Swedish Fashion Retailers International
Market Selection Process

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Abstract

The Swedish fashion industry can be described as small, but yet very high competitive. Large fashion chains are taking over the market at the expense of mom & pop stores, which are constantly decreasing in numbers. Lately, many international players has entered the Swedish market and increased the competition even more. With falling trade and investment barriers and technological innovation more and more Swedish fashion retail companies see new opportunities for increased profit and growth by expanding the business abroad. Globalization has created great opportunities for these companies to enter far-away markets, yet many of them tend to start internationalizing in nearby markets.

The purpose of this study is to create an understanding of how Swedish fashion retailers that want to expand globally decide which international markets to enter. It is a multiple-case study where the focus is on the international market selection process of Lindex and Indiska Magasinet. Through literature studies and interviews with foreign expansion managers at these companies as well as two other key players with attachment to the subject, I have increased my knowledge within this area. Since the study is aiming at understanding Swedish fashion retailers foreign market decisions I have chosen to use a qualitative approach, so that I can keep an interpretative point of view.

The study results show that both Indiska Magasinet and Lindex have gradually increased its international involvement. Both companies have started to internationalize to nearby markets and are now heading to more distant countries. This expansion strategy has its pros and cons, but still, it seems to be more advantageous for both companies. The study also shows that neither Lindex nor Indiska Magasinet has taken the macro environmental forces into consideration as much as needed in the screening process for potential foreign markets. Considering the difficulties these companies have faced in certain markets, a slower expansion rate and improvement in the market screening and identification process seems necessary in order to reduce the risk of making similar mistakes in the future.

Keywords

Swedish fashion retailers, foreign expansion, identification, nearby markets, important forces
Preface

I have done this study in order to get my bachelor’s degree in International business at Stockholm University.

There are a few people that have contributed to the development of my thesis and I owe some thanks to them. First, I want to thank the four respondents who have joined my study and provided me with very valuable information about Indiska, Lindex and about Swedish fashion retail. The respondents I want to thank are Hans Jepson, foreign expansion manager at Lindex, Claes Fahlberg, expansion manager at Indiska, Fredrik Bergström, CEO at HUI and Jimmy Panagiotopoulos, sales manager at Habit Magazine. Then, I want to thank my tutor, Ann Dörner, as well as my former tutor, Sikander Khan. Thank you both for your support and the feedback that you have given me. I also owe some thanks to my family and my friends for their emotional support, especially to my dear friends Malin Warghagen, Luana Antonio, Diana Chafic and Jessica Ingemarsson who have inspired, encouraged and helped me out a lot.

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# Table of Contents

1 Introduction
   1.1 Background ................................................................. 5
   1.2 Problem discussion ....................................................... 6
   1.3 Purpose ........................................................................... 7
   1.4 Delimitations ................................................................. 7
   1.5 Reading guide ............................................................... 8

2 Methodology
   2.1 Research strategy .......................................................... 9
   2.2 Scientific direction .......................................................... 9
   2.3 Disadvantages with chosen methodology ......................... 10
   2.4 Data gathering .............................................................. 11

3 Theory/ Literature review
   3.1 Macroenvironmental forces role in the international market selection process .... 13
   3.2 The Uppsala internationalization model ................................ 18

4 Empirical findings
   4.1 Presentation of Lindex ....................................................... 20
   4.2 Interview with Hans Jepson, foreign expansion manager at Lindex .................... 21
   4.3 Presentation of Indiska Magasinet ....................................... 24
   4.4 Interview with Claes Fahlberg, expansion manager at Indiska ......................... 24
   4.5 Presentation of HUI ........................................................... 28
   4.6 Interview with Fredrik Bergström (econ. Dr), CEO at HUI ......................... 28
   4.7 Presentation of Habit ....................................................... 30
   4.8 Interview with Jimmy Panagiotopoulos, sales manager at Habit ....................... 30

5 Analysis
   5.1 Macroenvironmental forces role ........................................ 32
   5.2 Uppsala internationalization model .................................... 34

6 Conclusions & Reflections
   6.1 Sources of error ............................................................. 38
   6.2 Suggestions for further research ........................................ 39

References
   Bibliography ......................................................................... 40
   Articles ................................................................................. 40
   Internet .................................................................................. 41
   Interviews ............................................................................... 41
Appendices .................................................................................................................. 42
Appendix 1: Interview guide Indiska and Lindex ......................................................... 42
Appendix 2: Interview guide HUI and Habit Magazine .................................................. 44

List of figures

Figure 1: Basic consumption versus fashionable consumption ........................................ 6
Figure 2: Structure of the thesis ..................................................................................... 8
Figure 3: High- and low-context cultures ....................................................................... 16
Figure 4: The Internationalization Process of the Firm .................................................. 18
1 Introduction

This first chapter gives an insight of Swedish fashion retail and international expansion. The background and the problem discussion that follow the background will shape the objective of the study and thereafter the delimitations in the study will be presented. The chapter ends with a reading guide presenting the contents of the thesis.

1.1 Background

This study is about how two Swedish multinational fashion retailers identified “the right” foreign markets to enter. Today, many Swedish fashion retail companies decide to internationalize. Internationalization is the procedure where the company expand its R&D, production, selling and/or other business activities into international markets. (Hollensen, 2004) It can also be described as the development of networks of communications, transactions and organisations over the national borders. (Sundelius, 1990)

The Swedish fashion retail industry can be described as small, but yet very highly competitive. Lately, a lot of International fashion chains as Zara, Mango and the British men’s fashion chain, Reiss¹, have established stores in Sweden and increased the competition even more. This is expected to proceed in the future as additional foreign fashion chains are believed to enter the Swedish market. As a result many of the local fashion chains will not survive. The ones that will be most affected by this progression are the mom & pop stores, which today stand for 35% of the Swedish fashion retail market. However, they are constantly decreasing in number as big fashion chains are driving them out of business. (Panagiotopoulos, 10/5/2006)

The number of fashion retailers will also increase because many suppliers as Gant, Boomerang and Filipa K will integrate forward in the distribution channel and establish own local stores. (Panagiotopoulos, 10/5/2006) Channel integration is the process of incorporating all distribution channel members (manufacturer, wholesaler and retailer) into one channel system and uniting them under one leadership and one set of goals. (Hollensen, 2004)

If the Swedish fashion market today is compared to the fashion market ten years ago a shift can be seen in demand from sportswear to more trendy clothes. This fashion trend is expected to increase additionally in the future which will gain Swedish fashion retailers. (Bergström, 10/5/2006) This is also confirmed by Ulf Eklöf, the CEO of Stadium, who believes that the sport fashion trend is changing to become trendier. Stadium’s sales of pure sport fashion have matured and they face this challenge by shifting their focus from pure fashion to function and design. (Habit, number 6, 2005) The trend component is expected to rise and become more important in the future. Studies made on basic consumption versus fashionable consumption today compared to previous years shows a clear increase in fashionable consumption. People nowadays seem to buy more products that they are not in need of than they did in the past. (Bergström, 10/5/2006)

¹ Reiss, who opened a store just recently in Norrmalmstorg, Stockholm, has positioned themselves somewhere between H&M and international designer brands, meaning they want to sell fashion clothes with high quality at a reasonable price (Metro, 2006)
The main reason for going abroad, in most companies, is to make money. With falling barriers to trade, investment and technological innovation more and more firms see new opportunities for increased profit and growth by going international. According to Hollensen other proactive motives (when companies internationalize because of interest) to internationalization are tax benefits and economies of scale. There are also reactive motivations (when companies internationalize because of pressure or threats in its home market) to why a company internationalize. Reaction to competitive pressures is the greatest one. Other reactive motives are often that the domestic market is small and saturated, or that the company wants to be close to international customers. (Hollensen, 2004)

Globalization has created great opportunities for Swedish fashion retailers to internationalize. Nowadays, they can more easily expand their businesses to far away countries. Many companies even engage in international business right from their start. These companies take a global perspective on their market and are called born-globals. (Wild, Wild & Han, 2003) They are typically characterised as being Small and Medium-sized Enterprises, hereafter called SMEs, with less than 500 employees. (Hollensen, 2004) Today, there are also companies that, because of the slow growth in the developed markets of the world, turn to newly emerging markets for business expansion. (Nakata & Siva, 1997)

1.2 Problem discussion

Even though there are companies that choose to internationalize to far away countries, the majority of the companies tend to start their internationalization in nearby markets. Mainly because of low “psychic” distance, which means low differences in language, culture, political system, level of education or level of industrial development. (Hollensen, 2004) What is interesting is to find out if it always pays off to start the foreign expansion in nearby markets? It is generally accepted that in order to succeed and grow it is vital for a company to
choose the right foreign markets to enter; that is markets where the company sees sales opportunities. The research question is therefore how Swedish fashion retailers that want to internationalize decide which foreign markets to enter? What are the most important factors to consider before internationalizing the business abroad? In order to find some responses to these questions, it seems necessary to understand the behaviour of Swedish fashion retailers on international markets.

1.3 Purpose

The purpose of this study is to create an understanding of how a Swedish fashion retail company that want to expand globally decide which international markets to enter.

1.4 Delimitations

The study will be based on multinational companies that have chosen a hierarchical entry mode strategy in which the company completely owns and controls the foreign business. (Hollensen, 2004, p.335) A hierarchical mode is usually riskier than an export- or an intermediate mode (such as licensing, franchising or a joint venture), because it typically requires high levels of financial resource and commitment. It is appropriate for companies that want a high degree of control over operations in international markets. (Hollensen, 2004) The study includes only Swedish companies within the fashion retail industry. The two chosen companies, Indiska Magasinet AB and Lindex AB, hereafter called Indiska and Lindex, are both successively expanding globally and becoming bigger and bigger, therefore they are great sources for my thesis. I wanted to include more companies to the study but I had to delimitate it to two companies partly because of the limited amount of time and partly because of the difficulty of finding Swedish fashion retail companies that was willing to join my study.

The focus will be on how these companies have decided which international markets to enter and nothing else in the internationalization process. I have only chosen to study how Lindex and Indiska have chosen foreign markets for establishment of wholly owned stores and not how they have chosen international markets for their other operations (as production subsidiaries). The study will be seen out of a company or management perspective, mainly because they are the once that make the final decisions of which markets to enter and it is the managers opinions of why they choose certain markets that is interesting to acknowledge. Although the empirical research is delimitated to Swedish fashion retail companies it should be mentioned that the theories used also is valid for other industries than the fashion retail industry and for other countries than Sweden.
1.5 Reading guide

The schematic outline of the thesis in figure 1 shows how the different parts fit together. The next chapter will present the epistemological and the practical direction of the thesis. The chapter includes the disadvantages with chosen methodology. The theoretical background that follows in chapter three, will describe some theories in the area of international business that are considered to be the most relevant for the study. Chapter four will illustrate the companies studied in the thesis as well as a summary of the performed interviews.

Chapter five will analyse the result from the research conducted and finally in the last chapter conclusions will be presented which give feedback to the objective and the questions that were raised in the problem discussion. The thesis also includes a list of the references that has been used in the study.

Figure 2 Structure of the thesis (Own, 2006)
2 Methodology

This chapter presents the method that has been used in the thesis. It starts by describing the research strategy that have been used followed by the epistemological direction of the study and the way it has been approached. Moreover, it brings up the disadvantages with chosen methodology as well as the procedure in which the empirical data have been collected.

2.1 Research strategy

In a research study there are different research strategies one can use. The choice of strategy shows which priority that has been given to different aspects of the research process. A case study tries to clarify why a decision or a set of decisions have been taken, how they have been implemented and with what result. (Yin, 1994) According to the purpose of the study, the aim is to understand why Lindex and Indiska decided to enter certain markets, that is how they chose which foreign markets to expand to and what has been the results of their decisions. A multiple-case study is chosen, where an identical method is used for a study of two or more various cases. A multiple case study assumes that a better understanding of a social phenomenon can be given by comparing it from two or more different situations. By choosing two or more cases one can compare the situations and in a better way find out if a theory seems fair or if it is insufficient. The purpose of a case study is not to generalize the results of the study to a greater population, but rather about giving good theoretical statements from the study results. (Bryman, 2002)

2.2 Scientific direction

The subject of study as well as problem discussion, research question and purpose of the study all decides what scientific method that will be used in the study. However, the choice of approach does not have to be fixed to a specific scientific method. The researcher will always have the opportunity to change, erase and add different methods to the study. (Bryman, 2002)

Deductive and inductive approach

When doing a research one can come to the conclusions from two different points of views, through deduction, which is based on theory, or through induction, which is based on reality or practical experience. (Thurén, 2002) The deductive approach starts with a few true theories with the goal of providing many statements (theorems) that logically follow from them. The inductive approach starts with many observations, with the goal of finding a few statements about how nature works, and result in a theory. (Bryman, 2002) I have chosen to base my study on theories that already has been formed and apply them on reality. By choosing this approach I wanted to provide some statements that would be logically coherent. The reason to why I chose a deductive approach rather than an inductive is because I wanted to find useful data from the reality which I could relate to the chosen theories and then draw my own conclusions.
Quantitative and qualitative point of view
Case studies can be of both a quantitative and qualitative nature. Generally, one can say that qualitative research methods indicate a low degree of formalization, where the objective is to create an understanding, while quantitative research methods signify quantification of the data-collection and analysis. Furthermore, quantitative studies are often associated with a deductive approach, while qualitative methods are associated with an inductive approach. However, this does not always have to be the case. Nowadays a lot of authors do not separate quantitative and qualitative research strategies from each other. They rather combine them in order to strengthen the advantages and weaken the disadvantages with each procedure. Therefore, a qualitative research strategy can be used to try and not to create a theory. (Bryman, 2002)

This study is aiming to understand international market decisions, how a Swedish fashion retailer decides which foreign market to enter. Since the study has a management perspective (see the delimitations, part 1.4), and it is based on the respondents opinions, I have chosen to proceed from a qualitative point of view. My intentions have been to interview Indiska and Lindex from which I later would interpret and understand the data. If I had proceeded from a quantitative point of view I would not have been able to use interpretations of an “understanding” type, thus I have used a qualitative approach.

Positivistic and hermeneutic methodology
Quantitative studies have a scientific epistemological direction; consequently researchers with a quantitative point of view mainly use positivistic norms and procedures. Researchers with a qualitative point of view, on the other hand, dissociate the scientific norms and procedures. They have an interpretative viewpoint. A separation is usually made between these two main methodologies; that are between positivism and hermeneutics. (Bryman, 2002)

Positivistic researchers like to believe in absolute knowledge, while hermeneutic researchers often are more considerate to relativistic train of thoughts. Positivistic researchers believe that we humans only have two sources for knowledge, the things that we can observe with our senses and the things we can calculate with our logic. In hermeneutics, it is widely agreed that we also can achieve knowledge by interpreting different behaviours. We try to understand how others think and feel. The methodology of hermeneutics opens up opportunities for knowledge that are closed for the positivistic methodology, which is part of the epistemological direction in quantitative studies. A greater understanding makes it possible to comprehend greater aspects. (Thurén, 2002) Since the hermeneutic methodology better can interpret Lindex’ and Indiska’s international market decisions it has been my starting point.

2.3 Disadvantages with chosen methodology
There are two criteria that have a great importance in quantitative studies, but which often are believed to be unfit for use in qualitative studies. The first criterion is that the study has to be reliable (trustworthy). The measuring has to be correctly done. If different researchers using the same method and get the same results, then the research is believed to have a high reliability. The second criterion is that the study has to be valid. Validity is the ability to measure the purpose intended and nothing else. These two criteria are not dependent of each
other, a study can have a high reliability at the same time as it has a low validity. (Thurén, 2002)

Quantitative researchers will question the interpretation of the data and the way I got the results. How will one know that I have done the right interpretation? Since there is no answer to this question, this study might have a low reliability. Feelings and experiences cannot be tested whether they are right or wrong. When the researcher interpret other people’s feelings and experiences out of its own feelings and experiences the study become very instable. However, you can question quantitative researchers’ request for always finding true answers. You can also question whether the researcher can be impartial in a study? All humans are born with a silent knowledge, an inner understanding that interconnects and forms a paradigm (facts that are adjusted into a pattern). Due to this inner knowledge the researcher will be partial in every step of the research process, from the very start where he/she chooses theories to examine to the end results where conclusions are drawn. (Thurén, 2002) Since the results and the conclusions will be affected by my subjective opinions it will be difficult, if not impossible, to replicate the study results.

Since the study results are not going to be generalized to other companies’ foreign market decisions one can also question the validity of the study. It has already been brought up in the delimitations in part 1.4 that only Lindex’ and Indiska’s way of finding foreign markets to expand to investigated and no other companies. The results in a qualitative case study are not supposed to be generalized; it is only valid for the studied cases. (Bryman, 2002)

2.4 Data gathering

Usually one can divide the information collected in a research into primary- and secondary-data.

**Primary data**

Primary data is collected first-hand and is tailor-made to answer specific current research questions. The greatest advantages with primary data are that the information is specific, relevant and up to date. The major disadvantages with primary data are the high costs and amount of time associated with its collection. (Hollensen, 2004)

In a qualitative case study one can use many different methods for collecting primary data. The most important methods are participating observations, qualitative interviews and focus groups (group interviews). (Bryman, 2002) Due to the limited amount of time and the difficulty of finding respondents for group interviews, participating observations and focus groups have not been possible to do. Qualitative interviews have been performed with people from four different companies. First, to get a better knowledge of how the two companies in the study have chosen their foreign markets, I have interviewed the expansion managers at Indiska and Lindex. Then, in order to increase my knowledge of Swedish fashion retail, I have also chosen to interview the head manager at HUI and the sales manager at Habit Magazine.
A distinction is made between quantitative structured interviews and qualitative semi structured- or- unstructured interviews. By using semi structured interviews one can focus on the interviewee’s standpoints. In semi structured interviews the interviewees get the chance to speak freely about different subjects that are being brought up. This is not possible in a quantitative structured method where fixed answering alternatives are used and the purpose is to find an answer for all the questions. This research gives weight to the respondents own understandings and point of views. (Bryman, 2002)

The type of data selection that has been used in the study is called a snowball selection, which means that it is not chosen at random. (Bryman, 2002) A few people that have been considered relevant for this study have been contacted (foreign expansion managers at Lindex and Indiska as well as managers at HUI and Habit Magazine) and through interviews with these people valuable background information about Swedish fashion retail and foreign market selection processes have been collected. Before the actual interviews an interview guide was send to the opponents to prepare them for the questions that was asked during the interviews. The first interview that was held with Claes Fahlberg at Indiska was taped, but since it turned out to take up a lot of time to write down and interpret the data the fallingow interviews were chosen not to be taped. In order to retain as much information as possible for the interpretation of the data notes have been taken during these interviews which has worked very well. All the answers were then send to the opponents to get their approval and finally, after eventual corrections, they were added to the study.

Secondary data
Secondary data can be defined as information that has already been collected, by for instance previous researchers or by public authorities for their own use. The greatest disadvantage is that secondary data are often more general. It is often referred to as "desk research". The main advantages with secondary data are the low costs and amount of time associated with its collection. (Hollensen, 2004) Furthermore, a lot of the secondary data that is collected is of good quality, mostly because of the thorough representative sample that has been used in the study. (Bryman, 2002) However, it should be mentioned that the amount of data available varies between different countries. It is far easier to find data for industrialized nations than for emerging markets, such as India and China, because of underdeveloped methods of collecting such information in a country. (Wild, Wild & Han, 2003) Many of the developing countries do not even carry out a population census. Many times if data can be obtained it cannot be used, because it is unreliable. In some developing countries governments often try to paint a rosy picture of the economic life in the country. The data collection procedures often lack statistical accuracy. In such cases primary data collection becomes very important. However, in the western countries there are even research agencies, such as HUI, with the purpose of supplying market data (reports and country specific-studies) to companies, students and to the public. (Hollensen, 2004)

Most of the secondary data that have been used in the study have been found from books bought in bookshops or borrowed from libraries. Much of the data can be found in the theoretical- and- methodological part of the study. I have also received a lot of interesting information from Lindex, HUI and Habit in form of books, magazines and annual reports. This data as well as data found on the internet and other newspaper articles can be found in the first four chapters of this thesis.
3 Theory

This chapter presents the theories that are considered to be most relevant for the study. The first two sections discuss some forces that affect companies’ international market selection process and the following section shows how companies many times choose to go international. The theories that are presented will work as a basis for the analysis and refer to how Swedish fashion companies that want to expand globally decide which international markets to enter.

3.1 Macroenvironmental forces role in the international market selection process

Wild, Wild & Han (2003) has like Hollensen (2004) put forward the importance of measuring national business environments. The forces that affect the companies location-selection process the most are the political, legal, economic and sociocultural forces.

The political and legal environment

The political and legal environment will definitely affect the attractiveness of a potential foreign market. Governments differ in their attitudes toward trade and foreign investments. Their willingness for it is shown by the amount of restrictions it imposes. Strict government regulations can easily eliminate a foreign market from further consideration. Government bureaucracy will also affect a market’s attractiveness. Corruption and unclear or nonexistent laws, which people in higher positions many times interpret as they please, can make it less appealing for a company to enter the market. (Wild, Wild & Han, 2003)

Companies will always face political risk when going abroad. Political risk is the likelihood that a government or society will undergo political changes that negatively affect local business activity. (Wild, Wild & Han, 2003, p.94) It will affect different types of companies in different ways. It can threaten the market of an exporter, the production facilities or the local offices and stores of a manufacturer, or it can threaten a company’s ability to take out profits from the country in which they were earned. Wild, Wild & Han (2003) bring up five types of events that cause political risk:

- **Conflict and violence.** It can threaten both physical properties and the lives of the employees.
- **Terrorism and kidnapping.** Despite that terrorism threatens the lives of the employees, it also causes market losses; usually market shares fall quite fast after such an event. Kidnapping and the taking of hostages often threaten executives of large companies, since their employers often can pay large ransoms.
- **Property seizure.** Governments can take the assets of international companies doing business in their country, for instance through a confiscation, which means without any compensation.
- **Policy changes.** It can for example be caused out of political pressure from special interests or out of civil and social unrest.
Local content requirements. Some countries have laws saying that a certain amount of a product should be supplied by producers in the domestic market. These requirements can for instance force international companies to use local available raw materials or to employ local workers, which in turn can have an impact on their long-run survival. (Wild, Wild & Han, 2003)

It is desirable to consider all these problems in order to get a better knowledge of an attractive market’s political outlook. It the unforeseen negative political changes that create political risk for companies. Events that managers know might occur if they enter a country, but which can be planned for, should not blind them for future opportunities. Companies can handle these political risks in different ways. According to Wild, Wild & Han (2003) there are three different methods of handling them. Firstly, through adaptation, where the company for instance modifies operations, the product mix or some other business to suit local tastes and culture. Another regular adaptation method is forming partnerships, such as joint ventures, with other international players or local companies. Companies can also gather information in order to predict and manage political risk. Since current employees often have insight in local culture and politics, they are a great source of information. There are also certain agencies, such as banks, news publications and political consultants, which specializes in political risk services. A third way for companies to handle political risks is by influencing local politics in their favour. Companies can through their lobbyists propose changes that have positive affects on their local business. Lobbying is the policy of hiring people to represent a company’s views on political matters. (Hollensen, 2004, p.177) Bribes are very often used to gain political influence. Sometimes they mean the difference between obtaining important contracts and being completely shut out of certain markets. (Hollensen, 2004, p.177)

The economic environment

The economic environment in a country should also be carefully analyzed, since it influences international business activities. In order to see whether a country’s people have enough purchasing power to buy its products or not, companies look at the economic development in a country. They look at different indicators such as economic output (agricultural and industrial), infrastructure (electricity, telephone systems, modern roads) and its peoples physical health and level of education. Economic development measures the economic well-being of one nation’s people as compared with that of another nation’s people. (Wild, Wild & Han, 2003, p.132) Countries are often classified as being developed (which means they are highly industrialized), newly industrialized (which means they have recently increased their national productivity) or developing (nations with the poorest infrastructure and lowest personal incomes). (Wild, Wild & Han, 2003, pp.138-9)

Another factor that influences international business activities is whether a country is a centrally planned economy or a market economy. A Centrally planned economy is a system in which a nation’s land, factories and other economic resources are owned by the government, which plans nearly all economic activity. (Wild, Wild & Han, 2003, p.123) A market economy is an economic system in which the majority of a nation’s land, factories and other economic resources are privately owned, either by individuals or businesses. (Wild, Wild & Han, 2003, p.128) Centrally planned economies put the welfare of the group over the individual well-being, thus they pay little attention to the task of creating value for individual customers. Furthermore, they are characterized by being closed economies. (Wild, Wild &
Han, 2003) A closed economy is an economy that is closed to trade. (Blanchard, 2003, p.396) In market economies on the other hand, there are *antitrust laws* (or antimonopoly laws) who prevent trade-limiting monopolies that exploit consumers and hold back the growth of commerce. They also protect individual property rights, which encourage individuals and companies to take risks, such as starting new businesses. However, since the late 1980’s, many countries, like for instance China and Central- and Eastern European countries, have gone from being centrally planned economies toward more market economies, which has made it easier for international companies to enter these countries. (Wild, Wild & Han, 2003)

Exchange rates also influence international business activities. Movements in exchange rates affect the demand for a company’s products on foreign markets. When a country’s government decide to lower the value of its currency it is called *devaluation*. (Hollensen, 2004, p.178) By devaluing its currency the government lower the price of its exports, which makes it more appealing on world markets. There are two main reasons to why they devaluate their currency, either for helping the domestic companies against the foreign competitors or to boost exports so that a trade deficit can be eliminated. (Hollensen, 2004) *A trade deficit* occurs when a country’s imports is larger than its exports. Countries want to avoid this from happening, since it has a negative affect on its budget. Therefore, countries prefer increases in foreign demand (which lead to an increase in output and to a trade surplus) to increases in domestic demand. (Blanchard, 2003, p.403) However, it is not wise to use this policy, because devaluation reduces consumers’ buying power. For this reason, stable and predictable exchange rates are desirable, when companies look for potential foreign markets to enter. (Hollensen, 2004)

Unstable economies are often characterized by poor monetary and fiscal policies, which can cause high rates of inflation, which in turn has a negative effect on output, unemployment as well as innovation. (Blanchard, 2003) *Fiscal policies* are policies regarding taxation and government spending and *monetary policies* are policies controlling money supply and interest rates. (Wild, Wild & Han, 2003, pp.130-1) Economies that go through fluctuations in the short run most of the time return to normal in the medium run, but once in a while things go wrong and output remains far below its natural level for many years. This is called a *depression* (a deep and long-lasting recession) or a *slump* (long period of low or no growth, longer than a typical recession, but less deep than a depression) dependent on how long the economy is unable to return to normal. Such consequences usually lower investor confidence and force international companies to scale back proposed investments. (Blanchard, 2003)

**The sociocultural environment**

Cultural elements like religion, traditions and customs will have a great impact on what kind of products that will be sold on a market. Many times a company’s products have to undergo broad adaptation to suit local preferences. Therefore, the importance of understanding different cultures for a company that want to internationalize is profound. (Wild, Wild & Han, 2003)

Culture is a complex description of a people. It does not have to be visible, many times cultural differences turn up in situations when one would never notice them. Therefore, it is often seen as an iceberg with three different levels. The visible part of the iceberg (the top-level) can be seen as the tangible parts of culture, for instance body language, clothing,
lifestyle and drinking and eating habits. It is the artefacts of underlying values and assumptions that a group of people share. (Hollensen, 2004) “What you cannot see are the values and assumptions that can sink your ship if you mistakenly run into them.” (Hollensen, 2004, p.194) Values and social morals (the second level of the iceberg), for instance family values, sex roles and friendship patterns, are closer to the surface than the basic cultural assumptions (the third level of the iceberg), and they can change in shorter periods of time (10-20 years), whereas basic cultural assumptions like national identity, ethnic culture and religion are formed over centuries. (Hollensen, 2004)

As it may seem, people with different cultures clearly respond differently in similar business situations, thus it becomes important to understand different cultural orientation. In the 1960’s, Edward T. Hall introduced a concept of high and low context cultures, a concept which gives a good insight of the contextual differences in the cultures around the world and helps us understand why, for example, Asian (high-context) and western (low-context) styles are so different. (Hollensen, 2004)

![Figure 3](https://example.com/figure3.png)

*Figure 3 High- and low-context cultures (Hollensen, 2004, p.198)*

Figure 2 shows the degree of context in different cultures. It also shows the extent to which communication within a culture is explicit or implicit. A lot of times language is seen as the mirror of culture and it is often said that learning a countries language means learning its culture. The communication in the verbal language can be either explicit or implicit. In low-context cultures (as the Swedish) the communication is expected to be explicit, which means that “you should say what you mean and mean what you say”. (Hollensen, 2004, p.199) The burden of an effective communication is therefore on the speaker. In high-context cultures, on the other hand, the communication is often implicit; people do not always say what they mean, they rather expect the listener to understand the message on their own.
The communication in the non-verbal language (like for instance body language, silences and social distance) is less obvious. Hollensen have described some of the main non-verbal languages and their implications for international business:

- **Time.** In many high-context cultures people are casual about their use of time. Business people in many Latin American and Mediterranean cultures may arrive after the scheduled meeting time for instance. (Wild, Wild & Han, 2003)

- **Space.** The conversational distance between people from different cultures varies as well. For instance. Americans like to keep a certain amount of space to the person they converse with, while Latin Americans and Arabs like to stand close to the people they are talking with.

- **Friendship patterns.** People in high context cultures prefer to know their business partners well before they make an agreement with them.

- **Business agreements.** The business people in high context cultures do not like to rush into business. They rather spend some time getting to know the other part. As a result it takes longer time to conduct business in these parts of the world. (Hollensen, 2004)
3.2 The Uppsala internationalization model

In this model, the internationalization of a company is seen as a process in which the company gradually increases its international involvement. The model was originally grounded in 1975 by Johanson and Widersheim-Paul and has later in 1977 been extended by Johanson and Vahlne, all of them researchers at Uppsala University in Sweden. The model was the result of a study that they made on Swedish manufacturing companies and their internationalization patterns. (Hollensen, 2004) Uppsala internationalization model has its theoretical base in Cyert’s & March’s (1963) and Aharoni’s (1966) behavioural theory of a firm as well as Penrose’s theory of the growth of a firm (1959). (Johanson & Vahlne, 1990)

As shown in figure 5 above, the model separates internationalization’s state aspects (market commitment and market knowledge) from its change aspects (commitment decisions and current activities). It sees the internationalization process as a cycle; a company’s market knowledge and market commitment will affect its commitment decisions and current activities and vice versa. Market knowledge (for instance market opportunities and threats) is of greatest importance for companies. It is partially objective knowledge, which can be taught, and partially experiential knowledge, which is gained through personal experience from current business activities in the market. As a company increases its market knowledge it also increases its business opportunities. However, it is most of the time country specific and cannot be generalised to other countries. (Johanson & Vahlne, 1990)

The Uppsala researchers observed two patterns in the internationalization process of Swedish manufacturing companies. One pattern showed that the companies entered new markets with successively greater psychic distance; they seemed to have started their operations abroad in nearby markets and then gradually penetrated more far-away markets. (Johanson & Vahlne, 1990) Psychic distance is defined as differences in language, culture, political system, level of education or level of industrial development. (Hollensen, 2004, p.219) The other pattern that the Uppsala researchers observed was an increasing commitment of resources to the market;
companies started with exports and then successively extended their resource commitments to sales representatives and then maybe to own subsidiaries on the foreign markets. (Johanson & Vahlne, 1990) It was very rare for companies to enter new markets with sales organizations or manufacturing subsidiaries of their own. Wholly owned or majority-owned operations were established only after several years of exports to the same market. (Hollensen, 2004, p.53)

There are three exceptions in the Uppsala model, which allows a faster market commitment. First, large companies can make greater internationalization steps, since they have greater resources. Thus, the consequences of their commitments are small. Second, when market conditions are stable, profitable market knowledge can be made through other ways than experience. Third, when companies have great experience from similar markets it becomes possible to generalize this experience to any specific market. (Johanson & Vahlne, 1990)

**Critical views of the original Uppsala internationalization model**

The model has been criticized from different aspects. Mostly the critique has not been levelled towards the process model, but for development and differentiation of the model. One criticism that has been put forward is that the model is too deterministic. The argument is that the company has an option to make a strategic choice of where to expand and which entry mode to use, such a choice is more dependent on the market conditions. Another criticism that has been put forward is that the process model is more valid for companies that have recently internationalized and whom still lack market knowledge and market resources. Companies that already have operations in several countries do not face these problems as much as the beginners. (Johanson & Vahlne, 1990) In market no.1 the firm follows the mainstream evolutionary pattern, but in market no.6 the firm has learned from the use of different operation methods in previous markets, and therefore chooses to leapfrog some stages and go directly to foreign investment. (Hollensen, 2004, p.55)

It has also been argued that lately the world has become much more homogenous, which has decreased the psychic distance between different countries. Nowadays many Swedish companies are willing and able to enter large markets (as the German, British or the US market), since they have become as close to Sweden in a cultural sense as the Scandinavian neighbours. (Johanson & Vahlne, 1990) Furthermore, nowadays companies can easier and quicker access knowledge about doing business abroad. The continuous growth in trade and foreign direct investment has increased the number of people with experience and knowledge of doing business overseas. Consequently, it has become easier to hire and learn from these people. (Hollensen, 2004) Studies have also shown that the internationalization process model is not valid for service industries. For instance, a study of the internationalization process of Swedish banks shows that cultural distance has not affected their foreign establishment. (Johanson & Vahlne, 1990, p.15)

Even though the Uppsala model has had criticism of various kinds, it has still gained strong support in different parts of the world. It is not only limited to small and highly industrialized countries like Sweden. Later research from other countries has reported empirical observations in support of the model. (Johanson & Vahlne, 1990, p.13)
4 Empirical findings

This chapter gives an insight to the two retail companies studied in the thesis, Lindex and Indiska. It also presents HUI and Habit who have enriched me with very valuable information about Swedish fashion retail. The companies will be briefly presented followed by a summary of the performed interviews. In order to make the information from the interviews easy to follow a summary of them is written where the responds is given under different headings.

4.1 Presentation of Lindex

Lindex is a Swedish fashion chain which offers a range of lingerie, woman’s wear, children’s wear and cosmetics. It was formed in 1954 in Alingsås, Sweden, by Ingemar Boman and Bengt Rosell as a lingerie store called Fynd. Soon after, Fynd bought Lindex in Gothenburg and the acquisition gave the company its new name. As the profits rise the company expanded and opened up new stores all over Sweden. In the late 60’s the turnover was valued to 25 million and the first store was opened in Norway. The company continued to expand in Sweden and Norway and in the early 80’s Lindex was bought by ICA Eol. In the late 80’s the company acquired Gulins and started to sell menswear. There were at this time 227 Lindex stores with a turnover of 2.2 billion Swedish crowns. (Lindex årsredovisning-verksamhetspresentation, 2004/2005)

In the 90’s there were a lot of changes within the company. Lindex was acquired by Industri Kapital. The company sold Gulins and was listed on the Stockholm stock exchange A-list. In addition, Lindex stores were established in Germany, the company started selling cosmetics in certain stores and the FIX brand was acquired. (Lindex årsredovisning-verksamhetspresentation, 2004/2005) The company also started Lindex Club (a customer club with the objective of creating closer relationships with loyal customers and to reward them). (www.lindex.se)

In the past couple of years Lindex head office has been moved from Alingsås to Gothenburg, Lindex has turned 50 years and Göran Bille has become the new commending officer (CEO). Furthermore, the Twilfit chain has been disposed. (Lindex årsredovisning-verksamhetspresentation, 2004/2005) Today the company runs 350 stores in Sweden, Norway, Finland, Germany, Estonia and Latvia with a turnover of 5.2 billion Swedish crowns. The number of employees is approximately 4300. (www.lindex.se)

Lindex business concept is to offer women and their children inspiring and priceworthy fashion that all women can afford, with the right quality and fit. Another concept of Lindex is to be the lingerie expert and to offer a high degree of availability to the customers by running wholly owned stores located close to them. The company’s vision is to inspire women to look and feel great and the objectives for the 2005/2006 financial year are to keep focusing on increased sales, as well as expansion and growth. (www.lindex.se)
In the past two years Lindex have increased its sales remarkably. In 2004, by concentrating on the collection and on reducing its costs and in 2005, by keep focusing on the collection and introducing a new marketing strategy, the company has succeeded to raise its profits. Earlier Lindex has been too focused on casual clothes; they will now complete it with more trendy clothes. (Lindex årsredovisning- ekonomisk redovisning, 2004/2005) A successful cooperation with the Swedish, famous model, Emma Wiklund (former Sjöberg), has without doubt helped the company to attract new customers. Ever since the beginning of this year the Lindex share has increased with 37%. However, the model does not want to bring out her own contribution to this upswing. (Aftonbladet, 29/3/2006) Except from the German market, which the company has had difficulties with ever since they entered it seven years ago, the company has done very well on all the markets it operates in. (Lindex årsredovisning- ekonomisk redovisning, 2004/2005)

4.2 Interview with Hans Jepson, foreign expansion manager at Lindex

Basic information about the company and its foreign business activities
Lindex stands for approximately 8-9% of the total fashion retail market, according to Jepson. They are the market leaders in lingerie, which means that they have the greatest market share in lingerie. In comparison to H&M (one of their greatest competitors), which only owns 7% market share in lingerie, Lindex stands for 25% of the lingerie market. Furthermore, they have 18% market share in children’s ware, while H&M stands for 17% of it. “On the other hand, H&M have an advantage in woman’s ware. They stand for 9% of the market, while we stand for 7% of it”. (Jepson, 16/5/2006) They offer the same products and services in all the markets that they perform on, except from cosmetics which they do not sell abroad yet. This is mainly because foreign customers demand other cosmetic brands than those Lindex sell in Sweden. Whenever the company will start selling cosmetics abroad they will have to introduce different brands on different markets.

Lindex started internationalizing thirty-three years ago when they entered the Norwegian market and thirteen years after that they entered Finland. Jepson believes they have done well on both these markets in contrast to the German market, which they entered about seven years ago. Recently, the past two years, they have been present in Estonia and the past year in Latvia. As shown, they are right now focusing a lot on expansion and growth. Since Lindex have done so well in Estonia and Latvia (they reached profit just after six months) they will keep expanding in the Baltic countries. One country will work as a bridge to the other. From Latvia they will continue expanding to Lithuania and thereafter to the Czech Republic, Slovakia, Austria, Hungary and most likely to Poland. Because of the high competition in Poland they are still a little bit unsure whether they should enter it or not. They have therefore decided to wait with Poland until later.

Overall so far, Jepson seems happy with the company’s expansion, except from their expansion to Germany. “Today, it is easy for me to say that we should have waited and not rushed into Germany, but back then we thought entering it was the right next move to make”. (Jepson, 16/5/2006) They did not want to enter Denmark, since it is a part of Scandinavia and
Lindex wanted to take it a step further and go outside Scandinavia. Furthermore, they believed that Germany was a much more attractive country to establish stores in than Denmark and also that by entering Germany it would be easier to transit to the rest of Europe.

**Why did Lindex internationalize?**
The reason to why Lindex expanded the business abroad was because they wanted to grow bigger. By going abroad the company also had the possibility to decrease its operational cost (for instance labour costs); since labour costs differ a lot between different countries, companies can gain on an expansion by entering a country with lower labour costs. However, a foreign expansion has some disadvantages too. Jepson bring up what he believes is the greatest disadvantage. “Companies going international take a risk, cultural risks as well as risks of splitting up the company. By expanding too much too fast the chances are big that the company will lose focus on its core competence/competences”. There are three main factors (potential, window and concept) that Lindex talk a lot about when identifying which markets to enter. They look for potential on the market, whether there is a window and also if Lindex’ concept fits the market. They also do some research; they have for instance been in touch with the Swedish Trade Council, which has helped them a lot with information about the different countries. Jepson considers it is a great institution to contact if the company wants to expand abroad.

The possibility factor is believed to be the most important factor that a company has to take into consideration in the screening process for potential markets. That is, to see whether there are any possibilities to earn money on a specific market; if there is a demand. Other important factors are location (whether the company can manage to negotiate a good deal and get hold of a good location to establish stores in) and company concept (if the company has a concept that will work on the foreign market). The political, economic and sociocultural forces have not been that important to Lindex. Since the company have only expanded to nearby countries so far, these forces have not affected them that much. In the future, if they choose to enter Russia or the Middle East, where the politics, economics and culture differ from Sweden and other European countries, these forces are believed to be taken more into consideration.

Jepson believes that the German establishment has been a great problem for Lindex in the internationalization process. They have experienced and learned a lot from it. Some of the mistakes that they did when entering Germany were for instance that they established too many stores in a short matter of time. They started out with 33 stores, but as sales turned out to be real slow they had to close down 10 of their German stores. Moreover, they opened big stores with two floors, which were not necessary. The only outcome of that were extremely high local rents. They have also learnt that the Germans are very conservative; the majority of the people like to do their shopping from domestic stores, and it has been very hard to win their trust (obtain loyal customers). Sales have gone very slow in Germany and are still a bit of a problem for them. However, Lindex is slowly reaching out to the German customers.

**How come Lindex entered the foreign markets with wholly owned stores?**
According to Jepson Lindex have a strong concept and the financial strength that is required for wholly owned establishments. Swedish world known retailers as IKEA and H&M has worked as ideal examples for them. They could have used another entry mode strategy, for instance franchising, when internationalizing the business, but because of what has just been
mentioned it has not been relevant for them yet. However, Jepson believes that franchising might be relevant in the future if they decide to enter Russia or the Middle-east.

Jepson believes in some ways that the foreign expansion has differed from the domestic expansion. Since governmental regulations vary between different countries, they have had to consider those when entering a country. Technical issues, as for instance fire safety, have also taken longer time to solve abroad than on the domestic market. Except from Germany, he is happy with the chosen order of the foreign expansion. If they had entered Austria or perhaps the Czech Republic before they entered Germany, they could have learnt a few things that they could have taken advantage of when they later entered Germany, for instance not to establish so many stores in the beginning, but to start with a few to see how it works.

What role has local competition had in Lindex’ market choices and how come they chose to enter nearby markets and not more far-flung markets?

Lindex have faced very high competition in Germany, but in Baltic on the other hand, the competition has been quite low. Jepson feels that it is unfortunate that the local competition has not affected their market choices as much as it should have, “our German market choice is a good example of that”, he says. He believes that they should have done much more research on the German market before they chose to enter it.

Lindex chose to enter nearby markets and not more far-flung markets. Since it is easier and cheaper to go from one country to another neighbouring country, Jepson believes entering nearby markets is much more advantageous when expanding abroad. If Lindex had established stores in different countries distanced from each other, they would have had to open more local offices, which in turn mean additional costs for the company. Their current expansion strategy allow them for instance to use the same office in Finland both for the Finnish market as well as for the Estonian and the Latvian market. Once Lindex have established a lot of stores in a country they prefer to open a local office there.

The markets that Lindex has chosen to expand to have in a broader perspective quite similar purchasing behaviours, lifestyles and market structures as Sweden. Jepson believes that if the company would expand to a country in southern Europe, for example Spain, product modifications would be necessary. The Spanish people have much smaller sizes in clothes than people in north Europe have, thus Lindex would have to sow clothes with smaller sizes especially for the Spanish customers. Furthermore, since Spanish people are very fashionable (almost trendy), Lindex will not be able to offer them what they demand. According to Jepson they are constantly improving their collections, but they are not offering super trendy clothes.

How will the Swedish retail industry develop in the next few years?

In the future many foreign actors that are already present in Sweden are expected to expand and open up new stores in Sweden and at the same time many new actors will enter the Swedish market (the German New Yorker and Kid Interiör, a Danish home furnishing company in line with Hemtex, are given as examples). However, since the Swedish market is small one can still feel some resistance from many foreign actors to expand to Sweden. More domestic retailers are expected to expand globally than those that are expanding today. Lately a lot of Swedish retailers have internationalized (Polarn O. Pyret and JC are given as examples) and Jepson definitely believes that this trend will continue in the future.
Jepson does not believe that more fashion retailers will start their foreign business activities in distant countries in the future than those that expand to distant countries today. “It is hard to manage a company that have stores established on the other side of the globe; it requires a lot of effort (time and capital) and the company will lose focus on its core competence”. (Jepson, 16/5/2006)

4.3 Presentation of Indiska Magasinet

Indiska is a Swedish fashion and interior decoration company inspired by India and the Orient. It was founded in 1901 by Lady Hamilton and is today owned and ruled by the Thambert family. It started out as a decoration- and gift shop, but as the company expanded in the 1960’s they also started selling clothes and accessories inspired by the Orient. With sustained sales increase in the 70’s the company decided to launch textiles, which proved to be a good investment. Later in the 90’s the company introduced children’s wear and interior decoration. (www.indiska.se)

The company have 70 stores today, located in four different countries. Nine stores is established in Finland, four in Norway, one in Denmark and the rest of the stores are situated all over Sweden. The first foreign store was established in Copenhagen, Denmark in 1997. Indiska have about 600 employees, of which the majority are working in the stores. The head office is located in Stockholm as are the central warehouse. The company also have its own manufacturing offices in India. The annual turnover is approximately 700 million Swedish crowns. (www.indiska.se)

The mission statement of Indiska is to put up a modern and priceworthy range of women’s- and children’s wear, accessories and interior decorating goods inspired from India and the Orient. The companies vision and goal has since its start 1901 been the same, to spice up Sweden and the rest of Europe with colour, warmth and joy. They wish to influence the customers with Indian and oriental culture and create a picture of another world. (www.indiska.se)

4.4 Interview with Claes Fahlberg, expansion manager at Indiska

Basic information about the company and its foreign business activities

According to Fahlberg Indiska’s profits vary from year to year which depends on the shifting trends and their fit with the company’s business concept. Indiska’s market share is difficult to measure, because the company has a varying product mix. As for the products they offer the same products and services on all the markets, but since trends and demand can vary a little bit between different countries the company have a local focus on the product range that sells well. The first foreign store was opened in Denmark for about nine years ago. After that the company opened up another store there, but they decided to close it down after a while, because of the very low sales. Denmark has proved to be a very tough market to enter. It took more or less five years before the first store in Denmark gave any profits. Eventually they
entered the Finnish market, which was a very good choice. In Finland there was a demand for the company’s products, which Fahlberg believes was mostly because many Finnish customers were familiar with the company. Today Indiska has about ten stores in Finland, one in Denmark and five in Norway, which they recently has expanded to.

In the next two years Indiska is going to open up four or five more stores in Norway, since it is a profitable market, but at the same time it has also been a bit of a problem for Indiska to expand to Norway. They are not a member of the European Union, thus Indiska have to import the goods to Sweden first and then export it to Norway, which means a lot of administration. According to Fahlberg, the company knew that if they entered Norway it would lead to additional paper work, but not that it would be as much paper work as it has turned out to be. Indiska has a great production office in Bombay, India, from which they ship the goods to respective store (country). But in Norway’s case the goods has to pass Sweden first, and then be transferred to the stores in Norway. Another difficulty they have had in Norway is internal communication problems. The company has not been so good at passing on information to their employees in Norway. Fahlberg believes that more information to the employees is necessary to secure that everyone knows everything they need to be aware of, such as their concept and what their brand stands for. To achieve that, longer introductions for Indiska’s foreign store managers and visual merchandisers are necessary in Sweden.

In the future Indiska plan to expand outside Scandinavia, but that is not until spring 2008 at the very earliest. The management crew have had many discussions about which countries they can enter. There is a great variety of countries to choose between, but they have selected two countries, United Kingdom and Holland. “It should be mentioned that this might change later on”. (Fahlberg, 21/4/2006) These two countries are chosen mainly because they have relatively similar market structure as Sweden.

Fahlberg seems happy with the expansion so far. Indiska is a family business that expands with its own budget. They have certain amount of capital available, and cannot expand faster than they are today. Today he feels like they are expanding in a race that the company can handle economically.

**Why did Indiska internationalize and how come they chose to enter nearby markets and not more far-flung markets?**

The greatest reason to why the company internationalized was because they felt that they were done with the Swedish market and they wanted to develop further. They would not have gained on additional expansion in Sweden because for instance if they would open up a store in Upplands Väsby, in Stockholm, it would decrease their sale in Kista, in Stockholm, which is pretty close to Upplands Väsby. “Foreign expansion creates opportunities to grow and increase the profits, but it is also a risk to enter a new market. It is hard to predict how it is going to turn out on the new market”. (Fahlberg, 21/4/2006) It was obvious that the company would start expanding in Scandinavia.

The first store in Denmark was chosen more or less by chance, the company found a great location in central Copenhagen and decided to enter the Danish market. The reason to why they entered the Finnish market is because the company new that there was a demand for its
products in certain areas there. They got many offers from different websites that wanted to start franchising in Finland and for the same reason they entered Norway. According to Fahlberg they have not put so much effort in the previous market screening- and identification process, but they will devote more time to it in the future, especially for the British market, where the competition is very high. “Distant research works well as a complement to increase the knowledge of a market, but the most important factors are to find out the demand for the company’s products, and the demand for its brand”. (Fahlberg, 21/4/2006) Other important factors are of course the intensity of the competition on the markets, the price of costs (like rents) and the turnover rate per m² (in a shopping mall for instance). He adds that political, economic and sociocultural factors are important. That is why they have planned not to enter certain countries, like Spain for example. It has a lot to do with the climate and the language. In UK and Holland most of the people speak English, thus they would not have any language difficulties. Moreover the climate in Spain is warmer than in Scandinavia, people spend more time outside their houses and we believe that they care less about home-decoration than people in northern Europe.

There are several reasons for why Indiska chose to enter nearby markets and not more far-flung markets. “Partially because it is geographically closer and easier to commute (shorter distance between the foreign markets and Sweden) and partially because the people in the chosen countries have quite similar mentality and body size. The climate is also pretty much the same in Scandinavia.” (Fahlberg, 21/4/2006) The only disadvantage regarding to their internationalization to nearby markets is that Indiska lost many Finnish customers in Sweden, which instead purchased from the stores in Finland. This does not really matter, since it does not decrease their overall profits. The same can be said about the Norwegian customers. Indiska had many Norwegian customers in Sweden before, which now can purchase the products in Norway.

The markets that Indiska has chosen to expand to have in a broader perspective quite similar purchasing behaviours, lifestyles and market structures as Sweden. If Indiska would have expanded to a country in southern Europe, for example Spain, then Fahlberg believes that product modifications would be necessary. Today, Indiska has clothes from size 36. Spanish women are in general slimmer than Scandinavian women, which mean that we would have to sow clothes as small as size 32 specifically for the Spanish customers. If they would open up new stores in more distant countries they would start in India.

**How come Indiska entered the foreign markets with wholly owned stores?**

Indiska have so far chosen to enter the markets with wholly owned stores. Other entry mode strategies could have been used, but they have purposely chosen not to because Indiska, as been said earlier, is a family business (it is owned by the Thambert family) and they wish to keep it that way. The company could for instance have received capital from other financiers by joining the stock exchange market. In that way Indiska would have been able to expand faster, even though they were not willing to do it. They could also use franchising. The only reason that the company would consider franchising its business would be if sales were very slow on a new market and they get lack of capital. Indiska is aware that this might happen if they enter the British market. Fahlberg indicates however that this is definitely not what they are aiming for. It is rather the opposite; Indiska’s goal is to keep the company within the family.
Fahlberg has different opinions about the chosen order of the foreign expansion. “Apparently we should not have started our foreign expansion by entering Denmark”, he says. But he also consider that they did the right thing not to enter Norway until recently, even though it has been a relatively easy market to enter, because the Norwegian administration is easier to handle today than it was five years ago. He adds that the foreign expansion did not differ so much from the domestic expansion.

**What role has local competition had in Indiska’s market choice?**
Since Indiska is running a multi concept (different ranges of products), the competition has shifted between different product ranges on different markets (a product range that has had high competition on one market has had low competition on another market). According to Fahlberg, competition will always exist in some way, but that should not hold them back. They have looked at it, but overall it has not affected their decision on which markets to enter. They have not compared different markets, such as Norway and UK, to find out which one to enter, because they had already decided to establish in Scandinavia before they would enter other European countries.

**How will the Swedish retail industry develop in the next few years?**
“The worst danger today is that it is being set up too many retail stores”. (Fahlberg, 21/4/2006) There is not room for more stores; as a result shopping malls are enlarged all the time. Indiska have chosen not to enter all the new malls that are opened up. Many other fashion-chains enter in all new shopping malls that are being built, otherwise they fear that they would loose market share. At the same time it should be said that companies that are listed on the stock exchange market differs from family owned companies in their need of raising market share. Indiska’s financial goal is to have a satisfying profitability, they do not have any end in itself to become as big as possible. In the future he fears that the competition will become even higher than it is today, thus they have to become more effective. Small businesses will be most hurt, while large scale enterprises will be the grand winners.

In the future, Fahlberg is quite sure that more Swedish retailers will expand globally than those that are expanding today, but he does not think that more retailers will start their foreign business activities in distant countries than those that expand to distant countries today. Most of the well-known retailers today have expanded to Scandinavia first and now want to expand further successively in Europe and in time perhaps to more distant countries (Clas Ohlson, JC, H&M, Kappahl, Hemtex and Lindex are given as examples of companies which seem to use the same expansion strategy). Future retailers are believed to continue using the same internationalization strategy, because this is the most secure way, to start off in countries that have quite similar macro environment as the domestic country has.
4.5 Presentation of Handelns Utredningsinstitut AB (HUI)

HUI is a Swedish consultancy company that has over 35 years of experience within Swedish retail. They focus on different levels of market- and- customer analysis. HUI’s consultants also work with socioeconomic issues as well as collection and development of business related statistics. They have an advanced database, which is used by a lot of organizations (both private and public). Often, for instance, consultancy firms use data collected from HUI in their own analysis and reports. Furthermore, they do a lot of research (which is closely related to different universities) on the transformation of trade and the characteristics of future customers. All the researchers at HUI have an academic background as well as work experience. As it may seem, HUI have great knowledge about retail. Fredrik Bergström, which I have interviewed, is the head of the company. (www.hui.se, April, 2006)

4.6 Interview with Fredrik Bergström (econ. Dr), CEO at HUI

Basic information about Swedish fashion retail

According to Bergström, the competition has been very high on the Swedish fashion market with increased sales since the middle of the 1990’s. Up until 2005 sportswear have sold better than casual- and- trendy clothes and shoes, but recently it looks like this trend might have changed to the opposite. People nowadays seem to buy more trendy clothes and as a result to the fierce competition low price fashion chains, as H&M for example, oust small businesses. At the same time the demand for variety within fashion retail is great, which creates opportunities for innovative small businesses to survive on the market.

Bergström believes that the trend component will definitely rise and become more important in the future. “If we compare basic consumption versus fashionable consumption today with previous years we can see a clear increase in fashionable consumption today”, he says. People nowadays buy much more products that they are not in need of than they did in the past. This trend is expected to proceed in the future. Furthermore, new international fashion chains will enter the Swedish market and increase the competition, which will make it more difficult for small local businesses to survive.

Swedish fashion retailers and foreign expansion

Bergström believes that the greatest reason to why Swedish fashion retailers internationalize their business is probably that these companies want to grow and since they cannot find good domestic locations for establishment of new stores, they cannot continue their expansion in Sweden. Other reasons might be that they can achieve economies of scale by enlarging their business or that they are listed on the stock exchange, which puts pressure on them to bring profits (from growth for instance) for their shareholders. Though it should be pointed out that foreign expansions are not always profitable, it may take several years before a foreign expansion yield profits.
As just been mentioned, the general advantages with foreign expansions are that a company’s possibilities for growth and raised profits increases by going international. It can also be good that companies expand abroad in a socioeconomic point of view. A company that grows provides more jobs in the head offices in Sweden, that is if they keep their head office situated in Sweden. The greatest disadvantages with foreign expansions are the high costs as well as the great risk that it is associated with. If the company does not succeed on the foreign market it will lose a great deal of money.

Bergström believes Swedish fashion retailers greatest issue when they internationalize is probably to find good locations to establish their stores in. It is of greatest importance for a company to find central “gold locations” to establish stores in, in order to be visible and close to the local customers. A reason to why large fashion chains have gained more market share recently is because they have excellent location strategies as well as strong business- and-store concepts. Another important factor is that they have to strengthen their brands. They might be well-known in home market, but not so familiar for the international customers. They have to develop a good image and become familiar to the international customers, in order to gain their trust.

**Swedish fashion retailers’ foreign market selection**

Bergström considers companies take a huge risk when they decide to go international. Generally it is easier for Swedish fashion retailers to expand within Scandinavia, where the countries share similar culture and infrastructure. Many Swedish fashion retailers that have entered other Nordic countries have used the same methods/models in the foreign market screening process as in the domestic market; they have searched for the “right” markets to enter in the same way as they did in Sweden. First they have chosen a country to enter and then they have done a classic market analysis. A typical market analysis includes different steps as assessing the basic demand for a product, performing a purchasing power- and- a competitor analysis, finding out the right locations to establish stores in and also learning the country specific laws that affects the store establishment procedure. Bergström believes an expansion outside Scandinavia is much more risky. Many fashion retailers have failed doing that. There are no guaranties that a concept that works well in Scandinavia works elsewhere.

Many fashion retailers today choose to enter nearby markets and not more far-flung markets. According to Bergström, trade has traditionally started locally and then extended nationally, regionally and finally globally. It is a great step for Swedish fashion retailers to leave Scandinavia. Because of the geographic- and- cultural proximity they are more familiar with for instance the demands in the Nordic countries, thus it becomes easier to expand to them. There is also a logistic explanation to why they choose to expand to nearby countries. An effective warehouse in for example Gothenburg can also be used for established stores in Norway. The company becomes more cost-efficient by having the district warehouse close to its stores. Expansion to distant countries can give rise to considerable cost disadvantages in distribution.
4.7 Presentation of Habit

Habit is Scandinavia’s largest fashion magazine. It is an independent trade magazine, which bring up the latest fashion news (both general and economic) and coming trends, for instance new brands that is establishing in Sweden. The magazine focuses on fashion and business; it includes women’s wear, men’s wear as well as children’s wear and it covers different product areas, such as clothes, lingerie, swimming, sports, shoes, bags and accessories. A great deal of the data presented in the magazine is directed towards retailers within this business area, foremost for the mom & pop stores, but it also includes valuable information for retail chains. Habit publishes 12 issues of the magazine each year and each issue has its own topic. The magazine reaches approximately 15 000 readers. The company is owned by Mentor Communications AB in Stockholm. (www.habit.se, April, 2006)

4.8 Interview with Jimmy Panagiotopoulos, sales manager at Habit Magazine

Basic information about Swedish fashion retail

According to Panagiotopoulos, the competition has become very intense in the clothing industry. Mom & pop stores which today stand for about 35% of the market are being run over by big fashion chains. Everything has to go very fast and cost as little as possible. He calls it the “McFashion” era. Big fashion chains which can achieve economies of scale and be cost effective have taken over the markets, while mom & pop stores have decreased in numbers. In order to survive on the market these local businesses have to create competitiveness through other factors than price and cost. Since their future success is dependent on the customers they have to win their loyalty by having for instance better customer service.

In the next couple of years, Panagiotopoulos believes that many of the mom & pop stores that exist today will disappear, mainly because a lot of the storeowners that are getting old (which do not have any children or employees that are interested in taking over the business) will retire. Future fashion retailers will be suppliers that will integrate forward in the distribution channel and establish own local stores. Gant, Boomerang and Filippa K are given as examples. A lot of foreign actors will enter the Swedish market and increase the competition even more. Zara, the newly arrived Spanish fashion chain is now for instance planning on opening 15 additional stores in Sweden. As a result of the increased competition many existing fashion chains will not survive, they will be bought by big fashion chains that will close them down.

Swedish fashion retailers and foreign expansion

Panagiotopoulos believes that the reason why Swedish fashion companies internationalize their business is because they want to keep growing. Since they cannot grow any further on the domestic market they choose to expand their business abroad. It is foremost limited companies that choose to go international. Consequently the advantages with foreign expansion are that the company advances and become bigger. They also become a more
attractive employer, which makes it easier to recruit people. The disadvantage with a foreign expansion is that it is associated with higher costs.

Panagiotopoulos thinks some of the problems that the companies face when they internationalize are how to handle the local competition or how to manage cultural differences as well as how to cope with issues that can arise with labour unions. He also believes that in many cases it takes longer than the companies had considered before they reach profit on the new markets. Another typical dilemma for companies who have established stores in a foreign country is to find new locations for further expansion within the same country. As a consequence, the most important factors that a company has to take into consideration in the screening process for potential markets are local competition, cultural differences, the legal system and the country specific laws.

**Swedish fashion retailers’ foreign market selection**

Panagiotopoulos hopes that Swedish fashion retailers that expand abroad identify markets to enter through a well prepared market analysis. A good example of a company that put a lot of effort in the market identification process is H&M that carry out intensive analysis when searching for potential markets. He believes that companies in their market identification process search for opportunities to see whether there is a need for the company on the potential markets. After all, the primary condition is to have a faith for the company.

Many fashion retailers choose to enter nearby markets and not more far-flung markets mostly because of the enormous costs associated with an expansion to distant countries. It will cost much more to establish a store in a far away country. Nearby countries have quite similar culture, infrastructure etc. which will make it is easier to adjust to, which in turn will cost less for the company.
5 Analysis

This chapter compares the theories presented earlier with the empirical findings. An interpretation and analysis is made in order to answer the research question. Firstly, the impact of the macro environment on the chosen companies’ market selection process is analysed. Thereafter, the Uppsala internationalization model is compared and analysed with the findings of the empirical studies.

5.1 Macroenvironmental forces role

How much do national business environments affect a company’s location selection process? According to Wild, Wild & Han (2003), the macro environment have a great affect in where a company settles down, but how does it look like in reality? How much consideration is taken to the political, legal, economic and sociocultural forces? What have been the most important factors that Lindex and Indiska have considered before internationalizing the business abroad?

Lindex

Unforeseen negative environmental changes create risks for companies. By carefully analysing different markets companies can better predict and plan for unpredicted events that might occur if they enter these markets. One way companies can better prepare for the different situations and risks that might occur when entering a new country are by gathering information. Lindex seems aware of the risks that companies take when they internationalize. According to the foreign expansion manager, Hans Jepson, (16/5/2006) cultural risk and risks of splitting up the company are seen as the greatest disadvantage with a foreign expansion. Yet, the company have not taken all the macro environmental forces (such as the sociocultural forces) into consideration. They have done some research on potential markets which they have been interested in. They have for instance been in contact with the Swedish trade council that has given them valuable information about different countries. However, since Lindex only have expanded to nearby countries so far (where the politics, economics and culture is quite similar to the Swedish environment), the macro environmental forces have not been as important to check up on as other forces have been. In the future, if they choose to enter Russia or the Middle East where the macro environment differ from Sweden, they will take these forces more into consideration. (Jepson, 16/5/2006)

The macro environments in the countries that Lindex have established itself on are viewed as similar to the Swedish ones. Despite this, the company still have faced legal, economical and sociocultural difficulties abroad. Governmental regulations have varied between the different countries. Technical issues, as for instance fire safety, have taken longer time to solve abroad than on the domestic market. Sales have also been lower than expected, foremost in Germany, which has been one of Lindex problem areas. The company soon learned that the German consumers are conservative and most of them prefer to do their shopping from domestic stores. (Jepson, 16/5/2006) Consequently, it has been more difficult for Lindex to obtain loyal customers in Germany rather than on the domestic market. Cultural differences, like the ones described above, may occur when the company least expects them and many times it has financial consequences for the company. This shows that cultural influences play a great role in the fashion retail business, which in turn highlights the importance of “desk research”.

32
The possibility factor have mattered the most for Lindex in the screening process for potential markets. They look at the possibilities to earn money on the potential market. Aspects such as demand for the company’s products, availability to good locations to establish stores in, and how the company’s concept will work on the foreign market are highly important for Lindex to consider before entering a new foreign market. (Jepson, 16/5/2006)

**Indiska**

According to Fredrik Bergström at HUI (10/5/2006), Swedish fashion retailers greatest issue when they internationalize is probably to find good locations to establish stores in. This is also confirmed by Jimmy Panagiotopoulos at Habit (10/5/2006), who believes that a typical dilemma for companies that have internationalized is to find new locations for further expansion within the same country. This might explain why Indiska chose to enter Denmark. Unlike Finland and Norway, where the company knew there was a demand for its products, Indiska chose to enter Denmark more or less by chance. It seems like a great location in central Copenhagen has been the greatest reason to why they entered the Danish market.

Although political, economic and sociocultural factors are considered to be important, Indiska have so far not put so much effort in the screening and identification process of potential foreign markets. According to the expansion manager, Claes Fahlberg, (21/4/2006) research works well as a complement to increase the knowledge of a market, but the most important factors are to find out the demand for the company’s products and the demand for its brand. However, this does not seem to have been the case when Indiska decided to enter Denmark. Other important factors that Indiska take into consideration in the screening process for potential markets are local competition as well as rent prices and the turnover rate per m² (in shopping malls for instance). (Fahlberg, 21/4/2006)

Going international is risky and according to Bergström at HUI (10/5/2006) it seems easier for Swedish fashion retailers to expand within Scandinavia, where the countries share similar culture and infrastructure. “Once you expand outside Scandinavia it becomes much more risky. There are no guaranties that a concept that works well in Scandinavia works elsewhere.” As been mentioned earlier it is the unforeseen negative changes that create risks for companies. Risks, such as low sales, can be handled and prevented in different ways. One way is by adaptation, which means that the company modifies its product mix or some of its other business activities to suit local tastes and culture. This is a great opportunity that Indiska is taking advantage of. By having a varying product mix, they offer the same products and services on all the markets, but have a local focus on the product range that sells well.

Another way for companies to handle the risks is by forming partnerships, such as franchising, with other local companies. (Wild, Wild & Han, 2003) Indiska, which is a family business run by the Thambert family, have purposely chosen not to franchise the business. However, they have giving it a thought, as they are planning on expanding to United Kingdom or Holland. These markets which are characterized of having a high degree of competition as well as local rents can be tougher to raise profits on. Thus, franchising may become relevant for the company in order to raise capital. In the future they will devote more time for research, especially for the British market, where the competition is high. (Fahlberg, 21/4/2006)
5.2 Uppsala internationalization model

In order to succeed and grow on a market it is of greatest importance that companies choose the right markets to enter; that is markets where the company sees sales opportunities. According to the Uppsala internationalization model the internationalization of a company is seen as a process in which the company gradually increases its international involvement. (Johanson & Vahlne, 1990) By analysing each case (Lindex and Indiska) separately it will be shown whether the model fits with the way these companies chose foreign markets to enter or not and also if it always pays off to start the foreign expansion in nearby markets?

**Lindex**

Due to the fact that it is easier and cheaper to go from one country to another, Lindex has chosen to start their foreign expansion in nearby markets, and then successively expand to more distant countries. The company first got established in Norway thirty-three years ago. As this expansion went well the company kept growing in Norway and thirteen years after they decided to enter Finland, which proved to be another successful market choice. Then, the company wanted to take it a step further and expand outside Scandinavia. Germany became an attractive country to enter as it seemed to facilitate the transition to the rest of Europe. The company opened up 33 stores at once, which later proved to be a bad choice. Sales went slow in Germany and it did not yield any profits. Consequently, the company had to close down ten of its established stores and focus on the other 23 stores. However, two years ago, the company wanted to grow even further and therefore decided to take another expansion path towards the Baltic countries. They entered Estonia, which proved to be highly profitable. Due to this success in Estonia, Lindex felt inspired to precede the expansion and enter Latvia just one year ahead.

According to Bergström at HUI (10/5/2006), there is a logistic explanation to why many fashion retailers choose to expand to nearby countries. The retailer can for instance use the same warehouse for its stores located in nearby countries. An effective warehouse in for example Gothenburg can also be used for established stores in Norway. This seems to be the case for Lindex. Once the company have established a lot of stores in a country they prefer to open a local office there. If they had established stores in different countries distanced from each other, they would have had to open more local offices, which in turn mean additional costs for the company. Their current expansion strategy allow them for instance to use the same office in Finland both for the Finnish market as well as for the Estonian and the Latvian market. (Jepson, 16/5/2006) Entering nearby markets is therefore believed to be much more advantageous when expanding abroad.

The countries that Lindex have expanded to so far are considered to have quite similar purchasing behaviours, lifestyles and market structures as Sweden. If the company would expand to a country in southern Europe, for example Spain, product modifications are believed to be necessary. The Spanish people have much smaller sizes in clothes than people in north Europe have, thus Lindex would have to sow clothes with smaller sizes especially for the Spanish customers. (Jepson, 16/5/2006)
In accordance with the Uppsala internationalization model, Lindex has gradually chosen to increase its international involvement. It has started to internationalize to nearby markets and then gradually to more distant countries. Furthermore, the degree of international involvement seems to have increased with time. It took thirteen years before Lindex expanded to the second country (Finland) and another thirteen years before it expanded to the third country (Germany), but just seven years before they entered the fourth foreign country (Estonia) and just one year before they entered the last country (Latvia).

Lindex’ market knowledge and market commitment also seems to have affected its commitment decisions and vice versa. The company learned and experienced a lot from the Norwegian, the Finnish, and foremost from the German expansion, which it could take advantage from in its continuous expansion along with the fact that it felt a greater need for growth now than in the past. However, according to Jepson, chances are big that the company will lose focus on its core competences when expanding too much too fast. Considering all the difficulties that Lindex faced when establishing “too much too fast” in Germany, it seems necessary for the company to slow down in order to reduce the risk of making the same mistake again.

**Indiska**

In 1997, Indiska expanded abroad. First, they entered Denmark where they established one store. Soon after that the company decided to open up another store there, but as sales were low, they decided to close it down after a while. (Fahlberg, 21/4/2006) Denmark proved to be a very tough market and not as profitable as the company had hoped it would be. Finland, on the other hand, which Indiska expanded to after Denmark, turned out to be very profitable. This seems reasonable, as there was a demand for their products there. Norway, which Indiska entered recently, was also a successful market choice. As with the Finnish market, there was a demand for Indiska’s products in Norway.

According to Fahlberg (21/4/2006), there are several reasons to why Indiska have chosen to enter nearby markets. It is geographically closer and easier to commute to Denmark, Finland and Norway from the home country. The people in the chosen countries have also quite similar mentality and body size. Since Indiska has had problems on the Danish market, which is a close neighbour to Sweden, one can question whether differences in mentality are not part of this dilemma. The first store in Denmark was chosen more or less by chance. A better analysis and evaluation could maybe have led Indiska directly to the Finnish market and by that increased the company profits.

The weather is also given as an advantage to why it has been better to enter nearby countries. In warmer countries, like Spain for instance, people spend more time outdoors, thus they care less about home decoration than people in northern Europe. (Fahlberg, 21/4/2006) One can also look at this from another point of view. In warmer countries like Spain, the architecture differs from Swedish architecture. Most of the Spanish houses are built with big terraces and gardens. Indiska’s interior decoration might therefore sell very well in warmer countries like Spain.
Except from Denmark, Fahlberg seems happy with the expansion so far. Norway and Finland has both turned out to be profitable markets for Indiska. However, since the Norwegian administration is easier to handle today than it was five years ago, they are pleased that they did not enter Norway until recently. (Fahlberg, 21/4/2006) The company, which is not listed on the Stock exchange market, stand for all expenses themselves, including the expansion. The main reason why Indiska does no expand faster seems to be lack of financial resources. Considering all the difficulties companies face and the risks they take when expanding abroad, a slower expansion rate for Indiska seems necessary in order to adapt to all the new changes that is taking place.
6 Conclusions & Reflections

This last chapter presents the results from the analysis as well as my own reflections and interpretations from the study results. Thereafter, the credibility of the study is discussed as well as some suggestions for further research.

The purpose of this study has been to create an understanding of how Swedish fashion retail companies that want to expand globally decide which international markets to enter. By studying Indiska’s and Lindex’ international market selection process I wanted to increase my knowledge within this area. I started by finding out the main factors these retail companies considered in the screening process for potential foreign markets to expand to.

The study shows that Lindex have entered markets where they have considered there is a demand for their products and availability to establish the stores in good locations. The company has also entered markets where they believe their concept will work. After the German expansion and the difficulties Lindex faced there, the company now also seem to take local competition into consideration much more than they used to do before. Indiska have also entered foreign markets where they believe there is a demand for the company’s products. Other important forces Indiska have considered in the market screening process are local competition and price of costs (such as rent prices).

What seem to be missing in the screening process are macro environmental forces such as political, economical and sociocultural forces. There is a great possibility that these companies put themselves in a dangerous position by taking these forces for granted or assuming that the macro environment in nearby countries is similar to the macro environment in the domestic country.

It is often said that knowledge is power. I highly believe that increased information about a situation put you in a better position than you would be without the information. More market research means better knowledge about the specific market which makes it easier to adapt to it. Even though you cannot predict everything that is going to happen in the future (when you expand abroad), it seems fair to believe that you can reduce the risks by learning more about the market.

However, expanding abroad is highly expensive and requires a lot of financial resources. Everybody doing business is aware of this fact. There are many aspects that the company have to take into consideration and include in the budget, such as marketing and local rents. As a consequence companies might not always put as much time and capital in the screening process as they had wished. Still, I am certain that the majority of managers know the serious affects a small mistake in the beginning of the internationalization process may have on the company’s financial well being. Therefore it is highly important to question the amount they are willing to invest on the first process of finding a suitable market to enter.
With the support of Johanson’s and Vahlne’s internationalization model I have drawn the following conclusions. Due to low psychic distance Indiska and Lindex have gradually increased its international involvement. Both companies have started to internationalize to nearby markets and are now heading to more distant countries. Financially, this market selection process seems to favour both companies. Stores established in countries near each other can for instance often share the same warehouse or the same local office. It is also easier to commute between countries located close to each other and the home country.

However, as the study shows it does not always pay off to expand to nearby markets. A disadvantage with this market selection process is that it might be taken for granted that it is easier to establish stores in nearby countries and then successively expand to more far away countries. The possibility for a failure is almost excluded when it becomes a matter of course to expand to nearby markets first and then enter more distant markets. The study results show that both Denmark (which is a relatively small country in Europe both in size and population) and Germany (which is a relatively big country in Europe) has been tough markets to get a foothold on. There are many reasons to why a company do not raise profits on a market, but a common denominator for Indiska and Lindex seems to be because of high local competition. Unfortunately, none of the companies took local competition into consideration as much as they should have. A company that is planning on expanding to a highly competitive market should prepare itself even more prior to the expansion. In situations like that it is of great importance to think “outside the box” and try to find a competitive advantage in order to succeed.

In accordance with the Uppsala model the study also shows that Lindex’ international involvement have increased with time. It took thirteen years between Lindex’ second and third foreign market expansion, while it took one year between their latest foreign market expansions. Indiska, on the other hand, which is relatively smaller and have less financial resources than Lindex, have within eight years expanded to three new countries. This can depend on many different factors, such as higher domestic competition and/or falling barriers to trade, investment and technological innovation which has simplified a foreign expansion for the fashion companies today compared to twenty years ago. However, considering the difficulties these companies have faced in certain markets, a slower expansion rate and improvement in the market screening and identification process seems necessary in order to reduce the risk of making similar mistakes in the future.

**6.1 Sources of error**

Due to the fact that I have only considered how Lindex and Indiska have chosen foreign markets to expand to, the study is relatively limited and cannot be generalised to other cases. One can therefore question the validity of my study. However, since this is a multiple-case study my purpose has not been to generalize the study results to a greater population, but to get a better understanding of the internationalization process of Swedish fashion retailers by comparing these two companies. I believe that the results of this research can be of interest for people within the fashion industry.
Furthermore, it should be mentioned that I currently work as a part-time sales assistant at Lindex and have done that for the past five years. To some this may lower the reliability of the study. One might ask herself whether another researcher with no personal relationship to any of these companies would get the same study results? Despite this, I feel that I have stayed neutral and not taken my personal feelings and experiences from my workplace into consideration when carrying out the case study and I personally believe that this has not affected the results of it.

6.2 Suggestions for further research

The most difficult element during the study has been to limit myself to certain areas and stay focused on the purpose of the case study. A lot of times I have come across subjects that have been highly interesting for further research and development. Here are a few suggestions of some of these ideas that may be interesting for future research.

The internationalization process of small Swedish fashion companies
In order to get a broader view of the internationalization process of Swedish fashion companies it is also important to study smaller fashion companies within the Swedish market and look at the way they have chosen to expand abroad. Since small companies usually have less financial resources than larger and more well established fashion chains, it is not only important to look at which countries they have expanded to, but also which market entry strategy they have used, such as franchising or other forms of partnerships.

Marketing and internationalization
It would also be interesting to add the marketing aspect to fashion retailers’ internationalization process, as this factor is an important element for a company to succeed within a new market. An interesting area for research would be to study how a marketing campaign can help fashion companies to raise profit and succeed on a new foreign market. This could be done by comparing and analysing some of the greatest fashion retailers’ international marketing strategies.

Franchising and internationalization
How would it look like if Indiska and Lindex had entered far-away markets, for instance Asia, the Middle East, the United States or South America by franchising the business? Would the companies survive and have a chance to grow there? Would franchising be a good idea? One could find some interesting results by comparing the internationalization process of these two companies with two other Swedish fashion companies that have chosen an intermediate mode, as franchising, when expanding abroad.
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Interviews

**Bergström, Fredrik**, CEO at Handelns Utredningsinstitut (HUI), personal interview at 16 p.m. 10th of May 2006, Stockholm, Sweden

**Fahlberg, Claes**, expansion manager at Indiska, personal interview at 10 a.m. 21st of April 2006, Stockholm, Sweden

**Jepson, Hans**, foreign expansion manager at Lindex, personal interview at 8 a.m. 16th of May 2006, Stockholm, Sweden

**Panagiotopoulos, Jimmy**, sales manager at Habit Magazine, personal interview at 14.15 p.m. 10th of May 2006, Stockholm, Sweden
Appendix 1
Interview guide Indiska and Lindex

1) Basic information about the company and its foreign business activities
   a) How big (in terms of profit and market share) do you consider the company to be on the
      Swedish retail market?
   b) Do you offer the same products and services in all the markets that you perform on?
   c) How fast have the internationalization process gone, from when you first entered a
      foreign market to where you are today?
   d) What are your internationalization goals? Are you planning on further expansion in
      Europe?
   e) Are you happy with the company’s expansion so far?

2) Why did the company decide to expand the business abroad?
   a) What do you consider the advantages and disadvantages with foreign expansion to be?

3) How did the company identify which markets to enter?
   a) How much effort did you put into this process?

4) Which are the most important factors that a company has to take into consideration
   in the screening process for potential markets?
   a) How important do you consider the political, economic and sociocultural forces to be?
   b) How did these forces affect the company’s location-selection process?

5) What do you consider to be the greatest issues/ barriers of entry that you have faced
   in the internationalization process?

6) Did the foreign expansion differ from the domestic expansion? If yes, in what way did
   it differ?
   a) Are you happy with the chosen order of the foreign expansion?

7) How come the company choose to enter the foreign markets with wholly owned
   stores?
   a) Could you have used another entry mode strategy when internationalizing your
      business? (for example licensing, franchising or joint venture)

8) Why did the company choose to enter nearby markets and not more far-flung
   markets?
   a) What do you consider to be the advantages and disadvantages with expansion to nearby
      markets?

9) The markets you have chosen to expand to have quite similar purchasing behaviours,
   lifestyles and market structures as Sweden, in a broader perspective. How do you
   think it would look like if you expanded to a country in southern Europe, for example
   Spain?
   a) Would product and service modifications be necessary?
10) Have experience or knowledge from past internationalization been of importance in the continued expansion process? If yes, what has been important and in what way has it been important?

11) What has the local competition been like on the markets you have chosen to establish on?
   a) How has it affected your choice of markets?

12) How do you think the Swedish retail industry will develop in the next few years?
   a) Will more retailers enter the Swedish market and increase the competition?
   b) Will more domestic retailers expand globally than those that are expanding today?
   c) Will more retailers start their foreign business activities in distant countries in the future than those that expand to distant countries today?
Appendix 2
Interview guide HUI and Habit Magazine

1) How does the market for Swedish fashion retailers look like today and how much does it differ from ten years ago?

2) How do you think fashion retail in Sweden will develop in the next couple of years?

3) Why do you believe many Swedish fashion companies internationalize their business?

4) What do you consider the advantages and disadvantages with foreign expansion to be?

5) How do you think Swedish fashion retailers identify foreign markets to enter?

6) What do you consider to be the greatest issues/ barriers of entry that Swedish fashion retailers face in the internationalization process?

7) Which are the most important factors that a company has to take into consideration in the screening process for potential markets?

8) Why do you think many fashion retailers choose to enter nearby markets and not more far-flung markets?