business management, economy etc⁸⁵. These initiatives is targeted the designers who already may have a fashion company or other sort of design company, and have problems or difficulties handling the management of the company. This is believed, if put in progress, could be helpful for of the design companies and their growth rate. At the end it could lead to larger and more successful companies and reduce the number of one-man companies.

These goals cannot be achieved by the government alone other stakeholders must get involved and takes initiatives that can develop the Danish fashion design further⁸⁶.

It is the companies within the industry that are responsible for growing and strengthening the industry, but the government will take measures to assist the Danish design industry to develop and enhance their business, and by doing so ensuring the design industry to become more professionalised. This is going to be done in different ways such as access to investment consultancy, training in business skills, knowledge in new technology etc.⁸⁷ These are part of the governments goal and on that background the government has appointed different groups, which objectives are to monitor and evaluate the development of the initiatives started by the government. The groups will be represented by people from the design industry, the business world, research centres, and ministries⁸⁸.

It is difficult to conclude on the initiatives since they are so new, from 2007, and the results are still to be seen. It can though be concluded that the initiatives are a clear sign that the government is focused on the design industry and that includes the fashion industry, and is willing to put effort and capital in the industry. It believes in the industry and is open to ideas that can improve the conditions for the industry. Thus the industry must become more proactive and face the challenges that lie within and come up with plans and solutions.

⁸⁵ Regeringen, Design Denmark, 2007

⁸⁶ Regeringen, Design Denmark, 2007

⁸⁷ Regeringen, Design Denmark, 2007

⁸⁸ Regeringen, Design Denmark, 2007

One of the stakeholders within Danish fashion industry, the Federation of Danish Textile and Clothing, has realised the needs of the SMEs within the fashion industry and has started the project KravleGaarden, which will be examined in the next section.

7.2 KravleGaarden

KravleGaarden is an initiative from Federation of Danish Textile and Clothing located in Herning. It is very new and still in the start-up phase therefore there are no concrete results yet but it is still very interesting to look at, since it has started as a result of the success Danish fashion has seen over the past years. More interesting, it is also a result of the feeling that there is something missing on the market that can help to move forward the Danish designers and give them a better chance to grow. The issues KravleGaarden wishes to touch upon and help with are very much the same issues that are discussed in this thesis; the designers' lack of business understanding and the tools needed to create a successful design company⁸⁹.

KravleGaarden is going to be a network for Danish designers in the Textile industry, where they can get help to develop their business understanding from an economical and strategic point, and learn tools that can help them to grow. The companies will be offered a list of professional seminars and offered consultant meetings, all for an affordable price. The specific areas that KravleGaarden can help the designers with are; Strategy, Marketing, Economy, Production, Export, Innovation, and Matchmaking⁹⁰.

KravleGaarden will be financed mostly by Federation of Danish Textile and Clothing but will also be publicly funded as well as it hopes to receive funds from foundations and the business world. Furthermore there are plans that the project will be in cooperation with other organizations on the market such as Vaeksthuset and Dansk Design Center⁹¹.

The plans are that there should be held seminars and offered consultancy to the companies in cooperation with relevant experts on the field. For example it could be a seminar about

⁸⁹ Interview with Thomas Frederiksen, Federation of Danish Textile and Clothing

⁹⁰ Interview with Thomas Frederiksen, Federation of Danish Textile and Clothing

⁹¹ Interview with Thomas Frederiksen, Federation of Danish Textile and Clothing

marketing, which could be in cooperation with Copenhagen Business School where experts from that field would teach and help the designers. Or if the seminar or a meeting about economy it would be in cooperation with Deloitte or other accountancies⁹².

KravleGaarden has great potentials and hopefully the plans and visions for the project will come true and it will be the helping tool that the designers need to grow further.

This chapter was a discussion of the initiatives taken by the government and the fashion industry. It showed that there are some good and potential initiatives in the pipeline but they still need to be transformed into reality and hopefully the results will match the purpose that it was intended.

In the next chapter London College of Fashion will be used as a best practice case in order to give a practical and tangible example on how initiatives can be achieved both by support from the government, the industry and the business world. The best practice case should act as a learning example.

⁹² Interview with Thomas Frederiksen, Federation of Danish Textile and Clothing

8. London College of Fashion

In this section London College of Fashion will be used as a best practise case. The focus will be on the two organisations within The Centre of Fashion Enterprise (CFE) and Fashion Business Resource Studio (FBRS) that in different ways help fashion designers to create a successful company. The two are independent organisations that are primarily funded by and situated in London College of Fashion.

The London College of Fashion was chosen because they have proven to understand the problems that the designer meet after completed education as well as understand the business world's needs and wishes. Thereby trying to melt the two worlds together and reach success for both.

8.1 The Centre for Fashion Enterprise

The Centre for Fashion Enterprise (CFE) is a business development program that helps new generation British fashion design companies to develop a sustainable business and build the next generation of successful high-fashion companies. It is also network platform for designers and business world. The CFE is based at the London College of Fashion (LCF) and is funded both by LCF and London Development Agency and works closely with several other organisations such as Fashion Fringe and other private promoting agencies.

The London Development Agency (LDA) is a governmental agency which purpose is to maintain London as a key place to do business, and to encourage enterprise start-up, business growth and competitiveness. These is done through investment and related support⁹³.

The CFE partners with several institutions, such as Fashion Fringe, within fashion industry to identify talented designers who are working on their own label and trying to start a business. CFE

⁹³ www.lda.gov.uk

provides expertise knowledge and resources in order to build a successful fashion label. The focus is to develop sustainable and thriving business that will have commercial success. The areas that CFE can provide help are; funds to develop new collections, PR, marketing and sales support, manufacturing links, business planning, strategic advice, accounting and finally access to potential investors. Not only is it an investment programme that can help the individual designers it is also part of larger perspective to help the London fashion industry as stated “*So often though, the industry is unable to sustain the careers of the designers it creates and sees them relocate to the likes of Milan and Paris. So, by investing our time and resources into these growing businesses we are also investing in the future of the London fashion scene.*”⁹⁴.

The CFE provides grants and funding to fashion start-up businesses through individual investors and government institutions that supports the British fashion industry. Furthermore the advisory board at CFE includes members from all aspects of the business and fashion world including; retail, global fashion brands, PR and advertising firms, and media. The role of the board is to provide strategic guidance.

The CFE board takes part in selecting the candidate that will receive funds and support. In order to qualify for the CFE funds the candidates have to shown three seasons and most of all demonstrate talent out of the ordinary. The CFE has excited since 2004 and have in that period undertaken several up coming British designer such as; Marios Schwab, Manish Arora and the winner of 2006 Fashion Fringe Gavin Douglas, among others.

The CFE works in partnership with Fashion Fringe as it supports the winning candidate that is chosen by Fashion fringes yearly competition. It supports areas such as business consultancy and marketing. The fashion Fringe is an exciting private initiative and will be outlined in the next section.

Fashion Fringe

Fashion Fringe is a creative platform that was created in 2004 by IMG (a global sports, entertainment and media company), under the creative direction of Colin McDowell, senior

⁹⁴ <http://www.fashion-enterprise.com/index.php?page=TheCFE>

fashion writer for the Sunday Times Style, and with the support of Red Bull. The task of the institution is to strengthen the fashion industry in the UK, and as it states “Fashion Fringe is looking for cutting edge, iconoclastic talent in design and creativity to continue the tradition Britain has long been famous for”. Fashion Fringe is only for British and Irish residents⁹⁵.

Furthermore Fashion Fringe states its mission, as *“We’re looking for the designers of the future; the ones who will pick up on what Vivienne Westwood, John Galliano and Alexander McQueen have done and take fashion forward to new heights. The brief is to open opportunity to talent, whether it has come from an art school or whether it's somebody who has secretly wondered... dreamed... believed... in some day breaking into fashion, one of the world's most exciting industries.”* and maybe it even more clearly said *“YOU will have the dream; WE will help you make it a reality.”*⁹⁶.

Fashion Fringe has an annual competition where British designers can send in an application, which has to contain illustrations of their collections and a questionnaire form. From the illustrations the advisory board chooses four finalists that move on and will have to show a full collection. The finalists will be provided with a budget that will cover living expenses, fabric etc, and a studio space. Furthermore they will have a mentor and a technical staff. The finalist will then have to show their collection during London Fashion week. The winner will receive mentoring, business advice and planning, marketing, studio space and development grants⁹⁷.

The Advisory board is made up some of the most recognised and respected fashion designers, buyers, senior press, and fashion academies. Some of the names that can be mentioned are; Alexander McQueen, Vivien Westwood, Muiccia Prada, Anna Wintour from Vogue, Anne Pitcher from Selfridges, and finally the Chairman Tom Ford⁹⁸. These and more names are an impressive influential group of people that all some way or the other help and advise the chosen finalist and the development of Fashion Fringes mission statement.

⁹⁵ www.fashionfringe.co.uk

⁹⁶ www.fashionfringe.co.uk

⁹⁷ www.fashionfringe.co.uk

⁹⁸ www.fashionfringe.co.uk

Fashion Fringe is an example of private initiative taken by the business world and the stakeholders in the British fashion industry. It shows that the possibilities are endless and if the fashion industry and the business world cooperate closer the local fashion market can be strengthened and benefit all around. The Danish Fashion industry and the business world can use these examples as learning point and size the opportunities the Danish fashion talents offer as well as the government's willingness to assist and who is trying to push Danish fashion forward.

A further example for London College of Fashion's assistants to the designers is the Fashion Business Resource Studio that is established to assist broader and to all design students and small design companies who may need consultancy on the challenges they face.

8.2 Fashion Business Resource Studio

Fashion Business Resource Studio is established as an independent department with the purpose of helping the fashion and lifestyle industry. It is organized as a single point of contact for sharing creative, business, and technical expertise and knowledge within London College of Fashion⁹⁹.

The Fashion Business Resource Studio offers several services that can help and support the fashion industry and its emerging talents. It does so by offering industry support, which includes e.g. consultancy, tailor-made training, networking and forums, the services are available for SMEs and larger enterprises. Furthermore it offers work placements for the London College of Fashion students, which is another major resource for the students¹⁰⁰.

The Fashion Business Resource Studio started in 2005 as part of the new initiative from the British government to strengthen links between universities and business, named Higher Educational Innovation Fund (HEIF). A certain amount is given to each university and they can manage how the funds are spent but the aim must be to strengthen the links to the business world. The Fashion Business Resource Studio is thereby funded by the regional government, or more

⁹⁹ www.fbrstudio.org.uk

¹⁰⁰ Interview with Nicole Price, business developer at Fashion Business Resource Studio

specific The London Development Agency, but also by the fees that it receives from its consultancy work.¹⁰¹

As mentioned the other major help that The Fashion Business Resource Studio provides is work placements. The London College of Fashion design education consists of three years of school and one-year work placement with a fashion company. This gives the students a great insight to the work and business of a designer¹⁰².

The above outlined best practice case from London College of Fashion is to give a practical example on the possibilities and ideas that can be started by the Fashion industry and the government. The British fashion industry is much larger than the Danish fashion Industry, however the problems it faces are somewhat similar to the Danish. The British fashion industry has many of their talents leave for an international career and the opportunities it gives, the reason is believed the unfavourable conditions in Britain and therefore the British government and the fashion industry have taken several initiatives to change the situation. The initiatives they have taken are forward thinking and realistic and is diffidently that can be learned from in Denmark.

The next chapter will discuss how to best manage a SME within Danish fashion, and how to market and brand a fashion brand.

¹⁰¹ Interview with Nicole Price, business developer at Fashion Business Resource Studio

¹⁰² www.fbrstudio.org.uk

9. Management of SMEs

In this chapter an analysis on how to best manage SMEs within Danish fashion will be made. An understanding of the entrepreneurial background and spirit will be discussed. A theoretical approach for how a SMEs are managed will be given followed by a practical approach on how to best manage a SME within fashion industry. This will also contain a marketing and branding analysis and analyse brand management within fashion companies.

9.1 SMEs Entrepreneurial background

Entrepreneurship can be defined very broadly and most researchers have defined it solely in terms of who the entrepreneur is and what he or she does¹⁰³. According to Shane & Venkataraman there are other factors that need to be examined in order to give a holistic understanding of the field. An examination of the sources that are created in the process of discovery, evaluation, and exploitation of the opportunities and the individual who discover, evaluate, and exploit them is necessary¹⁰⁴. In this project the focus will be on the individuals and how they are believed to react in the process of establishing a fashion company. This is believed to give a better understanding of the reasons and thoughts behind the steps that the designers take when establishing a fashion company.

To date research made on the field has according to Shane & Venkatarama shown that entrepreneurs exploit opportunities expecting a higher value. But not all entrepreneurs will exploit opportunities with the same expected values. The decision to exploit opportunities includes weighing the value of the opportunity against the costs connected to the opportunity. Also the cost of obtaining the resources necessary is to consider. The decision to exploit an entrepreneurial opportunity is also influenced by the individual's willingness to bear the risk that is connected with it. The individuals must accept time, money, and effort as a willing risk that needs to be invested in the entrepreneurial opportunity¹⁰⁵. The research mad through interviews underpins theses tendencies. The designers interviewed have all put a great amount of effort and

¹⁰³ Venkataraman , 1997

¹⁰⁴ Shane & Venkatarama, 2000

¹⁰⁵ Shane & Venkatarama, 2000

time into their businesses and are willing to run high risk to reach their goals. Some state though that after some years they hope that they have employees that can assist them and if the company do not grow further and makes it possible for them to have a healthy balance between work life and family life, they are willing to give it up.

The mode of utilizing opportunities depends on several factors connected to the individual's situation and the market. Usually the creation of new firms tends to depend on the market and the barriers to entry and a thorough market research¹⁰⁶. But in the case of the fashion companies, the research made in this project has shown, that is not the case for the majority of the companies. The belief is often that there is only need for creativity and skills and that will be enough to establish a successful fashion company. This somewhat naive approach is both positive and negative. The positive is that it is necessary to have strong belief in what you start in order to use the effort and time needed to make it successful. The negative side is that there is great risk linked to starting that there's not a full understanding of. There will many things, such as the actual workload, the economical risks, the different barriers that will inevitably come etc., that will not been taken into account that could have fatale influence on the company. However as many of the designers stated, if they knew how hard it would be they probably would never have had the courage to start, therefore it is maybe better not to know what it exactly involves starting up your own company.

Individuals who tend to utilize the opportunities are more likely to be optimist and tend to perceive their chances to succeed as much higher than they really are. This overly optimistic outlook motivates them to exploit opportunities with limited information and a belief in a rosy future. That leads to a very little amount of information search and also an "act first and analyse later" approach¹⁰⁷. This has been the case for the majority of the fashion design companies interviewed. Only few had made any thoughts on the business aspects, the ones who had made some sort of business plan before start where the ones who either had worked in the business before starting or had a business education.

¹⁰⁶ Shane & Venkatarama, 2000

¹⁰⁷ Shane & Venkatarama, 2000

Start-up of new firms is more likely to happen when opportunities are more uncertain and when complementary assets are not required¹⁰⁸. The qualitative research has shown that the designers are uncertain whether they can find a workplace and preferably a workplace that fits their design vision and by starting up a company they are in full control of the creative signature. Furthermore, does the market not high entry barriers and it is possible for anyone to start-up a fashion company since there is only a need for a small start-up capital to start producing apparel and the sale opportunity seems open. It is only when one enters the market it is realized the high competition and the management requirements. That is why it is believed so many start-up a fashion company without knowing the risk implemented and the management skills required. Also this links backs to Shane & Venkatarama's notion of a rosy belief and "act first and analyse later".

9.2 Strategic management in SMEs – a theoretical approach

Management processes in a SME is different from the common and rational business logic, that doesn't mean that there's no logic behind the organisational and managerial processes in a SME. It is just another form of logic that is complex and can be difficult to explain from a common business rational. The different aspects of growth and size of SME will be discussed and will lead to the Chaos Theory that can explain some of the different aspects of this phenomenon.

Furthermore this section will have theoretical approach and analysis the different theories put forward concerning management of SMEs.

A company's growth

A company's growth and development from a small to a large company is characterised through different phases and include; Start-up, Expansion, Maturity, and Diversification that are connected to the company's age and size¹⁰⁹. According to Greiner¹¹⁰ a company's development is

¹⁰⁸ Shane & Venkataraman, 2000

¹⁰⁹ Heldbjerg & Nielsen, 2004

¹¹⁰ Greiner, 1972

very much like a human's and follows a predetermined development. A company follows different periods starting with a so called Evolutional period characterised by stabile growth followed by a so called Revolutionary period characterised by crises. The Revolutionary period is the period where there is need for a strong leadership and innovation in order to overcome the crises and move the company forward. Thus a company's development must be understood as there will a good period, which will be followed by a less good period and that is when a company and it's leadership have to act decisive in order to survive.

The metaphor of SMEs as a living organism has been challenged by Morgan¹¹¹ that believes SMEs should be considered as a special type of companies that have fundamentally different managerial and organisational processes and cannot be compared to larger and complex companies.

Size of company

According to Heldbjerg and Nielsen¹¹² many of the companies that keep being very small and show no growth have some of the same characteristics in the leadership style. They have a leadership style that indicates that the company does not have motive or desire to grow or that the company owner has difficulties to accept the consequences of the transition from the creative responsibilities to the managerial responsibilities. Therefore the companies are kept small and no further growth is shown¹¹³. If argued from a life cycle perspective as Greiner's earlier argument it can be said that the owner or leader deliberately keeps the company small in order to have a stabile, familiar and reliable development. Thereby the company will be kept in a safe and well-known framework. It can further be described by Heldbjerg & Nielsen's argument that the owner or leader's understanding of the company is that growth is not a must that must be achieved by all costs. They rather have a different rational basis that are funded in their beliefs, emotions, and values.

¹¹¹ Morgan, 1980

¹¹² Heldbjerg & Nielsen, 2004

¹¹³ Heldbjerg & Nielsen, 2004

Reasons behind lack of Growth

In the late 1980's and 1990's the discussion concerning SMEs and newly started companies was put on the agenda among the politicians and researchers. The general belief was that the reason for lack of growth was not lack of intention or desire from the entrepreneurs' side but rather the business economics and socio-cultural barriers that were present in the society. In order to overcome these barriers, the solution was political initiatives and that the entrepreneurs needed to make a better use of the public and private consultancy agencies available. These thoughts and reasoning were based on earlier British researches from the 1970's that were usually used as the fundament for the researchers arguments. It can be criticised that there hasn't been made any fieldwork where the entrepreneurs have been asked about their thoughts and how they perceive the situation. Thereby the researchers and others could maybe get a better understanding of their situation and their expectations and come up with new and better solutions for how to improve the entrepreneurs' situation¹¹⁴. This is what has been tried in this project; by talking to the designers and other stakeholders in the Danish fashion industry it has given a more nuanced understanding of the situation and given an insight to the multidimensional problems that needs to be addressed.

Chaos Management

Chaos theory is formally defined as "the study of a-periodic behaviour in nonlinear dynamic system". It stretches across several disciplines such as, metrology, geology, chemistry and economics¹¹⁵. Here Chaos Management will be used, which has its roots in Chaos theory. Chaos Management is to be understood as management of a complex system that does not allow fixed rules and limits. The challenge for a manger is to manage within this framework¹¹⁶ that is very difficult to define from the prevalent management theories.

Chaos is normally linked to unpredictable and uncertainty which the strategic planners try to avoid but regarding SMEs chaos should rather be seen as a term that explains the complexity and turbulence that some how can explain the disorder to order. Or it can also be seen as a way to

¹¹⁴ Evald, 2004

¹¹⁵ Moore, 2006

¹¹⁶ www.init-institut.de/glossar.htm

explain the things that cannot be seen with the naked eye¹¹⁷. Therefore it can be argued that it is very difficult to explain and outline the SMEs business strategy and future development.

This leads to understanding of Chaotic Management, which is a phrase that is very fitting when describing management and strategy plans in SMEs. The decisions and plans made are not made through rational and traditional business thinking but rather better understood when seen through the Chaos Management theory¹¹⁸.

The prevalent understanding of organisation management is based on rational business planning where long term goals and action plans are made and where allocation of resources are taken with the objective to enhance the company's competitiveness. The strategy is core for the company and their future competitive advantages. Nevertheless there has been a shift of understanding regarding the understanding of business management and the dynamics surrounding it. The world of business is not arranged, rational, and predictable but rather dynamic and in constant change, which challenges the business and present them with hostile and turbulent surroundings. The challenge for the business' are to act quickly and flexible and thus there are different approaches on how to manage and act in the situation¹¹⁹. This is specially the case regarding SMEs and their behaviour in business situations. According to Brytting¹²⁰ there are fundamental differences between SMEs and larger companies and the traditional business management understanding is not applicable to the SMEs. It is a complex situation that is influenced by unpredictable and personal tendencies. In SMEs the use of plans are not seen as important or necessary and also the lack of time to make such plans plays a great factor¹²¹. Following this line of argument, it can be said that it is the manger's personal ideas and beliefs that can explain their behaviour and strategic decisions. The ideas are usually intuitive and morally grounded and are usually not analytically supported and therefore not viable for prevalent measurements and scheduling.

¹¹⁷ Hancock, 2004

¹¹⁸ Hancock, 2004

¹¹⁹ Hancock, 2004

¹²⁰ Brytting, 1991

¹²¹ Schrader et al., 1989

Moreover, the prevalent thought is that an understanding for development and implementation of business plans are matured incremental during time. That is not necessary the case for SMEs that fundamentally have to be able to be flexible and able to move with the market development. Therefore the Chaos theory considers that things not only move forward but that it also, due to unexpected situations, can move backwards. The Chaos theory researchers agree that long term and strategic planning is ineffective in chaotic environment, which usually characterises SMEs¹²². Stacey underlines this idea by saying “ if one accepts the premise that all the dynamic of success is chaotic....all forms of long term planning are completely ineffective”¹²³.

In SMEs it is the ideas and thoughts of the manager/owner that is the base for decisions and activities is founded in the experience, intuition, creativity, and insight that the manager may have. This again makes it difficult to explain the SME development with common organisational theory. The intuitive decision making, makes it possible for the manager to come up with some new ideas and unconventional methods. But this flexible decision making process can also be regarded as a double-edged sword that can make it difficult to find stability. In an effort to reach stability it can lead to the opposite, an unstable situation, since the situation that is tried adjusted to is in constant change¹²⁴.

9.3 Development of SMEs – a practical approach

In this section a practical approach will be used and suggestions on how to develop and manage a SME within Danish fashion will be given. The key phases of a SME development, future planning and Evaluation of financial performance will be outlined and analysed.

Key phases of a SME development

There seem to be a pattern in the development of small and medium sized company's strategy where three phases have been identified. The three phases does not necessary apply for all

¹²² Hancock, 2004

¹²³ Stacey, 1991

¹²⁴ Hancock, 2004

companies and some companies may go through all three phases while others may jump between them¹²⁵. Ultimately this is a suggestion for the most common development for small businesses. Also these phases are generic and believed to fit to the SMEs within Danish fashion business.

Phase one is the company Start-up. The greatest concern for small company in the start-up phase is survival and to make break-even. This phase will typically last between six months to three years, and for some even up to five years or more, before reaching stability. The tendency in this phase is to accept any kind of business that can bring an income for the company. This can result in the owner, and others involved in the company, running around like headless chickens. What happens is that the decisions are made on the basis of short-term returns and with little or no strategic consideration. Also since the designers usually have no staff to delegate the marginal work they end up using great deal of their time on relatively unproductive, thereby neglecting the overall management of the business. This could be called the headless chicken syndrome¹²⁶. This could also be linked to Shane & Venkatarama's notion of "act first and analyse later". The consequence of these actions could be that the company do not grow much further on the basis of negative time-management. It could also mean that the designers will feel s overwhelmed that they close down the company.

Relative Stability is phase two. Once a new company has consistently achieved a satisfying return for some months, the owner starts to feel more comfortable. The first major hurdle has been passed and the company can now enjoy a period of stability. Typically this phase lasts between one to two years before the company will be looking for further growth. The owner can now make some important decision on how to improve profitability, reduce operating costs, which customers to concentrate on, maybe improve the standard of quality within the business etc. Now the emphasis is less on survival and more on the increase of profit and growth of the company¹²⁷. Here it is important to assist the designers who are need of help in areas such as strategic management, marketing and branding or assist to seek capital if needed. There are no real option for that on the market at the moment but if the governmental initiative of fashion zone turn to reality it could be the potential place seek assistance. There is also the potentials for

¹²⁵ Butler, 2001

¹²⁶ Butler, 2001

¹²⁷ Butler, 2001

export which BornCreative can assist with. This phase can be critical since it can go both ways either the designers the company into a success and develop further growth or they get stuck and are not able to develop their company any further. Since there are already about 92% of the fashion companies who are on-man companies¹²⁸, it can be argued that this is the case today.

For some small companies' this will be their last phase simply because they do not wish to expand and feel comfortable with the size and level of the company. There can be different reasons for that¹²⁹. As mentioned earlier Heldbjerg & Nielsen suggest that for some companies there's not a need for growth and the rational for that is funded in the believes, emotions, and values of the company owner. This is also the case for most designers interviewed, they wanted to keep the company small and cosy where they are involved in all the decisions made.

The characteristic of the two phases is the switch from operational to tactical thinking. There is not much strategy involved yet but their ambition and forward thinking makes it necessary to switch to strategic thinking for the next phase¹³⁰. In regards to fashion companies, it is interesting to note, the stability and growth often leads change of the manufacturer. The reason behind the shift is that often the larger quantities needed produced and the price of production. By shifting to larger manufacturer or to a different country the unit price will be lower but the catch is that the order also has to larger. Meaning that the production investment will have to be much higher than before, which means a greater risk. Not only the economic risk has to be considered also the new collaboration with the manufacturer can cause some risk. The new collaboration could lead to some unforeseen problems such as misunderstanding of the design vision or the quality does not meet the expectations. These factors can impact the end product and that again can impact sale or lost of distributors.

The final and third phase is about Growth and Development. This is an ongoing process that will involve expansion planning in order to increase the company turnover, profit and market share. The overall confident achieved from the second phase provides for a more adventures and risk willing attitude. The financial pressure is also much less as funds for future development is

¹²⁸ Regeringen report, 2007

¹²⁹ Butler, 2001

¹³⁰ Butler, 2001

available. A further factor is the management shift, that typically takes place in this phase, there is a realisation that delegation of the workload is necessary to facilitate future growth. The owner recognises that it is in the company's interest to render the power and take in additional management and staff. At this level decisions are primarily strategic and tactical¹³¹. Phase three consist mainly of the well established fashion companies that have excited some years and have had a steady growth. As mentioned about 92% of fashion companies are one-man companies and only about 2% have more than 10 employees¹³². Therefore it can be concluded that there is a long way to go for many of the companies.

As mentioned in phase three a key factor for future growth is a change in attitude and way of thinking by the owner. They have to learn to transit from a direct involvement in all aspects of the company to a position of more senior management responsibilities. Thereby giving them more time to focus on strategic planning and development of the company¹³³. This is also necessary for some fashion companies if wanting to grow and become more than one-man company. As discussed earlier some designers have difficulty in letting go of the control, especially when it comes to the design decisions.

Planning

The key to successful growth and development in small companies is their ability to respond flexibly and rapidly to market changes and customer needs. Therefore a realistic plan for small companies should only focus on what can be forecast over the next two to three years, or five years at the most¹³⁴. This form of planning may be realistic in other industries but for SMEs in the fashion industry such long-term forecast is not made. This relates to the chaos theory and the fact that management of SMEs is not like prevalent strategic management theories.

One of the first things that the fashion company owner must consider is what are the ambitions for the company. The ambitions which individuals have are often determine by their own personal parameters, such as financial circumstances, family responsibilities, their background,

¹³¹ Butler, 2001

¹³² Regeringen report, 2007

¹³³ Butler, 2001

¹³⁴ Butler, 2001

and previous experience etc. The ambition level will decide whether the business stays as it is, changes direction, or proceeds to develop and grow¹³⁵. The designers interviewed have shown a great willingness to sacrifice all their time and effort to make their company a success. They are passionate about what they do and believe that with hard work and determination it will work out.

The vision for the company is related to ambitions and an important question is what is the long term vision for the company? When that is answered the next step is to try to make it attainable by putting it into small steps on how to get there. By having an overall vision it is easier to make future planning because there's always an overall plan for which direction the company must move¹³⁶. When the designers were asked about their vision for their company they usually didn't have any. They formulated their vision very broad, such as wanting a well established and successful fashion company. Successful was defined differently from each designer however most of them wanted a semi-large company with no more than about fifty employees. Only one expressed desire to grow the company into a multi-national and large fashion company.

Evaluation of the financial performance

An evaluation of the company in relation to its financial performance is necessary to see whether the company has reached its objectives, as well as it gives an overview of the company's financial state and the possibilities for future development.

Small companies tend to not take budgeting and the use of it not very seriously, since it is believed that the situation changes so rapidly that the prepared budget and forecast are not relevant for the day-to-day business¹³⁷. And most of the time it is viewed as an administrative burden that the small fashion company do not have the appropriate knowledge and skills for. That leads to the fact that budget monitoring is ignored and that at the end can have fatal results.

¹³⁵ Butler, 2001

¹³⁶ Butler, 2001

¹³⁷ Butler, 2001

The cash management of the fashion company is essential to survive and is part of the business on a day-to-day basis. The key is Cash Flow, which allows cash to flow into the company at an adequate rate to maintain a level of working capital and keep the business running daily. The working capital is defined as current and short-term assets minus the current debts. If there's not a positive difference between them, the company can not pay its bills on time. Furthermore a company that is planning to expand and grow must first ensure that it has adequate working capital or cash flow in place to ensure its expansion plans. Also it must have a suitable system to monitor and control the cash flow. A company can risk loosing everything if it expands faster than the cash flow would allow, and can end up running out of funds before reaching its goals¹³⁸. The lack of interest or understanding from the designers has shown that usually decisions are made without consideration to the budget or on the daily-basis to the cash flow. The budget is made yearly for the bank and not looked much after that only when big decisions have to be made the budget is used.

The financial monitoring in a company should be a constant cycle of; plan, implement, monitor, and review. The budget is planned, implemented, then the actual income and expenditures are monitored by comparing it to the forecast, and finally reviewed in order to identify any problems and their causes in order to come with potential solution.

Monitoring the budget and the cash flow is the process of assuring that the strategic objectives are being achieved. The budget will tell you whether or not that you are making a profit on a daily basis, and can help to highlight any problems areas. By monitoring the cash flow it is possible to get an overview of the funds of the company and whether it is possible to continue the company, and it also will show any problems areas. Consequently by monitoring the actual against the budgeted expenditures on a monthly basis and by monitoring the cash flow on weekly basis, the company will always have a clear overview of its financial situation and react proactive to any up-coming problems. This is an important fact that can be vital for a company but the designers do not seem to understand the broader picture and tend to act on vague financial basis.

¹³⁸ Butler, 2001

9.4 Development of marketing and branding strategy

Development of marketing and branding strategy is part of the expansion process in a fashion company. In this section an analysis of marketing and branding strategy most suitable for a fashion company will be made. The analysis will primarily discuss brand management since fashion is all about creating an image, and brand management is key for creating intangible value for a brand.

Brand Management

Brand management is a tool for creating a differentiated strategy in order for a company to stand out from its competitors. The branding process is the added value to the product by means of connecting different attributes or properties to the product that are either tangible or intangible. Thereby creating a sense of purpose, meaning and more importantly an image so that when the consumers buy the product, they experience more than merely the product.

The emphasis for branding is communicating a clear and consistent brand identity. Keller defines it as the perception held about the brand in the associations of the consumer memory¹³⁹ Thus, image is an external frame of understanding the brand. The focus is to create a set of brand associations in the consumer's mindset by the means of a communicated message sent from the brand's organisation to the targeted consumer.

As mentioned, the notion of branding is to create and promote a highly familiar and positive image about the product thereby building brand equity, which allows the consumer to possess strong, favourable and unique associations in the consumers mind¹⁴⁰. The reasons for the existence of brands in the minds of the consumers is that brands help shaping consumers' preference when purchasing a product, as it supports the information processing of the consideration sets. This is the group of alternatives that a consumer evaluates before making a decision. As such the purchase of brands exists in a heuristic process, which describes the

¹³⁹ Keller, 2003

¹⁴⁰ Keller, 2003

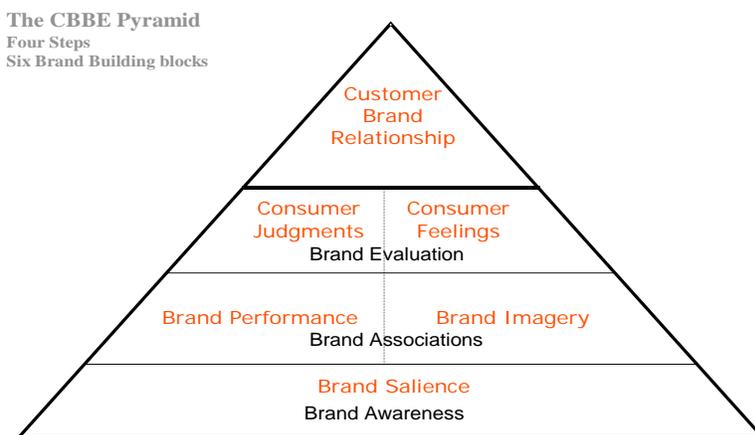
decision making when purchasing brands¹⁴¹.

In order to create a strong, favourable, and unique brand the Customer Based Brand Equity (CBBE) model will be used, which makes it possible to reach the targeted consumers most optimally.

Customer Based Brand Equity Model

Within the establishment of strong and healthy brand identity, image and reputation, it is an undeniable fact that branding strategies perform a great influence on the outcome on these three areas. In response to this, the following section will put forth a discussion of some of the fundamental points in branding and how to build a strong fashion brand. This framework describes how a product or brand can be developed and strengthened with the objective of becoming a strong brand. The foundation of the customer based brand equity model lies in the notion of brand equity, which is the differential response of the consumer to the marketing activities of the company¹⁴². The understanding of brand equity can assist the fashion companies to develop the exact branding strategy that can elevate their promotion and give them the tools.

Figure 2: The Customer Based Brand Equity Model



Source: Kevin Lane Keller, Marketing Science Institute report 01-107, 2001

¹⁴¹ Belch & Belch, 2004

¹⁴² Keller, 2003

Accordingly, the model focuses on a four-stage brand-building block. The first stage of the pyramid has the purpose of measuring the depth and breadth of the Brand Awareness, which is referred to as the brand building block, Salience. Here the goal is to ensure the correct brand identity by making the consumer members aware of who is your brand and what your brand's unique selling proposition contains. The reasoning for this is to create an identification of the brand, and an association with a specific product¹⁴³. The second stage in the pyramid is the Brand Associations and is based around two brand-building blocks referred to as Performance and Imagery. Performance involves the functional or tangible needs attributed to the product, whereas imagery refers to the social, psychological, or intangible needs attributed to the product. The purpose of this is to establish the brand meaning in the minds of the consumer by linking brand associations with certain properties. The third stage is the Brand Evaluation in the pyramid and strives to establish the consumer's Judgements and Feelings towards the brand. These draw on the consumer's personal preference and emotional feelings for the brand and try to establish the brand response. This is the point where the consumers start reacting towards the brand. Their emotions and feelings towards this brand hence determine whether they will repeat the purchase and thus move towards the ultimate stage, the brand loyalty.¹⁴⁴ This means that the only way for a fashion company to investigate brand identification and meaning is via the minds of the consumers, as the answers lies within these. The fourth and final stage of the pyramid is the Customer Brand Relationship, which constitutes the pinnacle of the pyramid, where the brand and consumer experience an "ultimate relationship" and the consumer now relates positively to the brand. This will determine the relationship and level of identification between the consumer and the brand and at the end the brand loyalty¹⁴⁵.

The CBBE model is a generic model that can be used for branding of all kind of products. However in the case of fashion companies, as mentioned, branding is essential to build up a strong, favourable and unique brand image. Therefore it is advisable for the fashion companies to spend more time on analysing their brand and define their core brand value, and when that is established the CBBE model can be used to communicate the brand to the targeted consumers.

¹⁴³ Keller, 2003

¹⁴⁴ Keller, 2003

¹⁴⁵ Keller, 2003

Differentiation

At the beginning of this part, it was argued that the purpose of brand management is to create a powerful and sustainable differentiating strategy by which a company can stand out from its competitors and gain competitive advantage.

In order to choose a business strategy that can formulate the differentiation strategy, Johnson and Scholes (1997) argue that Generic Strategies can be used¹⁴⁶.

The Generic Strategies consists of three alternatives; Cost Leadership, Differentiation strategy, or Focus strategy. The Cost Leadership strategy consists of planning and managing the cost structure of the goods compared to the competitors, in order to maintain competitive advantage. While the Differentiation strategy focuses on the product choice, quality, service, and perceived value in the eyes of the customer. For small firms this is often more realistic than Cost Leadership strategy because they may not be able to achieve the same economies of scale advantages than established competitors. Finally there's the Focus strategy where the company concentrates on one or more niches in the market. This is also a strategy that suites small firms well, since it gives the possibility to achieve market share in competition form the larger rivals. The drawback, however, is that too much success by the small firms in the niche market can draw unwanted attention from powerful and wealthy competitors that may start a direct competition, and thereby harm the business position¹⁴⁷. The branding literature provides additional insight into this approach as Keller argues that niche theory (focus strategy) can be compared with the construction of brand differentiation, which makes it possible for brands to construct a competitive advantage by attracting a highly defined audience group that makes the brand less vulnerable from other competitors in the field¹⁴⁸.

This will suit the small fashion companies, since they have their own specific design signature that if marketed and branded correctly can differentiate them from the competitors.

¹⁴⁶ Butler, 2001

¹⁴⁷ Butler, 2001

¹⁴⁸ Keller, 2003

Positioning

The underlining purpose of branding is to segment and differentiate the brand from the competitors by the means of an effective positioning strategy. Within this framework a number of positioning strategies are applicable for a fashion company depending on which strategy is best suited for the long-term strategic platform.

The result and success of the positioning depends on the fashion company's brand building process and upon whether there is created a positive and highly distinctive image or perceptions of the fashion brand. By using the CBBE pyramid the mental brand map of the consumer can be understood and how consumers perceive the brand. Thereby understanding the Points of Difference (PODs) and Points-of-Parity (POPs) of the brand that contributes to the success positioning¹⁴⁹.

Furthermore when Positioning or entering new markets, the competitors and the market environment must be taken into considerations¹⁵⁰. A SWOT analysis or something similar can be made to determine where to position in reference to competition and consumers.

The interview made showed that the designers did not make any kind of strategic planning before starting own fashion company. Regarding positioning, the designers had a clear idea of the design and how they wanted their product to look like but they had no analysis of the market and the competitors or the consumers. Thereby making it difficult to position themselves on the market and towards the consumers.

Market segmentation

Next stage would be to understand your targeted consumers and how they perceive the brand¹⁵¹. The purpose of identifying market segments is to evaluate and select those segments in which the company can achieve some differential advantage over its competitors¹⁵². This does not mean

¹⁴⁹ Keller, 2003

¹⁵⁰ Keller, 2003

¹⁵¹ Keller, 2003

¹⁵² Butler, 2001

that the fashion companies has to just focus on one or two segments rather it should make a portfolio of segments that complement each other. It can be types of customers who share common characteristics or similar patterns of demand, thereby focusing the sales and marketing effort towards a larger segment¹⁵³. It must be noted that segmentation in fashion is mostly segmented through behavioral and lifestyle differences, which is called Behavioral segmentation, which relates to how the consumer uses or evaluate the brand¹⁵⁴. Again making brand equity significant in fashion marketing.

The competition and there role should also be considered. How active is the competition in the segments and how is the potential for profit within to justify the investment needed to enter the market. This is again like position part not something that's considered by the designers, as they have rosy perception of managing a fashion company.

Strategic marketing and branding planning

After have chosen the segment and correlated it to the overall marketing plan the next step is to move on and define the strategies needed to address the marketing opportunities and the competencies needed to gain advantage. The plan should include marketing mix for the targeted segment that will make full use of the strength of the business and its marketing resources¹⁵⁵. This is the process of getting the right product of the right quality, to the place where the customer wants it at the right price, and using the right method of advertising to optimise profit along the way. Each of them an important part that have to be planed and implemented consistently in order to achieve the optimal brand image. This process requires analysing and long-term planning, which for many small fashion design companies is difficult as well as they do not have the required skills.

The strategic analysis should help to determine the fashion companies' pricing strategy for the products. Furthermore the segmentation review will determine the target market and the

¹⁵³ Butler, 2001

¹⁵⁴ Keller, 2001

¹⁵⁵ Butler, 2001

consumers, and will help to make decisions about the position in the market based on the strengths of the brand, the image, and the brand awareness.

Fashion is all about intangible values and the desire it creates¹⁵⁶, and the best way to create that is through marketing communication. The Marketing communication must support the brand equity by delivering a consistent message and provide the brand with intangible values that is consistent with the core values¹⁵⁷.

Furthermore it must be noted that in fashion product design and quality, distribution and communications, pricing and brand image must be evaluated and adapted to best fit each brand.

It's important to remember that the strategic marketing plan should be formulated in combination with the plans of other areas within the company, e.g. production, finance, sale etc., and not made isolated regardless of the other areas. This is done in order to ensure that the respective activities are complementary and do not compete with each other, thereby wasting company's limited resources¹⁵⁸.

In this chapter several factors concerning strategic management of a SMEs within fashion industry was analysed and several theories was used support the analysis. It is to be applied as proposal for how a small fashion company can be managed and what the reasons are for the organisation and management styles within SMEs.

This leads to the next chapter that will contain discussion and recommendations for to best minimise and overcome the challenges faced by SMEs within Danish fashion industry.

¹⁵⁶ Saviola et al., 2002

¹⁵⁷ Keller, 2003

¹⁵⁸ Butler, 2001

10. Discussion and Recommendations

In the previous chapters the Danish fashion industry has been mapped where the situation of the industry has been explained and an analysis of the problems and the reasons behind them has been made. Later on an analysis of SMEs and the specific management styles involved has also been clarified and has been linked to the small and medium Danish fashion companies and their specific situation. On the basis of the analysis made, this chapter will give an overview and discuss the challenges faced by the fashion companies, the main initiatives taken by the government and other stakeholders, summarise the ideas gained from the best practice case, and at the end outline various recommendations that can assist SMEs within Danish fashion.

10.1 Challenges faced by the SMEs

The typical challenges that are faced by the SMEs can be qualified into four main categories. These are Business management, Production challenges, Networking opportunities, and Funding.

The research and analysis made has shown that the designers knowledge on business management is limited and is perceived as one of the factors that needs to be assisted and improved from an early stage. The limited growth and development by the SMEs within the fashion industry is believed to be caused partly by the lack of business management knowledge. It is a problem that is acknowledged widely by the designers, the industry and the government. There has been different initiatives and suggestion by the government and the industry to try to solve this, as described in chapter 7 about the different initiatives. But non has yet to be manifested and show a result. There will be some suggestions on how to improve the lack of business knowledge further down in the recommendation section.

The production challenges effects all sizes of fashion companies however it is believed that the SMEs have a further disadvantage since they are smaller with little assets and have less experience on the field. The size and financial situation of the SMEs are important to consider given that they have little cash flow to absorb any unforeseen financial lost. Also lack of

experience on how to manage a production process can give problems that will manifest itself financially.

The challenges connected to production for SMEs differs, the start-up companies have troubles finding the right manufacturer that can fulfil the needs they have. They have troubles on finding information on manufactures and how they can be contacted. Often it is done through research, asking other designers in same situation, or that manufactures addresses them at fairs. These methods of finding manufacturers and production sites are risky since there is no information on how reliable the manufacturers are and whether the prices they offer is reasonable. Later on if and when the SMEs grow and need a larger manufacturer who can produce higher quantities they have to change manufacturers, and again they are faced with the same problems. The upside is that higher quantities means lower price per quantity but the catch is that in order to achieve the lower prices the SMEs have to order a much a higher quantity. That means that they have to invest much more in production, thereby increase the risk and once again face a low cash flow. That is the challenge that most SMEs face, a sort of catch sixty-nine, the turnover from an increase in sale goes to higher production investments. Thus the end situation does not change much concerning the cash flow and investment possibilities for the SMEs within the Danish fashion companies. This way the there is not a real possibility to develop and grow the company much further since the production investments does not allow for marketing or extra employees.

In the recommendation section some suggestion will be given possibilities to overcome these problems.

The networking opportunities are very limited among the Danish fashion designers and, in accordance the research made, non exciting with the business world. This is also perceived as one of the main challenges that need attention. The designers do not have a formal network organisation that makes it possible to network among each other in order to use the knowledge and experience made by others that can be helpful in many ways. About 92% of the fashion companies are compromised of one-man companies as mentioned in the earlier chapters, and they do not have anybody to spar with and ask question when in doubt. The exciting networking is done at fairs or with other small designers in the same situation as themselves. Therefore it is

important to get connected with some other designers or industry insiders who have been in fashion industry for a longer time and have a larger knowledge on the challenges faced by the small fashion companies. Also it is important to get connected with the business world or others with a different background that could assist on different subject that are not related to the creative part. This could lead to different approaches on handling challenges faced connected to the business aspect and more importantly could be a manner of meeting potential investors or partners. How this could be done, will be discussed further down.

Finally there's the aspect of funding, which affects the SMEs in different levels. The little funding that the SMEs usually have has a great affect on their development and success rate. As discussed in the production challenges further up funding can help cash flow needed for production, marketing, and employees that could assist to ease the responsibilities and develop the company. Also funding is needed in the start-up face, which leads many SMEs to take expensive bank loans that again have influence on the development and success rate of the SMEs within fashion industry.

10.2 Resources on the Danish market for SMEs within fashion industry

The discussion on the possible resources on the market and the initiatives taken was discussed in chapter 7 and will be summarized in this section in order to give an overview and lead to the recommendations.

The focus on Danish fashion industry began some years ago when it became clear that the fashion industry was a great export industry and was experiencing success on the international markets. The government started a discussion on how to best utilize the success and possibilities that lay ahead. A study was done in form of the FORA report from 2005 that acted as a vision for the Danish fashion, as discussed in chapter 7 there are several factors that can be criticised about the report. Even though, the report resulted in some ambitious and needed initiatives from the government such as the establishment of Danish Fashion Institute (DAFI) and MOKO (fashion consortium) that lead to a so called legitimisation of the fashion industry, meaning that the conception of the fashion industry was somewhat changed and it was taken more serious. As

described in chapter 7, now is the time to acknowledge that the widespread vision of making Copenhagen the fifth fashion cluster is not realistic and the real challenges that are faced by the SMEs within fashion must first be met. I believe the government and the stakeholders within the industry also have to come to this realisation since the initiatives put forward are mainly concentrated on assisting the SMEs and making them more professionalized.

The Initiatives taken by the government are based on the belief that the fashion companies and design students needs to become more professionalized and internationally oriented. BornCreative has been established in order to assist the companies on the international market and promote Danish fashion internationally. The results have been positive until now hopefully they will be able to assist more fashion companies in the future. Based on the interviews made the knowledge among the designers about BornCreative was not indicated and no one mentioned it. Therefore it is believed that BornCreative needs to promote themselves better towards the fashion companies and communicate the consultancy they can give. The fashion companies tend to enter the international market without any assistants and if supported by BornCreative there could be a higher export and growth within the fashion industry, and maybe even creation of the first major international fashion brand.

For the fashion designers to have more business management knowledge the government has as one of its initiatives to make the fashion education more aligned with the needs of the market. That's is done by reforming the fashion education into a Bachelor and Master degrees that is comparable to the other university degrees. This is also done based on the fact that design educated unemployment rate is twice as high as the Danish workforce.

The purpose of the reform and the reality differs the fashion design schools have not implemented the desired changes that could give the students the business management skills needed when starting a company. The government's wish is to professionalize the students and making the students more internationally oriented have also yet to be seen.

10.3 Ideas gained from best practice example

The best practise case outlined in chapter 8 shows the different possibilities and can be used as an example for the steps that can be taken on the Danish fashion market.

Foremost I believe the fact that there is different organisation set up to assist the fashion designers with the different aspects of managing a company and how to market their brand is the most important factor that should be learned from. The Centre for Fashion Enterprise (CFE) and the Fashion Business Resource Studio (FBRS) both assist the fashion designers on different stages of their company development. The CFE is an organisation that assists fashion designers based on their perceived talent and potential, following rigorous selection process. When a designer is selected they are provided with business support and an investment programme that allows them to grow and hopefully become an international known brand. Not only is it an investment programme that can help the individual designers it is also part of larger perspective to help the London fashion industry as stated *“So often though, the industry is unable to sustain the careers of the designers it creates and sees them relocate to the likes of Milan and Paris. So, by investing our time and resources into these growing businesses we are also investing in the future of the London fashion scene.”*¹⁵⁹. The CFE is mainly funded by the London College of Fashion and London Development agency and supported by several private initiatives that assist promoting and mentoring the selected fashion designers.

The Fashion Business Resource Studio (FBRS) assist in different manner and on several areas. They offer consultancy to all small fashion companies as well as help design students find internships for their further develop and understanding of a fashion company. Also they function as a network organisation between fashion designers and the business world. The consultancy they offer are through professional business consultants who are familiar with the fashion industry as well as the British market. The consultants are also helpful on informing the fashion companies on the funding, both private and governmental, that are available on the market and that may not be known to the designers. They offer assistance for a small amount and are funded by the London College of Fashion and the London Development agency, consequently the funding come from the British government.

¹⁵⁹ <http://www.fashion-enterprise.com/index.php?page=TheCFE>

Not only is their business consultancy helpful for the fashion designers also the networking aspect can be a great door opener. The opportunity to network with the business world and other stakeholders makes it possible to meet potential investors or partners and have others to spar with and seek advice.

The best practice case is good learning example for the Danish fashion industry and its stakeholders. The points gained from this and the other factors that have been discussed above will be used in the recommendation given next.

10.4 Recommendations

The challenges faced by the SMEs are multidimensional and requires different approaches to reach an optimal situation for the SMEs and the stakeholders involved in the Danish fashion industry. Consequently the recommendations that will be outlined are the ones that are concluded from this project's scope.

Three actor levels have been identified; the Government, the Industry including Federation of Danish Textile and Clothing and the fashion design schools, and finally the SMEs within Danish fashion. These will be used to give a concrete suggestion for how and who could be responsible for the recommendations made.

Business consultancy

One of the first things that need to be addressed is the business consultancy and information available on the market. The designers who wish to start-up their own company have little help if any on how to start-up a *fashion* company and which challenges they have to be aware of. It is important to make clear that the consultancy available regarding entrepreneurship are generic and not addressed to fashion designers only. This makes the quality of the consultancy available not very useful for the designers since the things that are pointed out are generic concepts on how to start-up a company. And for the fashion companies that are already established and have reached phase two as described, in the chapter on how to manage SMEs, there are little or no assistance

on further development of a fashion company and the challenges met. Thus there is a need for business consultancy opportunities addressed only to fashion companies, both for start-up companies and companies that are established and still count non or few employees. Here the best practice case, cf. London College of Fashion, can be used as a benchmark. It must be noted that the Danish fashion industry is not as large as the British therefore it is not possible to create the same kind of organisations as Fashion Enterprise or Fashion Business Resource but the framework used can serve as an inspiration for future development and consultancy offers. The government is one of the actors in the development of the fashion industry and they have outlined some initiatives and some relate to best practice case. Still there is a need for further development and concrete actions. The government has the means and power to set up central consultancy organisations that, like e.g. the Fashion Business Resource, can assist the fashion designers with the challenges faced during the development of their fashion company or when starting up.

From the research and analysis made it is believed that the key area that must be consulted on is foremost business management and challenges in managing a fashion company. There are several layers in business management that all must be touched upon. This includes areas such as Marketing and Branding, Accounting including Cash Flow management, Budgeting, VAT, Invoicing, Sales etc. Areas all included in the companies Value Chain that is so vital for the fashion company owners to understand. Part of the Value Chain is the production, which is a great part of the fashion companies' management. The production as mentioned earlier can create many problems for the fashion companies and is perceived as one of the challenging area by the designers. There are great risks connected to the production and choosing the right manufacturer since a wrong choice can mean lost of high amount of investment and have far reached consequences for the company. Consequently it is an important area that needs to be focused on.

Following the line of argument, it must be stressed that the consultants who are going to assist the fashion companies must have a great knowledge about the fashion industry and preferably have worked in the industry prior to. There are two reasons for that, one is the argument that generic entrepreneurial management concept does not fit the fashion companies and their development. Also the obvious fact that a person with industry knowledge will always be able to advice much better than one who do not understand all the factors involved in a fashion industry. The second

reason is the communication to the designers. The designers do often have no knowledge to business management and all the concepts included, therefore the communication needs to be in a language that the designers understand. Often business educated or persons with no knowledge to the fashion industry will talk in manner of business terms and implicit understanding of things that are incomprehensible for the designers. During the interviews made with designers many of the designers cited the “miscommunication” as one the reasons for not reaching for entrepreneurial start-up help provided. Also some felt intimidated by the image and the formal frames set-up by the entrepreneurial assistance programs. Mostly the fact that the information given at such Internet sites or organisations where not felt relevant for their company. Thus the consultancy intended for the fashion companies have to be customized in terms of the consultants involved and the communication.

As mentioned the idea of establishing a central organisation that can assist the fashion designers with business consultancy will be optimal. However the actor that could get involved is the Industry, here I believe that Federation of Danish Textile and Clothing will be a second choice. They have already in some ways set up the initiative KravleGaarden as described in chapter 7, which is suppose to teach different skills connected to managing a fashion company. However the Federation of Danish Textile and Clothing could have consultants that full-time assist the small fashion companies. It could charge a small fee for the consultancy given. Thereby making use of the great knowledge that it already holds about the fashion industry and at the same time assist to strengthen the Danish fashion industry.

The initiative laid out by the government on fashion zones could be a real potential to create a place that is only for fashion designers and the stakeholders within the Danish fashion industry. In order to make create a fashion zone it is necessary for collaboration between the government and the stakeholders within the Danish fashion industry. The capital and motivation is there from the government now it is needed to put the vision into an action plan. Who and how it has been done is the question, the ideas has to come from the persons who are involved in the fashion industry, and who can lay out a framework that will work with designers and the stakeholders. It is believed to be a good idea to benchmark with the some of the successful fashion capitals such

as Paris or New York, where there are fashion districts or zones that have proven to be key factor in the development of the fashion community and its success.

The government can be critiqued on the fact that they do not do enough to communicate the possibilities and the vision that is stated about the fashion zone. The government has made a report on the subject, DesignDanmark 2007, where it lays out the initiatives it beliefs needs to happen but it is not communicated very well to the stakeholders within the Danish fashion industry. The research made on the field showed that almost non of the stakeholders had knowledge about the report and the possibilities it gives.

Possibility for business management courses

As stated many times during this project one of the main challenges for the SMEs within Danish fashion industry is the lack of knowledge concerning business management. This can be done through courses that touch on different areas of business management in fashion company. Thereby making it possible for the designers to only take the course they deem necessary. The actor level that can make this possible is the fashion industry and its stakeholders. Several organisations and institutes can offer theses courses; it could be Danish Design Centre (DDC) that already is funded by the government and as stated one of its focus area is “*to develop the competencies of design companies*”¹⁶⁰. Other possibilities could be the educational institutions such as Copenhagen Business School, Danish Design School, TEKO Herning, or Design School of Kolding. As stated in the initiatives from the government that interdisciplinary courses should be possible and made use of and that the design schools should improve the business skills of their current students. The courses should not only target fashion design students both also graduates and others who manage a fashion company.

Another stakeholders in the Danish fashion industry is Federation of Danish Textile and Clothing, which has already initiated the programme KravleGaarden as explained in chapter 7. KravleGaarden can be critiqued on the fact that it addresses established fashion companies and only the ones who are members, which for some one-man companies is not affordable. It could

¹⁶⁰ www.ddc.dk/omddc

target broader and assist the start-up fashion companies and the companies who are not member and in return require a non-member fee for each course provided. This way the designers could get a better knowledge about the Federation of Danish Textile and get a positive image of them. The potential is there and hopefully they can start the programme and reach the designers.

Network organisation

There is no real network organisation for the Danish fashion companies. There has been attempts on creating a network organisation by creating Danish fashion Institute (DAFI) but the intended purpose has not been met until now. DAFI is responsible for Danish Fashion Week and uses most of its energy on that area. It is employed by few persons and may therefore not have the capacity to arrange much more, although it has just started some few seminars. Furthermore there is a fee connected to membership of DAFI, which for many of the small fashion design companies is not affordable. Thus DAFI is more addressed to the well-established companies and the networking part is yet to be seen.

ArtRebels.com and designersnetwork.net are some other attempts on establishing a network organisation. Both are commercially focused and aiming to become a site that functions as a sales channel for small designers.

The network organisation needed is an organisation that is open for all sizes of fashion companies and other stakeholders and that will only concentrate on the network aspects. The purpose of the organisation should be to bring designers together from the well established to the start-up companies. By doing so it gives the designers the opportunity to meet and exchange knowledge and experiences made on the different fields. It could lead different unforeseen opportunities and ideas that could develop the fashion industry further. The designers interviewed acknowledged the need for a network organisation that they could use and that could be helpful with many of the challenges they have in their day-to-day work. It could specially be helpful if the well established and larger fashion companies would join and share the knowledge and experiences they have.

Today the situation regarding networking among the designers has become better compared to some years ago where the fashion industry was smaller. The smaller designers tend to do some degree of networking among each other and share experiences but there are still some degrees of secrecy in the industry. This is especially concerning manufacturer and production sites and the reason for that is the strong competition on the market. Production has great influence on the outcome of the product and at the end sale and the success achieved. Therefore the sharing of such information is rarely made and is a well kept secret.

Finally the network organisation can be used to bring together the fashion designers and the business world. This could be a great way to meet business partners or seek investment from the private funds. This could lead to solve some of the problems SME fashion companies, one is the need for funds both in the start-up phase but also later on when wanting to expand the company. The other part is meeting potential business partners that have some of the qualities that are lacked by the designers, such as business knowledge. The opportunity to meet the business world is rare for the fashion companies and many of them do maybe not know how to get in contact with the right persons.

London College of Fashion different schemes of networking programs among designers and with the business world can serve as an example and can be studied for development of such network in Denmark. In order to create a network organisation that solely concentrates on bringing the designers and business world together, it is best to be funded by the government. This can be done, as part of the business consultancy office that is only directed to fashion companies or it could be part of the fashion zone initiative that is put forward. The other actor that can be part of creating a network organisation is the Fashion industry itself, here the Federation of Danish Textile and Clothing will be most suiting since they already have the members and contacts within the industry. Again a small membership fee could be paid to part of the network and the Federation of Danish Textile and Clothing could arrange some yearly meetings among designers and the business world. I believe it is difficult for private persons to establish a larger network organisation since the lack of contact and funding could be a challenge.

Mentor scheme

The mentor scheme is part of the networking process and can be organised by an established network organisation. Mentoring is mainly useful for passing on knowledge and assisting fashion companies to grow. The mentor scheme requires that the larger fashion companies and its designers and other stakeholders who have been in the industry for some years and have great knowledge, gets involved and offer their time. Much of the experience based knowledge is comprehend by the established designers and is never shared. This knowledge has a great worth that can e.g. be used by many of the small design companies and solve many of their problems. This will at the end have a joined effect the whole industry.

The well established designers have to understand by assisting and giving up their time, they are at the end helping themselves. Because a strong Danish fashion industry will mean a stronger image and possibilities for larger export to the international markets. Also a stronger industry is always better than a vulnerable industry.

Possibility for joint workspaces

The possibility for joint workspace can serve in different ways. It gives the designer the possibility for an affordable workspace but also it collects several designers together at one space. This means that the designers can assist each other and have other designers to consolidate. This form of unification can lead to other unforeseen positive effects. Also the fashion design industry consists of about 92% on-man companies, which means that that most of the designers do not have anyone to spar with on a daily basis.

The government seem to be the obvious actor that could make it possible for joined workspaces to become a reality. It has the means and the power to for example put buildings and spaces at disposal for the small fashion companies or it can give subsidies for rental of workspaces. This move is believed to strengthen the SMEs and at the end fulfil the government's vision of a stronger and more professional fashion industry.

A further possibility could be that joined workspace will be part of the fashion zone initiative put forward by the government. Since the prospects of a fashion zone being created in the near future do not seem likely, it could be good idea if the SMEs within fashion cooperate and create on their own large workspaces. For this to happen there is a need for a stronger network among the small fashion companies, which could be solved through the networking schemes suggested further up.

Possibility for favourable start-up loans

Start-up capital is always needed when starting a company this is also the case for a fashion company. Many of the designers who start their fashion company are young and with little funds and even when starting up at later age the need for funds is still there. Many of the designers interviewed stated that they started their company with a bank loan or private loan. Bank loans means high interest rates and little room for mistakes. Keeping in mind the risks involved in production and the fact that most SMEs need two to four years to establish themselves and to have a stabile turnover, an expensive bank loan can lead to closing down of a company after a short time or it can mean that there's no funds to invest in expansion of the company.

Therefore there is a need for favourable start-up loans that can assist the start-up fashion design companies to establish themselves and make it possible to develop the company. This could be made possible by the government who could arrange favourable start-up loans or assist the start-up companies through a monthly financial grant for entrepreneurial companies for a certain amount of time, maybe the first year. This way the designers can fully concentrate on their fashion company and not stress over lack of income. Another option could be private funding or investment but there is not many opportunities for that and it will also be possible for only a few designers.

Growing a fashion culture

The Danish fashion culture has been changing steadily throughout the last decade on all fronts. It has become large industry and produced several successful designers, however compared to the international market and the fashion capitals there still work to be done. There is a need to grow

the fashion culture and how it is understood and referred to in the Denmark. As seen in the fashion capitals e.g. Paris or Milan the concept of fashion and fashion industry is different compared to Denmark. In these countries fashion is great part of the culture as well as the business world, it is revered and treated with importance. There are different factors that have contributed to that, as discussed in chapter 4, mainly it is the history and the international success throughout the years. At the same there is the support from other industries such as the media, the business world, and the art world.

The Danish media has gradually adopted the fashion and taken it seriously but there some way to go where the media will report on Danish fashion in depth and in sober manner. The media was presented with fairytale story on how successful and important Danish fashion is and have since then repeated the same story over and over again without any reflection and in depth understanding, as discussed in chapter 7. This needs to be changed in some ways, the media needs to give a realistic picture of Danish fashion and reflect on what it really contains. The media should not only give it great attention twice a year when there is Copenhagen Fashion week, but also promote and discuss it through out the year. This could shift the general understanding of the Danish fashion industry and promote several fashion companies and brands instead the top ten Danish fashion companies that is regularly mentioned in the media.

The art world is a great in difficult to define however art world should here be understood as cultural institutions and contemporary art. The art world could bring together art and fashion in different ways. One great way could be creating a yearly Danish fashion award. This could affect several factors; it would give a needed recognition to the fashion industry and legitimise fashion as an important industry. Furthermore it is a great marketing tool both for the industry and the single designer, nationally as internationally. There are already several small Danish fashion awards, such as “Guldknappen”, “Den gyldne pelsnål” or “Ilums design pris”, but they are small awards with a single category. However the first ever Danish fashion award is going to be held in April 2008 and is arranged by DANSK magazine, the most international Danish fashion magazine and recognised editors Uffe Buchard and Kim Grenaa. It is brilliant initiative and I believe that it can become a success if kept for some years.

Through recognition and change of rhetoric to a more serious and in depth discussion about Danish fashion it could shift the business world understanding of Danish fashion. A higher support from the business world is needed in order to strengthen the Danish fashion industry that at the end could lead to change of perception in broader culture.

Like the international fashion capitals, the Danish fashion industry and the SMEs within need support from several actors and industries that can be part of elevating the Danish fashion culture and bringing it to a new era.

Above a framework for what can be done has been made through several recommendations are given that is believed to be useful and important to change the situation within Danish fashion industry and the SMEs within. The Danish fashion industry and the fashion companies have great potential if assisted and as discussed there are several ways for this to come true.

The recommendation and discussion part has outlined some of the thought and analysis that has been made through this project. In the next section a conclusion on the project will be made and summarise of the most important points in this project.

11. Conclusion

In this section a conclusion of the project will be made. The conclusion will be brief since the major points of the project have been analysed and discussed in chapter 10, Discussion and Recommendations, consequently there is no need for a repetition.

This project's problem formulation is "*What are the best courses of action to minimize or overcome the challenges faced by Small Medium Enterprises (SMEs) within Danish fashion?*", in order to answer that several areas have been discussed and analysed. First an overview of the international fashion industry was given that showed that there is a tough competition and there are many players on the market. It also gave an overview of the market that was built up and how the fashion capitals functioned and supported their fashion industry. Next the Danish fashion industry and its history was outlined in order to give an understanding of the background of the Danish fashion industry. The Danish fashion industry has an industrial background where the concentration has mostly been on textile and manufacturing. Only a couple of decades ago the first Danish fashion design brands were developed and the designers started to design for their own labels. Today the Danish fashion industry still consists of some great fashion companies such as IC Companies and Bestseller who mass produce and have several brands within the company. This leads to the next chapter which gives an overview of the facts and figures on the Danish fashion industry. The most important figure is that of the one-man companies, which constitute about 92% of the industry and only about 2% employ more than five employees. Furthermore, the fashion industry makes out to be the sixth largest export commodity in 2006 in Denmark, compared to 1996 it is a decline, from fifth to sixth place. These figures underpin the fact that the fashion companies do not grow as much and need to be assisted if the fashion industry has to keep growing.

That leads to the next chapter that discussed the initiatives that are formulated by the government and the fashion industry. This shows a shift in the visions for the industry and is based on the challenges faced by the SMEs within the fashion industry. It is a positive and welcomed change.

Next Fashion College of fashion is reviewed as a best practice case in order to give a practical and tangible example of the possibilities and what future initiatives could be made. It is perceived as good learning example for the Danish fashion industry since the British fashion market faces some of the same problems.

The theoretical part consists of the chapter Management of SMEs that contains a theoretical and practical approach. The theoretical part analysis the reason for how SMEs are managed and uses chaos management as a tool to explain that there actually is order in what seems to be chaotic, viewed from a traditional business management point. In the practical part an analysis of how to best manage SMEs in a fashion company and moves on to analysis development of a marketing and branding strategy. As argued by Saviola et al. "Fashion is all about the intangible values and the intangible values it creates" thus branding is the ultimate tool to create this. The theories on how to create a strong, favourable, and unique brand were provided.

In order to answer the problem formulation a Discussion and Recommendation chapter was made that outlined the initiatives that need to be taken as well as how the SMEs within Danish fashion best can be assisted. Three actor levels was defined, the government, the fashion industry, and the SMEs in order to specify who should or could be responsible for the formulated recommendations.

Bibliography

Books:

- Andersen, Ib, 2005, *Den skinbarlige virkelighed*, Forlaget Samfundlitteratur, Denmark.
- Baldwin, John; Gellatly, Guy, 2003, *Innovation strategies and performance in small firms*, Edward Elgar Publishing, Cheltenham UK.
- Blumberg, B. et al., 2005, *Business Research Methods*, McGraw-Hill Education, UK.
- Bannock, Graham, 2005, *The economics and management of small business*, Routledge, Wiltshire UK.
- Bodge, Trae, 2005, *The Business of Fashion, Beauty and style*, Aspatores Books, USA.
- Butler, David, 2001, *Business Development – a guide to small business strategy*, Butterworth-Heinemann, Oxford, UK.
- Brytting, T. 1991, *Organizing in the Small Growing Firm – A Grounded Theory Approach*, The Economic research Institute, Stockholm.
- Chaston, Ian, 2000, *Entrepreneurial marketing*, Mcmillan Press LTD, London UK
- Christensen, Poul; Damgaard, Torben; Jørgensen, Thorkild, 2004, *Iøjensfaldende anderledes? Forandringsprocesser og ledelse i mindre virksomheder*, Jurist- og Økonomforbundets Forlag, Randers, Denmark
- Curtis, Elanor, 2004, *Fashion Retail*, John Wiley and Sons Ltd, Sussex.
- Diamond, Jay; Diamond, Ellen, 2002, *The World of Fashion*, Fairchild Publishing, USA
- Diamond, Ellen, 2006, *Fashion Retailing*, Pearson Education Inc, New Jersey.
- Evald, Majbritt, 2004, *Betydningen af ejerlederens vækstintentioner I mindre virksomheder*, Jurist- og Økonomforbundets Forlag, Denmark.
- Flick, Uwe, 2002, *An Introduction to qualitative research*, Sage Publication, London.
- Flick, Uwe, 2006, *Triangulation Revisited – Strategy of Validation or Alternative?*, Sage Publication, London.
- Greiner, L.E, 1972, *Evolution and Revolution as organizations grow*, Harvard Business Review.
- Gummesson, Evert, 2000, *Qualitative methods in Management Research*, Sage publications, London, UK.

- Hancock, Mick, 2004, *Kaotisk omgivelser og SMV'ers reaktion på formuleringen af en strategiplan*, Jurist- og Økonomforbundets Forlag, Denmark.
- Hejlberg, G. & Nielsen, K., 2004, *Fra Opkobling til veletableret virksomhed*, Jurist- og Økonomforbundets Forlag, Denmark.
- Jackson, Tim; Shawn, David, 2006, *The Fashion Handbook*, Routledge, Wiltshire UK.
- Jarnow, J et al., 1997, *Insid the fahion Buiness*, Practice-Hall Inc., New York.
- Jones, Oswald; Tilley, Foiona, 2003, *Competitive advantage in SMEs*, John Wiley & Son, Sussex UK.
- Keller, K, 2003, *Building, Measuring, and Managing Brand Equity*, Prentice-Hall, New York.
- Klyver et al., 2004, *Roller og perspektiver I forandringsledelse – Fire teoretiske perspektiver*, Jurist- og Økonomforbundets Forlag, Denmark.
- Morgan, G., 1980, *Image of Organization*, Sag Publications, London.
- Moore, Basil John, 2006, *Shaking the invisible hand*, Palgrave Macmillan, New York.
- Oelkers, Dottie Boen, 2004, *Fashion Marketing*, Thomsen Learning Inc, USA.
- Saunders, M. et al., 2000, *Research Methods for Business Students*, Pearson Educational Limited, UK
- Saviola, Stefania; Salvo, Testa, 2002, *Strategic Management in the Fashion Companies*, Nuova MCS, Firenze.
- Schrader et al., 1989, *Strategic and Operational Planning - Uncertainty and performance in Small Firms*, Journal of Small Business Management no. 4.
- Shane, S; Venkataraman, S, 2000, *The Promise of Entrepreneurship as a Field of Research*, Academy of Management Review, vol.25, no.1.
- Stanfill, Sonnet, 2007, *New York Fashion*, V&A Publications, London, UK.
- Stone, Elaine, 2004, *The dynamics of fashion*, Fairchild Publishing, USA.
- Stacey, R.D., 1991, *The Chaos frontier*, Butterworth-Heinemann, Oxford.
- Tungate, Mark, 2004, *Fashion Brands*, Kogan Page, London, UK.
- Venkataraman, S, 1997, *The discintive domain of entrereneurship research; An editors perspective*, Advances in Entrepreneurship, vol.3, Greenwich.
- Vinken, Barbara, 2005, *Fashion Zeitgeist*, Berg Publishers, UK.

Reports:

- FORA Rapport, *Brugerdreven innovation i dansk mode – den 5. globale modeklynge*, 2005.
- MOKO, *Dansk mode – Historie, Design, Identitet*, 2006.
- Erhvervs- og Byggestyrelsen, *Dansk Design 06*, 2006.
- Nordic Council of Ministers Department, *Nordic design for a global market- Policies for developing the design industry in the Nordic Region*, 2006.
- Vækstfonden, *Design- En god forretning?*, 2006.
- Creative Industries Research, Imagine department at Copenhagen Business School, *Rammebetingelser for Københavns creative brancer*, 2006.
- Erhvervs- og Byggestyrelsen, *Et Billede af dansk design*, 2007.
- Regeringen, *DesignDanmark 07*, 2007.

Internet Sites

www.textile.dk

www.dst.dk

www.artrebels.com

www.designersnetwork.net

www.fashion-enterprise.com

www.fbrstudio.org.uk

www.ida.gov.uk

www.fashioncenter.com

Appendix

Appendix overview

- Appendix 1 – Questions made for designers
- Appendix 2 - Interview with Thomas Frederiksen from FDTC
- Appendix 3 – Interview with Maria Tranberg from Designersnetwork.net
- Appendix 4 – Interview with Henrik Nielsen from ArtRebels.com
- Appendix 5 – Interview with Beinta Poulsen from Soulmade
- Appendix 6 – Interview with Rikke Hubert from Rikke Hubert
- Appendix 7 – Interview with Maria Schmith a start-up designer
- Appendix 8 – Interview with Hanne Lerrain sales Manager of Casch
- Appendix 9 – Interview with Nicolaj Nielsen from Won Hundred
- Appendix 10 – Interview with Maja Briks designer at Henrik Vibskov
- Appendix 11 – Interview with Silas Adler – Designer from Soulland
- Appendix 12 – Interview with Lisbeth Nordahl from Hübsch und
- Appendix 13 – Interview with Lisa Lauenborg from Nur Rock
- Appendix 14 – Interview with Anna Gulmann from Anna Gulmann