The Project of Austrian Market Penetration by the Slovenian Fashion House Mura with a New Business Orientation and Marketing Strategy

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Thesis Guidelines:

Introduction

I. Theoretical part

- Compile theoretical background about international business, marketing and specifics about fashion/clothing industry.

II. Practical part

- Prepare complete analysis of the current market situation in Austria and generally in Europe (Central) in fashion/clothing industry and construct the analyzed profile of the Slovenian fashion house Mura.
- Prepare a project for market penetration and business development for Mura.
- Submit the project to risk and cost analysis.

Conclusion
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ABSTRACT

Fashion industry is one of the largest economic sectors and it proved to be growing with an even faster pace. It is influencing people on a regular basis and not just in terms of what they wear but the life-style they live.

For Mura, formerly being one of the biggest fashion houses in Europe, it is of crucial interest to develop its business. Consequently, strategy will play the most important role in an environment as changing as this particular one.

This study and project aims to outline the specifics of fashion business sector and identify unambiguous business inadequacy and build a new business module on these findings. It focuses on strategic aspects and orientation that result in a business proposal for market penetration for regenerate business success Mura once knew. It additionally reveals the project potential, specific barriers, and other project specifics via various analyses.

Keywords: fashion, strategy, globalization, brand, market penetration.
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I hereby declare that the print version of my Bachelor's/Master's thesis and the electronic version of my thesis deposited in the IS/STAG system are identical.

Zlin, Czech Republic, April 24th, 2012

Dragan Simic
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INTRODUCTION

Situation in the global markets today differs from those 20 years ago to a great extent. Even the word “global” itself carries an extremely different meaning when compared to that in the past. Nowadays, almost everything is global, or better said, is about to become global. Numerous companies are penetrating global markets in order to increase their profits and turnover, whilst on the other side; some companies are forced to compete with global competitors (in the local market) for survival. Ironically, many companies do not even realize they are competing on a global market, which once used to be only local. This transformation gradually led to different types of term formations, such as “glocal”.

Reasons for this new type of liberalization are seen everywhere, ranging from local to “global” authorities. One of them is definitely the European Union, members of which are also Slovenia and Austria. These types of memberships, private “clubs” if you will, are bringing the countries together in many ways. There are even sub-memberships within the European Union, such as Eurozone, members of which are also both of the above mentioned countries. With Euro being the national currency, many economic and other financial issues are being shared between the member states. Furthermore, in case one member is doing so well, the other state will jump for help (e.g. the case of Greece). As a result, the whole Union becomes a type of a unified government, or an economy. All these issues in many ways help to internationalize companies that are seeking markets abroad (e.g. Mura).

Consequently, this project focuses exactly on these issues; how to penetrate a foreign market and be successful at it – which is the project’s purpose. Reason for choosing the fashion house Mura is that it represents a huge challenge due to its financial problems (i.e. bankruptcy). Mura used to be a huge and successful company in the past. However, due to some business mismanagement in the recent years the company headed downwards. This is crucial information because Mura is a powerful business entity in a Slovenian region “Pomurje”; it represents a very strong economic position for the Slovenian government (regarding regional economic growth and employment).

The project’s main objective is to analyze the current market situation and prepare a new business plan for Mura, which will consequently help it to regain its financial strength and develop brand management.

The reason for choosing Austria as a market to-be-penetrated is its geographical location and relevancy of international business there. Vienna is one of European (in some cases,
even worldwide) business capitals and fashion centres; besides fashion “mekas”, such as, for instance, Paris and Milano. It is the place where every aspect and element regarding fashion is present and, moreover, concentrated; meaning, all relevant fashion brands can be found in Vienna. The reason behind choosing Vienna is simply that no other country is more business-rational and suitable for it; choosing Slovenia is not an option, as the aim is to re-create B2C brand image abroad; neither are the former Yugoslav countries suitable, because those markets currently are not on a relatively high “fashion level”. As for other European countries, they are either too far or not yet for penetrating (from Mura’s point of view).

The forthcoming project’s structure and methodology:

Firstly, theoretical part will focus on depiction and explanation of phenomenon of internationalization and will provide detailed explanations regarding global strategic planning with the main emphasis on global marketing. It will also concentrate specifically on the fashion sector, highlighting the fashion market condition, which is also the main focus of this project.

Secondly, analytical part will give detailed analysis of Mura’s profile, explaining the past and linking it with the present situation, allowing to analytically discovering gaps and causes for internal problems Mura has. Furthermore, detailed PEST, SWOT, Porter’s five forces and other analyses will be provided in order to successfully analyze and capture the main issues regarding penetrated market and fashion sector.

Last, but not least, project for market penetration will include a fully-structured and prepared business plan with focus on international marketing strategy. For business rationale and risk control, the project will also be submitted to time and implementation analyses via PERT methodology, as well as cost and budget analyses. Finally, steps for proper evaluation and monitoring will be provided alongside responsibility assignment.

Data presented will be gathered from primary and secondary sources and will be a credible and authentic base for project and author’s own elaborations; ergo, author’s own elaborations will be theoretically or practically and realistically sound.
I. THEORY
1 INTERNATIONALIZATION/INTERNATIONAL BUSINESS

Global markets have been present since companies realized the world started to go through a radical change in its structure. Barriers were mostly seen either in communication or the ability to reach the global markets. After a period of time, when tools for reaching them had been developed, the concepts of the terms “global” and “international” have become very strong. From that point onwards, the only aim of the global marketers was to develop these tools so that the barriers between these markets would either decrease or disappear completely. Therefore, different structures and formations of international business can be seen till this day, but this does not mean that either one of them is better than the others. They are different, just like there are companies with an exactly same idea/purpose – to be different. This is the reason, why some form might be the best for one company, but not for the other (Czinkota, Ronkainen & Moffett, 2005, p-4-5).

Internationalization is a process, final outcome and/or a way of thinking of the company in the international environment. The company becomes highly internationalized, when it grows over the national borders; meaning, when it becomes more engaged in the markets outside their domestic ones (Albaum & Deurr, 2008, p. 13). At the same time, the company has to internationalize its operations due to increasing significance of knowledge and modern technologies. They are actually the ones responsible for creating higher added-value. That is the only way a company can strengthen its competitiveness, while simultaneously realizing its business-related advantages (Svetličič, Rojec & Trtnik, 2000, p. 624-625).

International business explains the concept of internationalization in almost the same spectrum. According to Czinkota, Ronkainen, and Moffett, international business consists of transactions that are devised and carried out across national borders to satisfy the objectives of individuals, companies, and organizations (these notions are often interrelated) (Czinkota, Ronkainen, and Moffett, 2005, p. 5).

One of the primary and crucial objectives of the firms is to realize the concept of global environment, and to successfully incorporate it into their core operations. There are many impacts of international business-doing on the companies. To sum up, many positive features, participation in an international business can help the firms achieve economies of scale on the microeconomic level that otherwise cannot be achieved in the domestic market. Together with the more efficient learning curve, the potential customer base greatly increases, giving the companies more flexible and mobile situation, which is a positive
feature for its customers as well. Overall, the market becomes healthier because of the constant competition (both, locally and globally). Even the employees benefit from this as they increase their relevancy, which in its way increases their salaries (Czinkota, Ronkainen, and Moffett, 2005, p. 16).

Business history is full of examples when companies tried to implement international and global business concept, but did not succeed because the management failed to integrate all the relevant steps into a correct decision, which would lead the company towards international growth, profits and overall satisfaction. This issue again highlights the importance of integration on a single decision level (Czinkota, Ronkainen, and Moffett, 2005, p. 6).

One good example of an unsuccessful global approach was seen with Disney launching an amusement park in Tokyo. Domestically, Disneyland Park was a great success, while globally Disney admitted making a major error; it had licensed its name and image to another company that still actually owns and operates the park, as well as the land where it sits. From this company Disney collects only a small portion of the revenues generated, whilst the company operating the park grabs the majority of the revenues (White, 2009, p. 5).

Opposed to the above-mentioned, the era of globalization indeed proved to be successful for other companies, such as McDonald’s. The so-called global components of a “Big Mac” in Ukraine illustrate the successful usage of the benefits of globalization in terms of business. Under the slogan “Eat Locally, Spend Globally” it is possible to see the illustration of the “glocal” economy at work. Apart from the US, in other countries the ingredients are from many different countries and a variety of their local and international suppliers. As a result, the “Big Mac” in Ukraine contains the sesame seeds from Mexico, pickles and special sauce from Germany, bun from Russia, onions from the US, beef patties from Hungary, cheese from Poland, and, finally, lettuce from Ukraine. As visible, McDonald’s heavily relies on its overseas operations to generate its sales and profits which stay in the company and can be re-invested for development (Czinkota, Ronkainen, and Moffett, 2005, p. 11).

Overall, internationalization mainly represents the process of entering foreign markets, its inclusion and co-generation of the processes. It includes all transactions devised and carried out abroad with the final aim to satisfy the customers and all market participants that are present. In terms of the direction and course of these transactions, internationalization is divided into: (1) inward, (2) outward, and (3) cooperative/network internationalization.
Inward occurs when foreign companies are present on our domestic market, outward exists when local companies have their activities and transactions abroad, whilst cooperative represents some kind of non-capital, strategic, for that matter, alliances. Most commonly comprehended is outward internationalization due to its traditional understandings; meaning, it represents the traditional growth and business development of national companies outside the national borders (Makovec Brenčič et al, 2006, p. 11-18).

1.1 Motives for Internationalization/Market Penetration

One of the major aims behind conducting international business is creating profit. Afterwards, all other motives, such as unique product, or technological capabilities, might follow or not, it depends on an individual situation. These are certain, proactive impulses. On the other hand, the so-called reactive impulses are, for instance, competitive pressure, saturated domestic market, and others (Czinkota, Ronkainen, and Moffett, 1996, p. 403-405).

Therefore, according to Czinkota et al., there are five major proactive motivations to firms (Czinkota, Ronkainen, and Moffett, 2005, p. 352-353):

- Profit advantage – international sales may be perceived as a potential source of higher profit margins;
- Unique product/technological advantage – a firm may produce goods or services that are not widely available from international competitors;
- Exclusive information – sort of an insight, special contacts a firm may have, in-depth research;
- Tax benefit – many governments use preferential tax treatment to encourage exports;
- Economies of scale – international activities may enable the firm to increase its output and therefore rise more rapidly on the learning curve. As a result, increased production for international markets can help reduce the cost of production for domestic sales and make the firm more competitive domestically as well.

Similarly, for reactive motives it is also possible to identify some of the major reactive motivations to firms (Czinkota, Ronkainen, and Moffett, 2005, p. 353-354):

- Competitive pressures – the company might lose market share due to other competitive companies that operate internationally;
- Overproduction – foreign markets can represent a temporary safety valve for the company in case of domestic business cycle downturn;
- Declining domestic sales – it can expand the present market scope or even open a new foreign market;
- Excess capacity – if equipment for production is not fully utilized, firms may see an opportunity for expansion abroad;
- Saturated domestic market – it has similar results to that of declining domestic sales;
- Proximity to customers and ports – physical and psychological closeness to the international market can often play a major role in the international business activities of the firm (e.g. for companies, located close to the border, it may not seem they are internationally involved if they do business outside the country because it is seen as neighbouring surroundings).

Among the above-mentioned impulses, there is also a presence of the so-called external (e.g. governmental programmes) and internal (e.g. excessive production) motives. Consequently, it is possible to assume that there is constant and continuous intertwining between the four of them, as the table shows below (Makovec Brenčič et al., 2006, p. 22-23).

**Table 1:** The Display of Intertwined Motives in an International Business

(Makovec Brenčič et al., 2006, p. 23)

<table>
<thead>
<tr>
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<th>Internal motives</th>
<th>External motives</th>
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<tr>
<td>Proactive impulses</td>
<td>• Managerial motives</td>
<td>• Opportunities abroad</td>
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<td>• Marketing advantage</td>
<td>• Agent swap</td>
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<td>• Unique product/technological knowledge-advantage</td>
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<tr>
<td>Reactive impulses</td>
<td>• Risk diversification</td>
<td>• Unexpected foreign orders</td>
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<td></td>
<td>• Seasonal product sales extension</td>
<td>• Small domestic market</td>
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<tr>
<td></td>
<td>• Excess capacity</td>
<td>• Declining domestic market</td>
</tr>
</tbody>
</table>
1.2 Market Entry/Penetration Modes

Market entry modes are of various types and sorts. They can help a company in the initial phase or to develop a more complex stage in the late international involvement. One of the relevant features about it is that the company can pick a mode which is the most suitable for its business or operational specifics, even in terms of strategic planning.

In the basic form of the types and sorts of international business, it is possible to identify three main groups, which are as follows (Makovec Brenčič et al., 2006, p. 51-52):

- Export modes;
- Intermediate modes;
- Hierarchical/investment modes.

The groups, mentioned above are differentiated from each other in terms of the degree of risk, control, and flexibility (Makovec Brenčič et al., 2006, p. 51-52).

1.2.1 Export Modes

In the export mode products are produced on the domestic market and then exported abroad. One of the first types of this mode of international business is definitely export, because it represents a single and the simplest export order. Exports are being exemplified as the ones with a low degree of risk, relatively small degree of control, and high degree of flexibility. In other words, the company dealing with exports is relatively not risking much by dealing internationally via export activities, however due to the this fact the company is not possessing much control over the whole business activities (just the transportation of the goods outside the country). As a result, in case of some political risk or economic crisis in a foreign country, the firm can, relatively speaking, move its activities from that market almost instantly, allowing its business to keep existing (in case the foreign market represents the biggest share of the firm’s business, the situation is of course different) (Makovec Brenčič et al., 2006, p. 51).

Export modes are divided basically into three main categories (Makovec Brenčič et al., 2006, p. 56-57):

- Direct export;
- Indirect export;
- Cooperative export.
1.2.2 Intermediate Modes

This mode allows the participants to share risk, control, and ownership. There are many reasons why the company would pick this particular mode to address its needs abroad. For instance, the need to be close to customers, decrease the production and transportation costs, and avoid barriers of entry, such as customs and duties, are some of the most common ones that are responsible for the development of intermediate modes.

In contrast to an export mode, the intermediate mode is in fact transferring the production abroad; meaning that the knowledge for its advancements and development is being transferred as well; ergo import-export is no longer necessary. With this transfer the company is able to bring the supply closer to the chosen market. Most common types of intermediate mode are as follows: (1) licensing, (2) franchising, (3) contractual manufacturing, (4) joint ventures, and (5) strategic alliances (Makovec Brenčič et al., 2006, p. 51-60).

1.2.3 Hierarchical/Investment Modes

Investment modes are reflecting the highest degree of control together with the highest degree or risk. Consequently, they possess low flexibility. The company is taking over the entire ownership and control of the decision in regards to which mode to use in order to enter a foreign market. The business control mainly depends on the division of the responsibility between the mother company and its unit abroad, which is 100%-owned by the mother company. In regards to the investment mode the most linkage is made with production, where the company can enter the foreign market injecting its own capital, which is allowing the company to control operations even outside the domestic market. Most common types of hierarchical mode are: (1) sales representatives, (2) warehouses, (3) regional centres, and many more. The so-called foreign direct investments (i.e. FDIs) can also be divided into green field investments and brown field investments (Makovec Brenčič et al., 2006, p. 51-75).

1.3 International Intermediaries

Directly or indirectly, international intermediaries help and assist companies with troublesome, yet important details, such as documentation, financial matters, and transportation. The intermediaries can also identify foreign suppliers and customers and can help the firm with long- or short-term market penetration efforts. In other words, the intermediaries are able to bring the vastness of global economy and size of the global market in front of the
doorsteps of the domestic firm. However, it is up to the company itself to decide how to use the intermediaries. Options range from using their help for initial market entry to developing a long-term strategic collaboration and orientation (Czinkota, Ronkainen, and Moffett, 2005, p. 358-361).

The foremost types of international intermediaries are export management/group companies, which are specialized in performing various international business services as commission representatives or as distributors, and trading companies, playing a unique role in world commerce by importing, exporting, countertrading, investing, and manufacturing (Czinkota, Ronkainen, and Moffett, 2005, p. 358-361).

1.4 Inter-firm Cooperation

The global environment has become too large and thus the competition has become too fierce even for the largest companies to do everything independently. As a result, formation of strategic alliances emerged, where company is able to achieve multiple goals with suppliers, customers, competitors, and companies in other industries. Strategic alliance (or partnership) is an informal or formal arrangement between two or more companies with a common business objective. They are used for many different purposes by the participants involved, market development being one of the most common ones. Foreign market penetration is for many companies a primary objective (Czinkota, Ronkainen, and Moffett, 2005, p. 367-370).

There are different forms of inter-firm cooperation, which distinct in terms of the amount of commitment required and the degree of control each partner has. Types of strategic alliances can be summarized as follows: (1) informal cooperation – partners work together without a binding agreement, based on mutual trust and friendship, (2) contractual agreement – partners join forces for joint R&D (Research and Development), joint marketing, or joint production; this might include licensing, cross-licensing, or cross-marketing activities, (3) joint ventures – participation of two or more companies in an enterprise in which each party contributes assets, has some equity, and shares risk, (4) consortia – emergence with an aim to combat the high costs and risks of research and development, and (5) equity participation – acquired minority, but strategically relevant ownership (Czinkota, Ronkainen, and Moffett, 2005, p. 367-373).
2 GLOBAL STRATEGIC PLANNING

A global firm is the one that, by operating in more than one country, gains marketing, production, R&D, and financial advantages that are not available to purely domestic competitors. As a result, a global company sees the world as one market. For instance, Otis Elevator, the world’s largest elevator manufacturer, achieves 81% of its sales from outside the United States. This company is a perfect example of the “one world – one market” concept. Without its sales abroad, the company would not have been able to survive (Armstrong and Kotler, 2011, p. 509).

Globalization is becoming more homogenous and the distinctions between national markets are not only fading, but, for some products, will eventually disappear. Consequently, all companies will, more or less, have to internationalize their strategies; even though, they might not want to. Even the simplest farmer in some village in a particular country will become or, better said, has already become internationally involved because he is already competing with the international food chains and the most ironic thing is that he is not fully aware of it.

However, before globalization, marketers utilized a country-by-country multidomestic strategy, with each country organization operated as a profit centre. As a consequence, each national entity markets a range of different products and services targeted at different customer segments, utilizing different marketing strategies with little or no coordination of operations among countries (Czinkota and Ronkainen, 2001, p. 465).

The strategic planning process starts with a clear definition of business for which the strategy is to be developed. This phase of planning requires thorough participation of executives from different departments; marketing, production, finance, distribution, procurement, etc. (Czinkota and Ronkainen, 2001, p. 470-471).

The starting point for global strategic planning is to understand that the essential forces that determine business success are common to different countries that the firm competes in. However, the statement, that forces might be common to different countries where a firm is present, is arguable; in practice the structure of these forces might differ. With other words, the local structure of the industry has to be taken into consideration and used as a platform for “glocal” planning within the country. As a result, the company undoubtedly ends up with plans that are unique from country to country and from market to market (Czinkota and Ronkainen, 2001, p. 471-472).
The following steps include the choice of a competitive strategy to be employed and the choice of markets in the country to be entered or to be penetrated. In regards to global markets, a marketing manager has three general choices of strategies: (1) cost leadership, (2) differentiation, and/or (3) focus. When pursuing the cost leadership strategy, a global marketer offers the market an identical product/service at a lower cost than his competitors. This often means investment in scale economies and strict control of costs, such as overhead, research and development, and logistics. In pursuing differentiation strategy, the marketer offers the advantage of the marketer’s real or perceived uniqueness in elements such as design or after-sales service. Last, but not least, a focus strategy emphasizes single industry segment within which the orientation may be toward either low cost or differentiation (Czinkota and Ronkainen, 2001, p. 472-476).

In regards to the choice of country markets to be entered, a firm should first start analysing the regions and then further split the analysis by countries. Various portfolio models have been proposed as tools for conducting this type of analysis. They typically involve two measures: (1) internal strength and (2) external attractiveness. However, when choosing country markets, a company must make decisions beyond those relating to market attractiveness and company position. A market expansion policy will determine allocation of resources among various markets. Basic alternatives are concentration on a small number of markets and diversification (Czinkota and Ronkainen, 2001, p. 472-476).

The conventional wisdom of globalization demands a presence in all of the major triad markets of the world. The reasons for it, however, might differ. In some cases, the markets may not be attractive in their own right but may have some other significance, such as being the home market of the most demanding customers or being the home market of a significant competitor. As a clear example might be seen the attempts of European PC makers to penetrate the US market. The attempts are based on the premise that if they can compete with the big multinationals (e.g. Dell, Compaq, and Hewlett-Packard) at home, there is no reason why they could not be equally competitive in the US and this is exactly what was meant to be pointed out in the text above in regards to a local farmer. A firm can be internationally and globally competitive, which gives them no reason why not to try their success, with a bigger capital, outside the domestic market (Czinkota and Ronkainen, 2001, p. 472-476).
2.1 Segmentation, Targeting, and Positioning

Not everyone fancies the same items; cereals, automobile, movies, etc. therefore, in order to serve mixed preferences, marketers have to make the following steps:

![Figure 1: Marketing Steps for Strategic Planning (Kotler and Keller, 2006; Armstrong and Kotler, 2011)](image)

The first step is to divide the market into segments. They identify and profile distinct groups of buyers and customers that might prefer or require varying products and services or even varying features within the same product (Kotler and Keller, 2006, p. 24). However, the segmentation process should be effective and relevant to the analysis. In order to be useful, market segments must be measurable (the size, purchasing power, and characteristics), substantial (the largest possible homogenous group worth going after with a tailored marketing programme), accessible (effectively reached and served), differentiable (conceptually distinguishable), and actionable (effective programmes formulated for attracting and serving the segments) (Kotler and Keller, 2006, p. 262).

Effective use of segmentation allows global marketers to take advantage of the benefits of standardization, while addressing the unique needs and expectations of a specific target group. However, the firms should be careful with the standardization because with an improper use it could strike back cutting down the sales. For example, while Levi’s jeans are globally accepted by the teenage segment, this same segment in Europe reacted negatively to the urban realism of Levi’s US ads. Levi’s converted its ads in Europe, drawing on a mythical America (Czinkota and Ronkainen, 2001, p. 476-477).

The greatest challenge for the global marketer is to choose the appropriate base for the segmentation effort. Their objective must be to create a grouping that is substantial enough to merit the segmentation effort that can be transferred onto marketing effort. The possible bases for segmentation are: (1) environmental bases and (2) marketing management bases. Traditionally, marketers used environmental bases; however, using geographic proximity,
political system characteristics, economic standing, or cultural traits as stand-alone bases may not provide enough relevant data for effective decision making. Using a combination of these, on the other hand, may produce more meaningful results. With marketing management bases marketers dispose with product-related, promotion-related, price-related, and distribution-related variables (Czinkota and Ronkainen, 2001, p. 477-478).

Another way to segment international markets is according to geographic, economic, political, cultural, and other factors that assume that segments should consist of clusters of countries. However, as new communication technologies, such as satellite TV and the Internet, connect consumers around the world, marketers can define and reach segments of like-minded consumers, no matter where in the world they are. As a result, firms can use the so-called “intermarket segmentation” (also known as cross-market segmentation), where they form segments of consumers with similar needs and buying behaviours even though they might be located in different countries (Armstrong and Kotler, 2011, p. 212).

Segmenting the market of the firm is only the first step of a successful global strategic planning. Next step is to target the market, or better said, evaluate various segments and decide how many and which segments it can serve best.

In evaluating different market segments, a firm must look at three factors: segment size and growth, segment structural attractiveness, and company objectives and resources. These factors can point out the possibility of a potentially successful targeting of a chosen segment because they are a relative matter. Even if a segment has the right size and growth and is structurally attractive, the company must reconsider its own objectives and resources. After evaluating different segments, the company must decide which and how many segments it will target. A target market consists of a set of buyers who share common needs or characteristics that the company decides to serve. Market targeting can be carried out at several different levels. It can be carried out very broadly or very narrowly. There are: (1) undifferentiated (mass) marketing, (2) differentiated (segmented) marketing, (3) concentrated (niche) marketing, and (4) micromarketing (local or individual) marketing. For instance, using an undifferentiated marketing strategy, a firm might decide to ignore market segment differences and target the whole market with one offer (they focus on what is common rather than on what is different). On the other hand, micromarketing strategy tailors the firms’ offer and marketing programmes to meet the need of various market segments and niches (rather than seeing a customer in every individual, micro-marketers see the individual in every customer) (Armstrong and Kotler, 2011, p. 214-217).
Beyond deciding which segments of the market the firm will target, it must also decide on a value proposition (i.e. how to create differentiated value for targeted segments and what positions it wants to occupy in those segments). This stage is relevant because if the firm does not position its product/service, every activity done till this stage will be worthless. Its significance is present also because of emotional attributes; the product’s position is the place the product occupies in consumers’ minds relative to those of the competing products (Armstrong and Kotler, 2011, p. 221).

An important knowledge for a marketer is that products are created in the factory, but brands are created in the minds (Armstrong and Kotler, 2011, p. 221).

As a result, all the companies are fighting and competing for their “mind”. The firms are trying to be on customers’ “mind ladder”. Moreover, they are trying to be on the top three places on the ladder, because in marketing there is no space for other companies. There are many examples, where only the top two brands dominate the market (e.g. Coca Cola and Pepsi, MasterCard and Visa, etc.).

2.2 Product and Service Management

Managing a product or a service requires deep understanding of a broader market and its characteristics. It is not just about designing a product, producing it and trying to sell it; there is more to it. Understanding market behaviour and customers’ wishes and needs sets out the path on which the company will step and develop further. As a result, the company has limitations that need to be taken into consideration when planning a strategy for product management.

However, to make things even harder than they are, the company has to deal with all these issues in a unique, new, and, most of all, differentiated way in order to gain certain share of potential customer’s mind. Being different is what counts. The firm can potentially differentiate its product in its form – the size, share or physical structure of an offering. Features can also be differentiated alongside the product’s attributes. More and more firms are nowadays focused on mass customization concept, where the company gains an ability to meet each customer’s requirements – to prepare on a mass basis individually designed products, services, programmes and communications (Kotler et al., 2009, p. 510). A good example of this is the car market. Many car brands are massively using this product management concept where the customer can feel like his car is in fact unique; one of a kind. In a luxury niche market it is even more visible, where car brands like Mercedez-Benz,
BMW, Lexus, and others dominate. They offer their customers an ability to individually design the exterior (e.g. car colour, head lights model, roof, etc.) as well as interior (e.g. dashboard, seats, leather and wood parts, etc.). The cars are still produced on a massive scale, but with a customized touch, allowing the manufacturers to use this tool on a strategic level. Moreover, the service part of this is sometimes even more important, especially in an industry such as fashion.

2.3 Brand Strategy

A brand is a name, logo, symbol, design or image, or any combination of these, which is designed to identify the product or service. Creating a brand and managing it can sometimes be quite a difficult job for a marketer; however, there is a way to effectively follow this through. From a marketing management perspective there are three main challenges to creating and managing brand identities: (1) the initial choices for the brand elements making up the brand; these include brand names, logos, symbols, characters, slogans, accompanying music, websites, product design, packaging, etc., (2) all accompanying marketing activities must support the brand, and (3) other associations indirectly transferred to the brand by linking it to some other entity (a person, place, or a thing). However, one misconception that is nowadays vividly present in the markets, even among the marketers, must be discerned. The brand is not just a logo, symbol or anything else. These are just the brand elements, which are used for better communication and representation. The brand is the whole picture, it is a story delivered by a company. All other attributes are tools used by the firm to successfully reach its targets by delivering the communication so that it is properly understood (Kotler et al., 2009, p. 425-431).

One of the main reasons for brands’ existence is their distinguishability from others. It basically exists to differentiate a particular product from those of the competitors. A successful brand truly is the one that succeeds in capturing a certain mind-share of the customers and can consequently affect their loyalty. For having a triumphant brand a firm should successfully create a brand identity and brand image; however, the two terms are not to be mixed. Brand identity is the way a company aims to identify or position itself in the market. On the other hand, brand image is the way the consumers actually perceive this aim; ergo, if the identity is not planned correctly, the image will be completely wrong. Understanding brand knowledge is thus of paramount importance because it is the foundation of brand equity. That is why the brand building process is long-term and costly. Success can
be seen in the so-called “emotional branding”, where the marketer is engaging the consumer on the level of senses and emotions, forging a deep and intimate emotional connection to the brand. This involves creating a holistic experience that delivers an emotional fulfilment, developing a special bond and unique trust with the brand. However, here is exactly where the story starts; meaning, from here on, the firm is required to develop this newly-created relationship and nurture it in a way that is strengthening the bond and increasing the loyalty (Kotler et al., 2009, p. 425-427).

With an increased brand loyalty the firm is able to secure its competitive advantages; it becomes less vulnerable to competitive marketing activities, it can increase the company’s marketing communication efficiencies, etc. Moreover, strategic brand management can dramatically boost corporate success according to a study by Booz Allen Hamilton, who noted that 80% of European companies that are managed with a strong brand focus have operating profits twice as high as the sector average (Kotler et al., 2009, p. 428-429).

2.4 Logistics, Channel of Distribution, and Supply Chain Management

International logistics is the management and design of a system that controls the flow of materials into, through, and out of the international corporations. It covers the total movement concept, including exports and imports. As a result of implementing these systems successfully, the firm can develop some other logistics-related concepts, such as just-in-time (JIT) delivery for lower inventory cost, electronic data interchange (EDI) for more efficient order processing, and early supplier involvement (ESI) for better planning of goods development and movement. In addition, it is relevant for the firm to closely cooperate with the customers and suppliers that can result only in positive outcomes, such as the development of the efficient customer response systems (ECR) that can track sales activity on the retail level (Czinkota and Ronkainen, 2001, p. 583).

Relevance of the logistics is quite evident with its 10-30 percent of the total landed cost of an international order. However, correct and rational usage of logistics can create a situation where a company can use its logistics network as a competitive tool (i.e. competitive advantage) (Czinkota and Ronkainen, 2001, p. 585).

Essential linkage that connects producers and customers is provided by the channels of distribution. However, the channel should be seen as more than just a sequence of marketing institutions connecting producers and consumers; it should be a teamwork oriented towards a common goal. Since most marketers cannot or do not want to control the distri-
bution function completely, structuring channel relationships becomes a crucial task. The relevance of this task is further intensified by the fact that the channel decision is the most long-term oriented part of the marketing mix in a matter, once established, it cannot be easily changed. This is exactly why marketers should control the distribution function. As a matter of fact, it is of a relevant interest to at least partly control the distribution function; otherwise the future-oriented events can damage the reputation of the firm on the B2C (Business-To-Customer) market. For instance, a fashion company with a strong reputation and good brand image has customers, who rely on the company to deliver quickly and effectively; especially related for fashion industry, where the information flow is extremely fast and the service quality depends on it. For a smooth flow of up- and down-streams, the firm has to be very powerful and extremely important or control the channels of distribution for a better flow and greater trust because it is widely known that trust is hard to gain and even harder to maintain. Additionally, possible conflicts among the firm and its distributors can worsen the relationship between them resulting in possible channel cancelations (Czinkota and Ronkainen, 2001, p. 389-413).

Inditex Group, which is one of the world’s largest fashion retailers, developing fashion brands such as Zara, Pull & Bear, Massimo Dutty, etc., is one of the international companies, which understands the control of the distribution chain and logistics channels. One of the most fascinating things about this company is its business model, which is characterised by a high degree of vertical integration. It covers all phases of the fashion process including logistics and distribution to its own stores that are spread all over the world.

For an effective channel and network the company has to have a diverse network with intermediaries (either controlled or non-controlled; meaning generally). At first, the firm decides upon the type of relationship, distributorship, and agency relationship it will have. Second, the international marketer decides whether to utilize indirect exporting, direct exporting, or integrated distribution in penetrating a foreign market. Indirect exporting might be seen as the first phase, where another domestic firm acts as a sales intermediary for the marketer; direct exporting allows the marketer to take direct responsibility for its products abroad, while integrated distribution requires the marketer to make an investment into the foreign market for the purpose of selling its products in that market or more broadly. As a result, foreign direct agents are brokers, manufacturer’s representatives, factors, managing agents, or purchasing agents. On the other hand, distributors are dealers, import jobbers, and wholesalers/retailers (Czinkota and Ronkainen, 2001, p. 403).
2.5 Marketing Communication Strategy

Marketing communication is the means by which a firm can establish a dialogue and build relationships with consumers. It can significantly contribute to brand equity by establishing the brand in memory and crafting a brand image. There are different tools which are used in order to successfully deliver the message to the audience, some of them being advertising, sales promotion, events and experiences, public relations and publicity, direct marketing, and personal selling. The mentioned set of marketing communication programme can directly or indirectly affect the brand equity, as already mentioned. Brand awareness, brand image, brand responses, and brand relationships are all parts of the brand equity and it is in a company’s interest to build it up and keep it developing (Kotler and Keller, 2006, p. 536-537).

In order to achieve the above-mentioned aim, the company has to develop an effective communication scheme, which is described in further details in the text below.

2.5.1 Identify Target Audience

The process must start with a clear target audience in mind due to the fact that target audience is a critical influence on the communicator’s decisions on what to say, how to say it, when to say it, where to say it, and to whom to say it.

In any matter, the firm has to conduct analysis of the targets, with a view to assess their profiles in terms of brand knowledge, in order to provide further insight. The best way to do it is to use the so-called “familiarity-favourability” analysis, where the first step is to measure the target audience’s knowledge about the object, using the so-called “familiarity scale” (e.g. the range – never heard of, heard of only, know a little bit, know a fair amount, and know very well). Respondents who are familiar with the product can be asked how they feel about it, using the favourability scale (e.g. the range – very unfavourable, somewhat unfavourable, indifferent, somewhat favourable, and very favourable). On the other hand, there are also respondents who will circle only the first two categories in the familiarity scale, creating a bigger challenge for the company because in that case the company has to build greater brand awareness (Kotler and Keller, 2006, p. 541-542).

2.5.2 Determine Objectives

Communication objectives can be set at any level of the hierarchy-of-effects model. It can address the category need, brand awareness, brand attitude or brand purchase intention.
Moreover, the company can set a category need, continue with brand awareness, brand attitude and finish with brand purchase intention; meaning it can combine the model. The most effective communications can often achieve multiple objectives (Kotler and Keller, 2006, p. 542-543).

For an international firm one of the most relevant issues is to determine objectives which can address local and, at the same time, global needs offering somewhat the same product or service. This step is, therefore, set on the grounds of target audiences set in the previous step. Moreover, objectives that will be eventually determined by the company will monitor the state of the marketing communication process and will be used for benchmarking in the future.

2.5.3 Design Communications

In order to successfully design a communication, the company has to solve three problems: what to say (message strategy), how to say it (creative strategy), and who should say it (message source) (Kotler and Keller, 2006, p. 544).

With message strategy company tries to find a point-of-parity or point-of-difference. It is trying to differentiate themselves away from others in a creative and unique way. Hence, the message can be related directly to product or service performance or it may relate to more extrinsic considerations; the brand being contemporary, popular, or traditional. The next step is to develop a creative strategy how to deliver the message. In other words, creative strategy is how marketers translate their message into a specific communication. These strategies can be broadly classified as involving either “informational” or “transformational” appeals. However, the creative strategy has to be creative enough to attract the targets, otherwise the message strategy will be worthless, even though it might be perfect; meaning, perfect message has been expressed poorly. The last but not the least step is to use a proper message source. Some companies do not use sources beyond the company itself, whilst others almost always use known or unknown people outside the company. In both cases reasons for it are diverse (e.g. to achieve higher attention and recall, recognition, etc.) (Kotler and Keller, 2006, p. 544-546).

2.5.4 Select Channels

It is of crucial interest to the firm to choose the most rational and “profitable” channels as the company develops its marketing communication programme. As the channels of com-
munication become more cluttered, the process of selecting an efficient channel becomes more difficult and sometimes even more expensive. Hence, the company has to develop a proper channel selection. The company can chose among a mixture of personal and non-personal channels. Personal communication channels involve two or more persons communicating face-to-face, person-to-audience, over the telephone, or via e-mail, which derive their effectiveness through individualized presentation and feedback. On the other hand, the non-personal communication channels are directed at more than one person and include media, sales promotion, events, and publicity. Be that as it may, the integration of communication channels is very crucial, especially nowadays. Although personal communication is often more effective than mass communication, mass media might be the major means of stimulating personal communication. A fine example can be found via mass media and its communication which affect personal attitudes in the early stages, serving as a platform for personal communication and contact in the future (Kotler and Keller, 2006, p. 548-552).

2.5.5 Establish Budget

There are a number of methods how to set a budget for campaign or promotional programme and they vary from company to company. Many firms, however, set their budget according to their affordability. The positive aspect is that it is not so risky, but the negative side is that it leads to an uncertain annual budget, which makes it more difficult to plan. Another method is percentage-of-sales, where company sets promotion expenditures at a specific percentage of sales. Other methods include competitive-parity, objective-and-task, etc. (Kotler and Keller, 2006, p. 552-554).

2.5.6 Media Mix, Result Measurement, and IMC

Companies must allocate their marketing communications budget over the six major modes of communication: advertising, sales promotion, PR (public relation) and publicity, events and experiences, sales force, and direct marketing. All modes have their advantages and disadvantages and they vary from company to company; mainly related to the product/service, company’s profile, consumers’ base, international involvement, and the market itself. After finishing the programme it is important to monitor it and keep track of its success. Senior managers want to know the outcomes and revenues resulting from their communications investments, although sometimes it can turn out to be quite hard to detect direct link between the revenue and communication. The company is also “required” to
fragment mass market into a multitude of mini markets, each requiring its own approach to communication. As a result, the integrated marketing communications recognize the added value of a comprehensive plan, evaluating the strategic roles of variety of communications disciplines (Kotler and Keller, 2006, p. 554-558).
3 FASHION INDUSTRY

Fashion has recently become one of the biggest economic powers. As a result, the importance of fashion marketing has as well become much bigger. Becoming popular, creating fashionable products, quality, labels, distribution, and prices have become major defining factors of this competitive economy.

With the development of the consumption culture, the concept of fashion increased simultaneously. The cultural aspect has become much more relevant as well. Moreover, the lifestyle of consumers significantly shaped the business concept in the fashion industry (Aksu, Pektaş and Eseoğlu, 2011, p. 326).

3.1 Historical Backcloth of Fashion

The word “fashion” originates from a Latin word “modus”, which means the non-existing limit. Its equivalent in the English language is “fashion” and means method, form, style, mode; behaviour, lifestyle of gentle and upper classes. It is possible to divide fashion in the sense of temporary novelty in the social life into three groups (Aksu, Pektaş and Eseoğlu, 2011, p. 327):

1. The temporary novelty with the need for a change and fancy in beautification; e.g. the mini skirt fashion;
2. The social favour for a certain period of time, over-keenness for an object;
3. Objects fitting to the novelty and social favour temporarily; e.g. the hat fashion.

Fashion can change and is indeed subject to changing on a regular basis. It is constantly disappearing, whilst the new one is appearing. Moreover, the fashion trend that has once disappeared can be fashionable again after a certain period of time. It is known as a “returning trend”. Basically, general meaning of fashion can be determined by two antonyms; namely, the fashionable and the unfashionable.

The fashion is playing a major role in the decision-making process in regards to marketing. It consists of the products and services that the majority of consumers in the target market adopted via their buying behaviour with reasons of prestige, personal satisfaction, gaining status, or similar. Here, the social psychology plays an important role, rather than the individuality, and, if the fashionable products in the market are accepted as the “fashion” by the group of consumers in numbers exceeding the average, others also follow the majority they accept as reference (Aksu, Pektaş and Eseoğlu, 2011, p. 327-328).
The above-stated indeed depicts the true reality mainly because of the social aspect; namely, social pressure. If the individual is not a part of it, this logically means he/she is out of it. The social pressure is a social phenomenon, which till this day cannot be fully explained. The most important evidence for this statement is the fact that the society is not only able to form an individual, but to change him as well. The individual becomes the reflection of the characteristics of the society he/she lives in and belongs to. It indeed becomes visible in his/her personality and lifestyle, depicted in his/her clothing.

Another reason, why the marketing aspect plays a crucial role, is the fact that fashion sector (i.e. clothing) contains products that have the highest selling potential as long as they remain on the market (Aksu, Pektaş and Eseoğlu, 2011, p. 328).

Important changes in the area of fashion happened especially with the Industrial Revolution. In the late 1870s, after the invention of a sewing machine in 1825 and the invention of the first synthetic dye in 1856, stern increase in the trade of clothing was present. As a consequence, the prices of fashion and clothing-related products fell. The “fashion system” and modern dresses became more affordable and easily accessible for a wider population. It developed to such an extent that production of clothing for the elite began to spread in many European cities, thus, starting the consumption of ready-made clothing (Aksu, Pektaş and Eseoğlu, 2011, p. 328).

Liberalization and the free and open market economy also contributed with substantial parts to the changing environment. It enlarged the alternative markets in the international markets and the operations entered a ruthless competency with domestic and foreign competitors in their own markets as well as in foreign markets (Aksu, Pektaş and Eseoğlu, 2011, p. 328). According to Wetherly and Otter, the liberalization and trade linked with it was actually “the engine” for growth of economies and consequently, subsequent globalization (Wetherly and Otter, 2008, p. 338).

### 3.2 Fashion – Management and Marketing Affect

In order to be able to create fashion, someone should have a settled and well-operating organizational structure. The firm should have a visionary structure adopting the learning organization philosophy. It should have a good understanding of management that is open to innovation and changes. Relevant requirement is to have a share in the market exceeding the average with the ability to attribute importance to R&G (Rodd and Gunn) activities. Its financial power should be high, which is a good platform for creating a well-known brand
and high-quality product range. Finally, the business ethics should be on the highest level (Aksu, Pektaş and Eseoğlu, 2011, p. 329).

One key notion to be emphasized is that the demand for fashionable products exceeds the demand for normal goods because of the well-known brand and quality image of the operation. In this outline, the four Ps of marketing (price, product, place, promotion) must be scrutinized in the context of fashion as follows (Aksu, Pektaş and Eseoğlu, 2011, p. 329):

“Which product will be produced in what quantities for whom using which technology with what cost, and how it will be placed in the market using which tools, what will the promotion strategies be, what will the price be, how will the logistic activities be planned?”

In other words, the marketing activities must be fashion-focused so as to create the image that the products to be placed in the market are fashionable. It is indubitable that the structure of fashion industry is unique and non-comparable. The whole business model should be addressed to fashion and its changing notions. Consequently, the model has to be very flexible and mobile in order to be able to quickly adapt to the changing environment and demand. One way how the company is able to protect itself is that the demand can be controlled. The firm can launch a new product, which is “fashionable” and with a proper promotion and proactive understanding the demand is able to meet the expectations of the targeted consumers. However, fashionable products require continuous change; therefore, the production technologies must be suitable and flexible for the purpose. Apart from the brand new product strategy, diversification and differentiating strategies can be used as a marketing strategy to develop fashionable products (Aksu, Pektaş and Eseoğlu, 2011, p. 329).

If the produced fashion is accepted by the society and for the targeted consumers, the price of the products becomes of secondary importance, prestige and image being of primary importance. This is exactly what the firms are trying to achieve with all their operations; to create a situation where the prices are maximizing the profit and total profitability. Additionally, due to the short life-cycle of the fashionable products, every moment counts (Aksu, Pektaş and Eseoğlu, 2011, p. 330).

The firms must keep their positions in regards to products in a standby mode in all relevant aspects. The distribution channel must be complete and with a continuous flow in order to keep customers’ base. Otherwise, since the followers of fashion have impatient and hasty
nature, they will go and buy their preferred fashionable products elsewhere; ergo, from the firm’s competitors (Aksu, Pektaş and Eseoğlu, 2011, p. 330).

The products of fashion must be developed on a continuous basis due to high expectancy from the customers. R&D activities must be constant and creative due to fashion’s natural feature of a short-run cycle. Fashionable products are hard to extend by force; as a matter of fact, the best is to leave the flow run its course because it might turn back at the firm in an undesirable way. The relevant issue to remember is that fashion is playing an important role in making marketing decisions because it is the product which is in demand by the majority of consumers in an establishment’s targeted market, with reasons such as gaining prestige, personnel satisfaction and statute. As already mentioned, social psychology plays a more important role than individualism; meaning, if the new fashion is accepted by an above-average consumer group, then the others conform to the majority which they accept as a reference. Even, if there is someone that might think he/she will not follow the path of the above-average consumer group and will decide to be deviant and abnormal, that same “fashion” will become the fashion of abnormal consumers.

3.3 Supply Chain and its Traits with Solutions in Fashion Industry

Textiles and apparel industries are a major sector for contributing both, to wealth generation and employment. The sector represents a key part of employment in Europe, as well as world-wide. There are many SMEs (small- and medium-sized enterprises) in the European market. Major constraints that SMEs face, compared to big firms, include limited financial resources, lack of personnel and time, little or no experience, and limited confidence in implementing new systems. As a result, many small companies are either unable or unwilling to invest in marketing, design, and innovation (Bruce, Daly and Towers, 2004, p. 151).

The textiles and clothing industry is highly diverse and heterogeneous. In broader sense, the sector spans chemical conglomerates producing dyes, detergents and artificial fibres, to healthcare companies producing heart valves, prosthetics, bandages, etc., to niche design driven fashion companies. The concern that strikes as relevant is that major retailers in the textiles and apparel businesses are able to “make or break” the success of particularly smaller suppliers, such as a young fashion design company. The matter of a fact is that these gigantic firms are able to source globally for their textiles and apparel products to acquire these cost benefits and to meet their fast moving and demanding consumer needs in time (Bruce, Daly and Towers, 2004, p. 152). Moreover, if their supply chain is flawless, it
is almost impossible to break the success; and that is the main reason, why supply chain is one of the most important parts of a success story. If a firm does not have global competences with strong emphasis on local demand, they cannot successfully and effectively meet the standards of the global market. The supply chain and logistics have to be managed in a synchronised way that is driven by the exigency and requirements of the dynamic patterns of demand, especially for fashion items; ergo, the emphasis is strongly linked with the supply chain. Moreover, the more modern concept argues that in today’s markets competition is no longer based on a company versus company model, but instead on supply chain versus supply chain.

As a result, the supply chains in the textiles industry are complex; often relatively long, with a number of parties involved. Consequently, there are many intermediaries, frequently import or export agencies, acting as a significant figure within the chain. It becomes very important to manage these supply chains with efficient management style (Bruce, Daly and Towers, 2004, p. 152). Such a strong emphasis on supply chain in a business matter is indubitable. However, the statement that intermediaries are acting as a significant figure, business-wise, could be argued over. In other words, it is possible to assume that these agencies are indeed playing a crucial role, but the key to success is more to it. One of the relevant reasons why these firms/retailers are so successful is due to control of their supply chain. That is to say, the management (in the precise meaning of the word) of the supply chain is crucial; meaning, owning the supply chain and distribution channel. Only with this approach, the firm is able to reduce lead time and come up with a quick response. Otherwise, too much time is spent on negotiating prices, quality and delivery schedules. In addition, the fashion industry is characterised by a number of factors, namely a short lifecycle, high volatility, low predictability, and high impulse purchase, what makes it even more believable.

The matter is the supply chain strategy should shift from a volume-driven approach to a value-driven one (Brun and Castelli, 2008, p. 5).

Many problems in the supply chain which are defined in the supply chain could be solved with the usage of IT (information technology) or even without it. The Institute of Leonardo Da Vinci issued a report in 2006 about e-fashion indicating which software was suitable for application in the fashion industry. For example, illustration and graphics were suitable to serve as description tools, CAD as a tool for computer-aided design, PDM as a product data management tool, and ERP as an integrated enterprise resource planning tool. Web
design could also be used as a tool for creating company Web pages. On the other hand, solutions, not involving IT, could propose ideas of agility in a fashion industry. An agile supply chain concentrated on the market-sensitive, virtual, and network-based process is aligned with a QR (Quick Response) system (using BI – Business Intelligence). Another proposal was aimed at an in-depth consumer research for a particular category of intimate apparel (Lo, Hong and Jeng, 2008, p. 596-599).

The solutions are summarized in the table below.

**Table 2: Solving Main Issues in Supply Chain (Lo, Hong and Jeng, 2008, p. 598)**

<table>
<thead>
<tr>
<th>SOLUTION</th>
<th>With IT</th>
<th>Without IT</th>
</tr>
</thead>
<tbody>
<tr>
<td>- QR System</td>
<td>- Agility</td>
<td>- Risk Management</td>
</tr>
<tr>
<td>- Web services, e-fashion, e-commerce, e-business</td>
<td>- Category Management</td>
<td></td>
</tr>
<tr>
<td>- RFID(^1)</td>
<td>- Others</td>
<td></td>
</tr>
<tr>
<td>- CAD, PDM</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- ERP, EDI</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Illustration</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Graphics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Others</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 3.4 Environmental Sustainability in Fashion

Environmental sustainability has become a key managerial issue for fashion industry. The fashion industry’s environmental impact is very high, particularly in relation to its global volumes; according to the World Trade Organization’s data in 2008, the fashion industry accounts for 9.3% of the world’s employees and 4% of worldwide exports. The high environmental impact is especially due to production processes, in particular the phases of dyeing, drying, and finishing, which make intensive use of chemical products and natural resources. In addition, the use of fibres, such as cotton, wool and synthetics, has a significant environmental impact; cotton and wool production requires immense quantities of water

---

\(^1\) RFID stands for radio-frequency identification which is highly used for automatic identification and tracking.
and pesticides, whereas synthetic fibres are extracted from non-renewable resources and require considerable energy to produce (Caniato et al., 2011, p. 1).

Another environmental impact is noticeable in the consequences of transportation; the global scale of the fashion industry requires moving the products from low-labour-cost countries to consumers in highly developed countries in Europe and the US. The matter of a fact is that fashion firms are very often relying on external partners to produce their products using all sorts of raw materials (e.g. fibres and leather) that are often sourced from distant locations and subcontracting different production activities (e.g. milling, dyeing, weaving, finishing, cutting, and sewing) to different companies scattered across the world. In this context, supply chain management helps companies to be more competitive and also allows them to pursue environmental responsibility (Caniato et al., 2011, p. 1).

The idea of sustainability corresponds to the “triple bottom line” approach, which is based on the idea that business performance should be monitored according to three perspectives, namely economic, environmental, and social (Caniato et al., 2011, p. 2).

In regards to environmental sustainability in the fashion industry, the sustainability initiatives are crucial to companies’ strategies. Collaboration and adequate use of natural and internal resources is becoming more relevant, especially marked by competitive pressures and a short life cycle in the fashion industry. However, there were some companies with scandals relating problems with inhumane working conditions or environmental contamination that occurred during production of their clothing. Some scandals in this industry have even launched public, such as Nike, Levi Strauss, Benetton, Adidas and C&A. The textiles sector has experienced significant environmental problems linked to the production processes, which is characterised by the intense use of chemical products and natural resources, resulting in high environmental issues. Moreover, as already mentioned, the search for lower production costs has led to a dramatic relocation of production sites to the Far East, which consequences for transport-related energy consumption and emissions (Caniato et al., 2011, p. 3).

In recent years, the pressure has also been visible on the final line of consumption; the preferences expressed by final consumers have become increasingly complex, including performance that go beyond style, quality, and price of the final good. Recent trends indicate that sustainability is a springboard to reach environmentally conscious consumers and to enhance the overall brand image in developed countries. As a result, firms that do implement these business concepts are able to reach a competitive advantage through “green
fashion”. A proof of a competitive advantage can be seen in an inquiry, made in 2009, in the attitudes and expectations of Finnish consumers towards sustainable textile and clothing products that showed that 62.7% of the respondents were very interested in ethical consumption and products’ environmental impact, whereas 28.3% were somewhat interested, which results in total of 91%. In reporting actual ethical consumer behaviour, 20.8% agreed that they behaved ethically as consumers and 57.1% agreed slightly with this, which results in total of 77.9% (Caniato et al., 2011, p. 3).

The thing of a matter is that in this industry, more and more companies are adopting sustainability strategies. There are different practices being used in the fashion industry to pursue environmental sustainability objectives. The most important methods are: (1) use of organic fibres (i.e. fibres that follow standards that nurture the soil or animal from which they come and do not use toxic insecticides, herbicides or fungicides; examples of organic fibres are organic cotton, organic wool, kapok, and silk) to reduce the collateral effects of chemical products, the scarcity of natural resources, and CO2 emissions; (2) reuse and recycling of materials such as old clothes, manufacturing scraps, bottles, and tyres; (3) vintage practices and second hand; (4) clean technologies, both old and new, and even information technologies; (5) green certifications (e.g. Global Organic Textile Standards, Eco-label, Global Reporting Initiative (GRI)-Apparel and Footwear Sector Supplement); and (6) green product and process design, considering the production technologies, the product characteristics, and the materials used. Looking at the whole supply chain, reverse logistics is important; traceability of the product is an important practice, particularly for organic fibres, which need continuous control of product and information sharing (Caniato et al., 2011, p. 3).

Sustainability should not only be considered internally and during product design and manufacturing phases but also in supply chain design and management. Therefore, in order to maximise the results of an environmental campaign, a wide set of stakeholders has to be involved (i.e. suppliers (fibres, machinery and chemicals), manufacturers (clothing and textiles), retailers and fashion bureaus, post-consumer actors (e.g. operating in the second-hand market), service providers (press and industry associations), and independent experts (scholars)) (Caniato et al., 2011, p. 3). It is possible to state that the relevancy of united approach of everzone can and will bring much success. By addressing the needs of the society and a wider community, the company, with its supply chain, has no room for mistakes and can gain and successfully use the core competitive advantages.
3.5 Production Characteristics in Clothing Industry

It has always been known that industries that are low skilled and labour intensive will migrate to those countries that have labour markets, which feature a plentiful supply of precisely such a commodity – cheap labour. Clothing production is a quintessential example of such an industry. This is one of the reasons, although not the most important one, why there is a huge profitability in this industry with high profit margins. Moving the production sites has become one of the competitive advantages for firms in this industry. However, this comes with a paradox; the state in such countries has stimulated the growth of this industrial sector, however, when wages rise and corresponding operational costs increase, as they inevitably do, the jobs move to lower cost sites elsewhere (Taplin and Winterton, 2004, p. 256).

On the other hand, the workers with few transferable skills suffer job loss and often periods of long unemployment as factories close. This pattern of worker dislocation and industrial decline in one country corresponds to new job growth and industrial development in another country (Taplin and Winterton, 2004, p. 256-257).

However, oppositely, some firms are present in a sub-segment of this industry allowing them to technically and technologically develop their production. Their capital requirements become higher (no longer minimal) as the level of technical innovation increases. As a result, there are some companies still keeping their production sites in locations with a more expensive labour market. Nonetheless, the clothing industry remains an important sector also in high wage economies (Taplin and Winterton, 2004, p. 257).

According to the international trade statistics of the World Trade Organization, the clothing and textiles industry accounted for a considerable USD 527 bn or 4.3% of the world’s total trade volume in 2009. Despite the volume of the market and its growth potential, the fashion industry is also a very cyclical business and bears a serious idiosyncratic risk (Meinshausen and Schiereck, 2011, p. 1).

3.6 Luxury in Fashion – Luxury Brands in the Fashion Market

Luxury brand market has always been attractive for a number of reasons, including the complexity, diversity, status, rapidness, and constant evolvement of the luxury brands market. Luxury brands are the one that outpace other consumer categories and are responsible for the development of a USD 220 billion global industry. They are often used syn-
onymously/interchangeably with prestige. The reason is that they hold considerable intangible worth, while possessing an enduring positive brand image, which allows them to have much larger flexibility in terms of customer base and consequently, customer loyalty. However, marketing costs and complexities characterised for luxury brands exceed those of other fashion categories. The grounds for this could be seen in the speed of change and short life of fashion merchandise, the result of more competitors, easier entry into the industry, and the considerable scale and breadth of fashion items under a single brand entity (Miller and Mills, 2011, p. 1).

Overall, the luxury brands are the most profitable and fastest growing brand segment in the fashion industry. However, luxury brands are also the most poorly understood and under investigated, what is one of the main reasons why some luxury brands fail. Here, the issue is, if a firm gains support and customers, it will be well off, however, if the firm loses the gained support or customers, it will take much longer to re-gain the position it once had (Miller and Mills, 2011, p. 1).

Brand luxury has nine components: (1) clear brand identity, (2) luxury communications strategy, (3) product integrity, (4) brand signature, (5) prestige price, (6) exclusivity, (7) history or a story, (8) globally controlled distribution, and (9) a luxury organizational culture. On the other side it possesses ten characteristics: (1) maintaining a premium image, (2) creation of intangible brand associations, (3) aligned with quality, (4) tangible elements like logos, symbols and packaging design, (5) secondary associations with linked personalities or endorsers, (6) controlled distribution, (7) premium pricing, (8) careful management, (9) broad definition, and (10) legal protection of trademarks. Consequently, the luxury brand is the highest level of prestige brands encompassing several physical and psychological values, such as perceived conspicuous value, unique value, social value, hedonic value and quality value. Moreover, they possess global reputation together with emotional appeal, making them more customer-loyal (Miller and Mills, 2011, p. 3).
II. ANALYSIS
4 PROFILE OF A SLOVENIAN FASHION HOUSE “MURA”

Mura is a European fashion house, located in the North-eastern part of Slovenia in the region called “Prekmurje” in a city Murska Sobota. It is the biggest Slovenian producer of clothing and one of the biggest in Europe. Mura is mainly present in Central and South-eastern Europe, however, its presence reaches even as far as the Russian market. Currently, they are present in Croatia, Serbia, Montenegro, Bosnia and Herzegovina, Macedonia, Russia, Belgium and the Czech Republic. Consequently, the products can be bought via their own sale network (Mura shops) as well as their partner sales networks (other branded shops, malls, etc.) (www.murafashion.com, 2011).

The biggest business entity in Mura’s Group is called “Mura in partnerji d.o.o.” which was established on April 1 in 2009 as a subsidiary. It took over the role of a healthy core of the Group, because in the same year the Group went into bankruptcy. Its aim was also to keep the highest number of employees possible, because a large number of employees had lost their employment contracts with Mura due to bankruptcy. Statistically, the Group employed 5,000-6,000 employees, but due to recent events there are fewer than 1,000 of them left (www.murafashion.com, 2011).

4.1 About Mura and its History

Slovenian fashion house »Mura« has its roots from 1925 when two sewing/stitching facilities were established. The initial business activity was foreseen to be producing and sewing lingerie. By the year 1940 both of the sewing facilities employed approximately 500 individual sewing professionals or, so-called, seamstresses. Just five years afterwards both of the sewing facilities became nationalized. That is also the year when “Mura – factory of clothing and lingerie” was established (Mura, 2009, p. 3).

In the period of the following 5-15 years the company was planning bigger investments in the production capacity. Oddly, the CSR (Corporate Social Responsibility) in Mura was already applied in their activities since the early 1950s when they established school for educating professional human resources for sewing in Zagreb, Croatia (Mura, 2009, p. 3).

In 1961 they extended the supply of their products from lingerie (mainly in the beginning) to production of men trousers, suits, jackets and men and women coats. That is also the year when they opened new production plant in the industrial zone, and the year when they became for the first time an international business outside Yugoslavia (all former republics
of Yugoslavia were at that time under Yugoslavia, therefore it was a domestic market). They exported their products to “ČSSR – Československa Socialisticka Republika” (nowadays the markets of Czech Republic and Slovakia) and had finishing operations for “Bundesrepublik Deutschland”. Simultaneously, Mura founded the centre for personnel education. With the Germans Mura co-established a company called “Westmur GmbH” in “Bundesrepublik Deutschland” and opened their shop in Hungary (in 1979) (Mura, 2009, p. 3).

In the 1980s Mura developed sub-brand called “Muralist” which was aimed at younger audience due to more fresher and younger look of the collection (Mura, 2009, p. 3).

In 1985 Mura released a new project in Kafr el- Dawwar; today known as a major industrial city in the northern part of Egypt. For the first time, in the period 1985-1988, they started to plan, execute and monitor the strategic development of the brand management policy in order to keep the continuous growth. They divided the products into several brand-divisions adjusted to specific targeted audiences. Subsequently, Mura designed and developed new brands; exclusive men’s wear called “J. Gallus” (later renamed to “J.G. Carniolus”) and women’s wear called “Le Ona” (Mura, 2009, p. 3-4).

When in 1991 Yugoslavia collapsed, Mura instantly became a highly international company with more than 95% of production being exported. Due to many reasons created by country’s disintegration, Mura diversified its supply and entered into a new market of car seat covers. This was developed even further with a project for confection production in Cairo, Egypt in 1993 (Mura, 2009, p. 4).

Three years later Mura became a joint stock company. In relationship with Domus Academio from Milano, Italy they continued their brand management and system structuring with introduction of fashion lines such as “DESIGN”, “WEEKEND”, “BASIC”, and “EVENT” which were under Mura’s branch of sub-brands, and “DAY BY DAY”, ”TRAVEL CLASSIC”, and “HAPPENING” which were under LeOna and J.G. Carniolus (Mura, 2009, p. 4).

By the end of the millennium Mura’s 90% of production capabilities and facilities were intended for finishing operations for foreign partners and not for their final products. Soon after sub-brand e-Mura was born. It was projected and consequently targeted at the younger audience. At the same time the restructuring of the brand system took place and all brands became a part of corporate brand “Mura” (Mura, 2009, p. 4).
In 2002 Mura signed a deal with HUGO BOSS AG expanding the business cooperation also to women’s programme. In the same year Mura went under business restructuring. Three years later, in 2005, “MURA-EHM, d.o.o.” was established, which was responsible for all business-related activities associated with the development and brand marketing of the brand “Mura”. Nowadays, Mura is the oldest and biggest producer of clothing in Slovenia and still one of the biggest in Europe (Mura, 2009, p. 4).

4.2 Path to Current Situation

Current situation in Mura is pessimistic and troubled. The company, as shown in the text further on, had been mismanaged for over 10 years. Slowly it started to lose its strength and, consequently, position it once possessed. After a long stream of executive changes in the company, the current president seems to be staying at his current position.

Since 1990s Mura’s main business activities had been taking place abroad. Solely, in 2008 Mura exported approximately EUR 59 million in value, whilst Slovenian market was in size of only EUR 9.9 million. Germany seems to be the most important export market for Mura, where roughly EUR 36.5 million had been exported (61.4% of export realization). These data could also be conveyed to the present as the business orientation has not changed (not even slightly). As visible, the dependency on foreign markets is much greater than it should be. One of the former presidents once stated that Mura is basically dedi-
cating its 90% of capacity to the business partners present in the German market (www.24ur.com, 2009).

As already mentioned, besides domestic market and Central European market, Mura is also present in South-eastern market. Historically, South-eastern market (more precisely, former Yugoslavian market) was very important for Mura. The market was big, easily accessible, and for Mura it was a place for growth. There was almost no competition at all. Later on, when Slovenia became independent in 1991, Mura unexpectedly became a huge international company with enormous problems. Yugoslavian market became very tough and difficult to keep, especially for Slovenian corporation like Mura. The issue was that after Slovenia separated from Yugoslavia, former Yugoslavia attacked Slovenia (politically, economically and even militarily) making it very difficult to conduct business in Yugoslavian markets. That was the reason for re-orientation towards Central Europe. The issue was that Central European market was much more competitive for Mura than Yugoslavian market ever was. That was the cause for Mura increasing its production capacity for other
brands; by focusing on finishing operations (Mura, 2009, p. 36-37). Table below clearly depicts the picture of Mura’s production capacities throughout the years.

Table 3: Mura’s Production Capacities over the Period of 2002-2008 (Mura, 2009, p. 36)

<table>
<thead>
<tr>
<th>Year</th>
<th>Own labelled brand</th>
<th>Production cooperation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>14.6%</td>
<td>85.4%</td>
</tr>
<tr>
<td>2003</td>
<td>13.2%</td>
<td>86.8%</td>
</tr>
<tr>
<td>2004</td>
<td>16.5%</td>
<td>83.5%</td>
</tr>
<tr>
<td>2005</td>
<td>18.7%</td>
<td>81.3%</td>
</tr>
<tr>
<td>2006</td>
<td>19.0%</td>
<td>81.0%</td>
</tr>
<tr>
<td>2007</td>
<td>20.1%</td>
<td>79.9%</td>
</tr>
<tr>
<td>2008</td>
<td>19.6%</td>
<td>80.4%</td>
</tr>
</tbody>
</table>

As visible, Mura is orienting its production capabilities mainly towards production for other business corporations with whom Mura has partnerships; e.g. Hugo Boss, Escada, Rene Lezard, Strellson, Windsor, etc. Consequently, in 2008 only 19.6% of their production was actually intended for Mura’s own brands. To visualize better, Mura sold 1.61 million pieces of clothing in 2008, 1.18 million not being their own final products for B2C market. Till this day the orientation remains similar (Mura, 2009, p. 33-36).

According to the accounting data on August 31, 2009, Mura went into bankruptcy in the following two months. The reason for bankruptcy was simply to save the healthy cores of Mura. After a long period of uncertainly and obscure future, Mura had to seize employment contracts with 2,635 employees. After the reduction procedure only as few as 650 employees remained on their positions. In August 2011 unanticipated business venture occurred, when company called “Aha Moda” bought Mura via public auction (www.24ur.com, 2009).

4.2.1 Products and Services

Mura offers clothes designed and produced according to the highest standards. Their products fall under almost all segmentation categories (men, women, young, old, classic, modern, etc.) which are subsequently combined into four main brands that formulate Mura’s brand portfolio:

- “Mura Mura” – Women’s and men’s collection intended for those who appreciate elegant look and high quality design and fabric. A person wearing this brand wants to generate an impression of a neat and organized person. The products are being offered in the medium price class, which makes it accessible for the majority of people (Mura, 2009, p. 28-29);
- “Mura Leona” – Women’s collection of wear with a high quality and very elegant and prestige look. The collection offers plentiful diversity and original combinations. It expresses clear identity and is made in smaller series with high quality materials. Therefore, this sub-brand is positioned in the upper-price range (Mura, 2009, p. 29);

- “J.G. Carniolus” – Men’s collection of wear with a prestige and elegant look. The products are made out of first-class fabrics, leaving almost no room for faults and mistakes. The style is very prestigious with exquisite details. Thus, J.G.Carniolus is placed in the upper-price class (Mura, 2009, p. 29);

- “E.mura” – Mura’s collection for youth and young generation, both men and women. It positions itself as fashionable, yet individual uniqueness is emphasized. The collection of wear is stylish, innovative and casual. It is characterized by cut and fitted lines and different, more modern fabrics. It is an alternative for comfortable dressing style (Mura, 2009, p. 29).

Generally, the product range covers everything from business suits and dresses to shirts, jeans, scarves, ties and much more. Additionally, customers are able to find accessories, such as jewellery and leather items. There is also a brand called “Mura-Unikat”, which represents development component of Mura. Its aim is to produce custom made suites for Mura’s exquisitely demanding clients. Apart from already mentioned brands, Mura is also developing other brands such as “Cavelli”, “Palatini”, “Classic” and “Carla Degen” (Mura, 2009, p. 29-30).

4.2.2 Business Highlights

The below presented business highlights took place during the period 2008-2011. Unfortunately, for the firm, the matters that have occurred in earlier years are still persisting till this day. That is the reason why the data from early years are presented as credible, authentic and relevant:

- There was a recapitalization of subsidiary company Mura EHM d.o.o. in April, 2008. The recapitalization’s main task was to handle the negative capital the company had and change it into a positive one (Mura, 2009, p. 5);

- The same scenario hit the independent company Mura Zagreb d.o.o. with the exact same intention (Mura, 2009, p. 5);
- The executive board was changed in April, 2008 and a newly appointed president took the role. However, one year later in 2009 he resigned and the company was left in even bigger loss than the year before that (Mura, 2009, p. 5-8; Gerenčer, 2009);

- The audits of Slovenian institute for quality checked the quality management system in accordance with the ISO 9001:2000 and discovered some opportunities for improvements. The revision took place in June, 2008 (Mura, 2009, p. 5);

- In December, 2008 three new subsidiary companies were established: “Unikat d.o.o.”, ”M-AIKS d.o.o.”, and ”M-Energetika” (Mura, 2009, p. 7);

- Mura transferred onto the 36-hour working time due to declining orders in February, 2009. As a result, several companies in Mura Group applied for the governmental subvention (www.rtvslo.si, 2009);

- In April, 2009 Mura transferred onto the 32-hour working time (Mura, 2009, p. 8);

- In May, 2009 the proposal for recapitalization of EUR 8.5 million from the executive board and supervisory board was acknowledged by Mura’s 97% of shareholders. However, it was unsuccessful due to high level of risk (especially for the government) (Mura, 2009, p. 8);

- In June, 2009 there was a meeting in Murska Sobota between Mura and The Institute of Employment in regards to programme and active policy for moving/relocating Mura’s excessive work force (Mura, 2009, p. 8);

- Mura in partnerji d.o.o. was established in February, 2009. It took the role of the healthy core of the Group (Mura, 2009, p. 8). Later on the company has been sold to Aha Moda (www.murafashion.com, 2011);

- After resignation of the president the new appointed procurator arrived, and soon afterwards he resigned as well. Subsequently the newly appointed president arrived and shortly afterwards Hugo Boss cancelled all the orders and deals it had had with Mura (Grčič, 2009; www.times.si, 2009);

- At the end of 2010 the president resigned and current president took his place (Buzeti, 2011).

As visible, there have been a considerable amount of negatively correlated actions that are actually still not finished. Logically, the problems stem from HR (Human Resource) mismanagement, strategic mismanagement, and brand mismanagement. These are the main fields that are threatening Mura’s future till this day.
This shows why Mura’s current situation is not so optimistic. The depth of problems is significant; however recent developments might change the company’s direction. As already mentioned, on the 29th of August, 2011 the main business parts were bought on a public auction by company called “Aha Moda”. “Aha Moda” is the mother company of “Aha Group” which is composed of 7 production companies. The Group has EUR 65 million of sales turnover and employs 700 people. The Group is owned by two private individuals eager to expand their business portfolio. Purchase conducted by Aha Moda included (www.murafashion.com, 2011):

- Mura’s biggest business entity “Mura in partnerji d.o.o.”;
- “Mura Zagreb d.o.o.”;
- All movable and non-movable property;
- Brands such as Mura and e.mura.

The timing of this project is crucial, relevant and very much correlated with timing of Mura’s potential successful future. Currently, full-sized restructuring is taking place.

### 4.2.3 Financial Highlights

Financial results are company’s mirror, if you will. Taking a closer look at the balance sheet or other kind of financial statements/reports can help detect many hidden issues the company might have. Consequently, it is possible to state that financial statements and numbers never lie. However, many companies have become very skilled in manipulating with financial data and issuing phony balance sheets and financial statements. The only issue is that it becomes extremely hard to maintain the corrupt business-doing and faulty records for a long period of time as it starts to become unstable and unsustainable. As a consequence, many cases have shown that companies collapse from within because they cannot carry the burden any longer.

Thus, key financial indicators in Mura over the period of 2005-2008 are presented in the table below. As it will be visible, it is more than enough to clearly estimate the business trend.
Table 4: Financial Figures of Mura in the Period of 2005-2008\(^2\) (in EUR) (Mura, 2009, p. 9-50)

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net profit</td>
<td>-1,412,736</td>
<td>-2,562,469</td>
<td>-2,788,061</td>
<td>-5,830,330</td>
</tr>
<tr>
<td>ROE (in %)</td>
<td>-5.21%</td>
<td>-10.46%</td>
<td>-12.82%</td>
<td>-36.20%</td>
</tr>
<tr>
<td>ROA (in %)</td>
<td>-1.9%</td>
<td>-3.9%</td>
<td>-4.3%</td>
<td>-9.7%</td>
</tr>
<tr>
<td>ROS (in %)</td>
<td>-1.8%</td>
<td>-3.5%</td>
<td>-3.6%</td>
<td>-8.1%</td>
</tr>
<tr>
<td>Liabilities (on the 31.12)</td>
<td>-</td>
<td>-</td>
<td>64,178,760</td>
<td>60,359,737</td>
</tr>
<tr>
<td>Short-run liabilities (on the 31.12)</td>
<td>-</td>
<td>-</td>
<td>30,173,404</td>
<td>34,563,513</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>-</td>
<td>15,399,491</td>
<td>17,641,260</td>
</tr>
<tr>
<td>Long-run liabilities (on the 31.12)</td>
<td>-</td>
<td>-</td>
<td>4,097,120</td>
<td>3,075,836</td>
</tr>
</tbody>
</table>

As visible in the table above, net profit has been negative throughout the whole presented period and, according to annual report, even longer. From the year 2005 it started to become even worse. Consequently, “return on equity” has a very similar trend as does the “return on assets” ratio. The so-called ROS, also known as operating profit margin was constantly negative and with a worsening trend. The main reason for it might be seen in the orientation of their operations/production into less profitable activities.

The structure of their financial investments is also quite risky and it proved to be problematic. Capital structure in 2002 was EUR 47,523,638 while in 2008 it dropped to EUR 16,104,097. On the other hand liabilities and others were in 2002 EUR 35,339,892, while in 2008 EUR 38,661,030. We can see that the structure of assets completely changed; meaning Mura was financing its operations with too much loans and dept, which can be quite risky, if not managed properly. In their case it proved to be a big problem. Long-run financial liabilities to banks were in 2008 EUR 2,339,424, while short-run financial liabilities to banks were, in the same year, EUR 17,059,847. It is visible the company used substantial amount of short-run financing for their operations. Besides financing its operations, Mura’s reason was also to cover the loss from the previous periods. The proof can be seen in the increase from 2007 to 2008 (Mura, 2009, p. 10-56).

\(^2\) The data presented is till year 2008 because according to the accounting data on August 29, 2009, Mura went into bankruptcy in the following two months. Therefore, the analysis was no longer relevant.
In other words, this entire situation can be explained as a vicious circle. Mura was indeb-
ing itself, which was and still is a very dangerous strategy. The exposure to financial risk
was enormous. Gradually it resulted into insolvency and consequently, bankruptcy of the
company.

4.2.4 Risk Management

Mura had a lot of exposure to risk in the previous years. It is noteworthy to mention that
the risks are still not eliminated to this day. The main risks Mura was exposed to, accord-
ing to data from 2008, were (Mura, 2009, p. 47-49):

- Business risks;
- Financial risks;
- Operational risks.

Business risks: Mura identifies several risks on this field (external, purchasing, selling,
investment, and property). External environmental risk affected Mura’s operations quite
seriously. Due to diversified markets Mura has and its differences, there is generally a high
probability that some macroeconomic conditions will not be favourable for Mura. In 2008
the exposure to that risk was high. The exposure to purchasing risk was moderate. Material
and market goods were overall moderate; meaning there was some kind of proper estab-
ishment of central purchasing policy. The selling risk was being decreased, but it was still
quite uncertain. Investment and property risks were identified as low (Mura, 2009, p. 47).

It can be considered that selling risk was/is quite uncertain mainly due to necessary con-
stant adaptation and non-controllability when it comes to distribution and selling.

Financial risks: Mura again identifies several risks on this field (credit, currency, interest,
and liquidity). Credit risk was identified, in 2008, as moderate, but that proved to be wrong
later on. The credit structure basically collapsed in 2009 and 2010 and finally burst in
2011. As already mentioned, there was a lot of short-run as well as long-run credit. The
main reason for collapse was mismanagement. The currency risk was, more or less, low
due to main market being in the EU (European Union) where, in the majority of markets,
currency Euro is used. Interest risk was mainly visible in the increase of interest rates (for
credits and deposits). The problem occurred with refinancing, because the maturity of as-
sets was longer than the maturity of liability. Finally, in 2008 the liquidity risk was not
recorded as the most problematic. However, according to the accounting data on August
31, 2009, Mura declared its insolvency. The problems became evident when Mura was not able to meet its obligations anymore (till this day there are numerous legal actions taking place against Mura; also from its former employees because of the fact that Mura was not financially able to meet their obligations against them). There was even an attempted solution to have a financial injection into Mura from the government (Mura, 2009, p. 48; www.24ur.com, 2009; www.times.si, 2009).

Operational risk: Mura yet again identifies several risks on this field (production, HR, information system, and legal). Production risks were being decreased by carefully monitoring and controlling daily and weekly production plan, maintenance assessments and equipment control. HR risks were identified as high. Throughout several years number of employees has constantly been decreasing as shown in the table below (Mura, 2009, p. 49).

<table>
<thead>
<tr>
<th>Year</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of employees</td>
<td>5,459</td>
<td>4,905</td>
<td>4,733</td>
<td>4,511</td>
<td>4,215</td>
<td>3,917</td>
<td>3,618</td>
</tr>
</tbody>
</table>

As visible the trend had had and continued to have a negative line all the way till bankruptcy, when impressive information was announced that there were just 650 employees left (mind that in the best times Mura employed around 5,000-6,000 employees). Here, it is possible to depict and observe that the HR risk evolved throughout a period of time and not all of a sudden. The main reason was mismanagement of Mura. It is linked with the business risk (www.24ur.com, 2009).

To continue with the operational risk, information system risk was being decreased with constant update of the technology, introduction of unified central information system for all users, maintenance of the software and equipment control. Last, but not least, legal risks were linking all the above mentioned risks Mura was and still is involved in. This type of risk is identified as very high, especially due to overall problems in Mura (Mura, 2009, p. 49).
4.2.5 Troubled Fields

Management of Mura

Mura has a very big, rich and long history. Management systems have changed drastically over the period of its existence, but the recent management style did the most damage. If just taken into account how many chief executive officers (CEOs) have changed over the period of 3-4 years, someone might be astonished. However, the period of damage creation is not very long compared to the period of healing and saving process of a company, which is much longer and harder. The trend of executive changing that Mura demonstrated was far from a long-run oriented. Television and online articles that talk about management (or better mismanagement) of Mura appear to have no end. Also overall enthusiasm among potential new directors is not very positive.

Even the managerial system inside the company was somewhat weird. When the company was being managed by a procurator, inappropriate powers were assigned to him. By law procurator carries representative powers which are assigned to him, but is not a legal representation of the company. It does not have the same powers as, for example, the chief executive director; the board leader. The procurator is not above the executive board. In case if procurator is present, the executive board itself is the carrier of two fundamental functions: that is legal representation and managerial function. In other words, the procurator is responsible for representation of the company against third persons, and not for daily business and operations of the company. In this case the board decides on a specific business issue and the procurator can realize this decision against third persons, by signing a contract, or an action of that kind.

However, in Mura’s case all these functions somehow belonged to the procurator. Moreover, even the supervisory board of Mura was letting the procurator decide, for instance, if Mura should go under bankruptcy or maybe some other legal procedure (Morozov, 2009). The procurator himself admitted and acknowledged the misconduct when he was present in Mura. One case was that he signed a contract for consulting services with the company that is owned by a former president of Mura; the one who was succeeded by the procurator himself (Morozov, 2009).

Additionally, the company was relying too much on the state. The top management was consequently too passive and therefore not so proactive. There were several cases when some external stakeholders actually intervened with some kind of capital injections. Brus-
sels with EUR 2.2 million, Slovenian government with EUR 10 million in the period of 2002-2004 are just two of many, either financial or non-financial supports they received over the period of last 10 years. Furthermore, in year 2011 the government announced they are going to help Aha Moda to successfully purchase Mura with approximately EUR 5.815 million of financial aid (www.24ur.com, 2011; Milanov, 2009; Fidermuc, 2011).

**Human Resource Management**

The employees have always been the essence of Mura’s operation; being the fact that Mura is a high production company. As already shown in the Table it is visible that the number of employees was constantly declining. From year 2002 to year 2008 the number fell from 5,459 to 3,618. But saying this does not indicate in what big problems Mura was and still is. In 2009 when Mura went into bankruptcy procedure, 2,635 employees were left without work. With the implementation of the mentioned procedure the company would still keep 650 employees that would be doing their work in four subsidiary companies (www.24ur.com, 2009; Mura, 2009, p. 11).

Another issue is the educational structure of the employees. The table below shows the educational structure of Mura’s employees:

![Educational Structure of Mura's Employees](image)

**Figure 2:** The Educational Structure of Mura’s Employees in the Period of 2005-2008 (in %) (Mura, 2009, p. 43)

As visible in the Table above, the highest share belongs to group with elementary or secondary school level. Partially, the observation can be explained by Mura’s nature of operations (production typed company). Consequently, there is not a big space for people with
higher educational level (labour force concept). But what is surprising is the fact that the structure remained almost unchanged. If comparing the structure in year 2005 and 2008, it is visible that there is almost no change.

However, nowadays the importance of education and training became much more relevant than it ever was in the past. At the present time companies spend huge sums of money for updating the production line. Large investments are made in order to use the newest and the most sophisticated technology, otherwise the competition triumphs. In Mura’s case that is extremely relevant. It has already been described how Mura was constantly modernizing its production facilities throughout the past and it is still an ongoing process, but with the same educational structure of its employees. With new technological advancements comes also relevant know how, and not solely from the production point of view, but from the economical as well. That is why it is crucial to have core staffs which have some background of economics and business in general, because nowadays employees are being a part of strategic modelling and planning of the company; they are taking part in forming the corporate policy and internal regulation. Therefore, it is crucial for employees to know how to think towards this concept.

Another relevant concern is in regards to the clerks in the stores; specifically, their qualification. Their knowledge related to fashion and overall trend orientation on the market should be superb. Unfortunately, this is not the case here as also explained below in the text.

*Production Orientation*

It has been identified that Mura’s main business/operational orientation is towards production cooperation; meaning finishing operations for partner companies. One of the main findings is that this kind of orientation is not business rational nor profitable. In Mura the finishing operations are with a low profit margin; even negative (see Table 4). With this kind of strategy they are not leaving a lot of area for new business opportunities, not even mentioning Mura’s brand development itself. The manoeuvre space is limited; therefore not very flexible (for instance 73.3% of income in 2008 was generated by production cooperation). Taking into consideration that their main production is for finishing operations for others, and their main market for export is Germany (e.g. Hugo Boss), Mura is extremely dependent solely upon Hugo Boss. It is quite a dangerous strategy that can result in failure. For instance, when information about Mura’s bankruptcy came into public, Hugo
Boss stopped cooperation with Mura and all the production stopped, what proves this point (www.dnevnik.si, 2009).

**Brand Management and Marketing**

Without a doubt Mura’s products have association with high quality. The problem is that it is the only association. There are no other recollections. There is no positioning in regards to lifestyle, subculture, image, etc. Brand management is not applied and comprehended properly.

The main issue is that due to faults in production orientation, brand management is not able to meet its expectations. With the majority of Mura's production focused on production cooperation Mura cannot develop their brand properly. Of course, there are several subsidiary companies that were established in order to deal with the marketing of the brand Mura, but it does not make sense when the main parts of business are intended for Business-To-Business markets (B2B). As a matter of fact, it is quite contradictory; it does not work in accordance with the concept of polarity. Their production focus disables them to properly execute branding and other marketing activities connected with it.

Another aspect of it is that their sales network is not on the same level as it should be for a company like Mura. Their own sale shops amount to only 8 just in Slovenia. There are even cities that do not have a Mura shop in Slovenia. Additionally, the shop assistants and clerks are not properly educated and trained about Mura's fashion trends and novelties; so there is also an issue in regards to qualification of shop assistants. What is more, for accurate marketing for Central Europe, stores must have an image or a synonym with high quality. If compared with Hugo Boss’s stores, a lot of improvements are seen (www.murafashion.com, 2011).

That is why it is crucial to conduct a restructuring and reorientation process in order to correctly and properly implement successful brand management and marketing.
5 ANALYSIS OF AUSTRIA

5.1 Introduction to Austria

Historically, Austria had an important and vital role in the European political and economical environment. It was once the centre of power for the large Austro-Hungarian Empire, whose part was also Slovenia. Nowadays, it still has a very relevant role, especially in/via EU.

Austria is a Central European country which measures 83,871 square kilometres. Its population amounts approximately 8.3 million. Roughly 90% of them are Austrians, the rest are Slovenians, Croats, Hungarians, Czechs and Slovaks. The official language is German. It borders many countries; Germany and Czech Republic to the north, Slovakia and Hungary to the west, Slovenia and Italy to the south, and Switzerland and tiny principality of Liechtenstein to the east. Austrian geographical landscape is very beautiful, ranging from mountain area (Alps) to flat and sloping terrain. Its capital city is Vienna which is located in the federal state named Vienna (www.izvoznookno.si, 2011).

The country is also a full member of European Union since 1995 when it entered into the membership. It is also a part of EU Economic and Monetary Union since 1999, thus, it is a member of EEA (European Economic Area). As a full member of EU, it cooperates and participates in all agreements and treaties that were signed by the EU. Additionally, Austria is also a member of OECD (Organization for Economic Cooperation and Development) (www.cia.gov, 2011; www.izvoznookno.si, 2011).

5.2 PEST Analysis of Austria

![PEST Analysis Diagram](www.netmba.com, 2010)
5.2.1 Political

Austria is a democratic and federal republic. The head of the state is the Federal President of the Republic of Austria. Currently that is Dr. Heinz Fischer. The Federal President and its legislative bodies are being elected for a six-year period/mandate by the Austrian people. He has been executing the presidential role since July 8\(^{th}\), 2004. He was re-elected as a president on April 25\(^{th}\), 2010 and has a mandate until next elections that will take place in 2016. He represents political balance that proved to be very important throughout the history. The political balance is the reason why the president became more important in a political sense after the establishment of a constitutional amendment in 1929, which gave the President a stronger position. Nonetheless, the executive power is carried out by the Federal President and Federal Government, whilst administrative power and duties are executed by the Federal Government. The Federal Government is having a five-year mandate and its current Federal Chancellor is Werner Faymann. He has been in power since 2008.

The Cabinet, as a collegiate branch of the government, executes only those duties, which have been explicitly entrusted to it by law. All other governmental duties reside with the ministers of the responsible ministries (www.bundespraesident.at, 2011; www.bmeia.gv.at, 2011; www.izvoznookno.si, 2011; www.bka.gv.at, 2011).

As mentioned, Austria is also a federal republic, composed of nine constituent federal states: Burgenland, Carinthia, Lower Austria, Salzburg, Styria, Tyrol, Upper Austria, Vienna and Vorarlberg. Therefore, federal legislation and consequently legislative power is enacted by the two chambers of Parliament; “the Nationalrat” (National Council – lower house of parliament) and “the Bundesrat” (Federal Council – upper house of parliament). “Bundesrat” is representing the interests of the federal states mentioned above. The federal states are changing with the presidency every six months (www.bmeia.gv.at, 2011; www.izvoznookno.si, 2011).

“Nationalrat” is composed of 183 deputies, which are elected every four years by the populace. All legislation acts and treaties must be consented by the “Nationalrat”. On the other hand, “Bundesrat” holds 62 member seats, which are nominated by the state diets. It represents the interest of the federal states; meaning its powers are restricted because the government is not liable to it (www.bmeia.gv.at, 2011).

All laws already passed by the “Nationalrat” must be presented to the “Bundesrat” for their review. However, the “Bundesrat” is not able to influence its implementation; the most they are at power to do is to delay the passage of it by means of a suspensive veto. In such
a case, the bill is sent back to the “Nationalrat”, but the “Nationalrat” can anyways approve the bill by surpassing the veto (www.bmeia.gv.at, 2011; Solsten, 1994).

According to the party affiliation, parliament currently holds 29.3% of the SPÖ (Sozialdemokratische Partei Österreichs) seats and 26% of the ÖVP (Die Österreichische Volkspartei) seats. On the other hand, the opposition is structured as follows: (1) 17.5% of FPÖ – Freiheitlichen Partei Österreichs, (2) 10.7% of BZÖ – Bündnis Zukunft Österreich, and (3) 10.4% of Die Grünen (www.izvoznookno.si, 2011).

**Taxation Policy**

Taxation policy in Austria is more or less correlated with the EU standard. There are some well-known facts about Austrian tax system, such as very high tax burden on labour, or very low revenues from taxes on property and wealth by international standards (Reiss and Kohler-Töglhofer, 2011, p. 21-22).

In regards to transportation policy, an interesting fact is that travel by train is subsidized. Financial support in the form of direct and indirect payments is provided. Direct support is provided by the federal and provincial government to ÖBB (the Austrian railway company) for infrastructure and public services, whilst indirect support is given in the form of a lower VAT (value added tax) rate (10%), with the latter reducing the overall tax ratio (Reiss and Kohler-Töglhofer, 2011, p. 25).

Regarding taxation of consumption, Austria ranks in the middle range of the EU-15. Both, the GDP (Gross Domestic Product) share of consumption-related taxes and the statutory VAT rate, at 20%, correspond approximately to the EU-15 average. However, Austria has relatively a large number of products and services that can be subjected to the reduction of VAT rate of 10%. These products and services are largely features of social and cultural considerations (e.g. food, accommodation services, housing rent, passenger transport, various cultural services, etc.) (Reiss and Kohler-Töglhofer, 2011, p. 28).

In Austria there is a very high tax on labour. This is reflected, both, in the large share of labour taxes in total tax revenues and in the comparatively high implicit tax rate on labour. The above-average revenues are principally the result of high social security contributions and payroll taxes (above all contributions to the Family Burdens Equalisation Fund and municipal taxes). Besides Austria, only Sweden and France report such a level of these payroll-based taxes in their total tax revenues. Around 77% of the wage-related taxes are being either taxes with specific contribution-based benefits that are relatively evenly dis-
tributed (e.g. public pension insurance) or taxes without specific direct benefits (e.g. wage tax). Actually, the wage tax produces the second largest tax revenue (after VAT). It is the only progressive tax among wage-related taxes. Its revenues accounted for roughly 28% of wage-related tax revenues in 2009 (Reiss and Kohler-Töglhofer, 2011, p. 29-30).

It is possible to say that the pension scheme in Austria is based on the principle of collective risk management. Therefore, the pension insurance contributions are regarded as government-imposed savings. Their achieved yield mostly depends on legislative provisions and not so much on developments in financial markets, which is why the contributions to the government sector are far above the OECD average. As a result, people retire rather early in Austria. Additionally, second (occupational) and third (personal) pension plan pillars hardly play a role (Reiss and Kohler-Töglhofer, 2011, p. 30).

The corporate income tax has been cut in several steps since the late 1980s, down from 56% to current 25%, and the tax base has been widened at the same time. The trade profit tax was eradicated in the mid-1990s, following the earlier abolition of the trade capital tax in the mid-1980s. Moreover, final taxation of capital income (primarily interest and distributed profits) was implemented in 1993-94. Simultaneously, the taxation of property and wealth was changed substantially. The rationale for reducing the tax burden on companies was based on the detections that imposing taxes on capital has a debilitating effect on investment demand and thus on long-term growth (for the company as well as for the whole economy). Generally, it is possible to conclude that Austria is a highly developed and stable country in a political sense (Reiss and Kohler-Töglhofer, 2011, p. 35-36).

5.2.2 Economical

Economically, Austria is one of the most developed and consequently strongest countries in the world. In the field of country credit rating according to The Global Competitiveness Report 2011-2012 (subdivision 3.06) it is positioned on the 13th place with the score of 90.1 (100 being the highest) (World Economic Forum, 2011, p. 105-427).

Its economical strength is presented in the table below, where it is possible to observe the economic environment via key economic indicators that stress the country’s stability and strength.
Table 6: Key Economic Indicators for Austria for the Period 2007-2011 (Austria Statistical Office, 2011; www.izvoznookno.si, 2011)

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP (bn EUR)</td>
<td>271.8</td>
<td>282.2</td>
<td>275.5</td>
<td>283.8</td>
<td>300.0</td>
</tr>
<tr>
<td>GDP (%)</td>
<td>3.7</td>
<td>2.0</td>
<td>-3.5</td>
<td>2.1</td>
<td>2.8</td>
</tr>
<tr>
<td>GDP (per capita, in EUR)</td>
<td>32,672</td>
<td>33,776</td>
<td>32,799</td>
<td>33,720</td>
<td>35,516</td>
</tr>
<tr>
<td>Inflation (CPI(^3) in %)</td>
<td>2.2</td>
<td>3.2</td>
<td>0.4</td>
<td>1.7</td>
<td>3.3</td>
</tr>
<tr>
<td>Unemploy. Rate (national def. in %)</td>
<td>6.2</td>
<td>5.9</td>
<td>7.2</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Export (bn EUR)</td>
<td>118.9</td>
<td>121.9</td>
<td>97.3</td>
<td>114.1</td>
<td>139.7</td>
</tr>
<tr>
<td>Import (bn EUR)</td>
<td>117.6</td>
<td>122.3</td>
<td>99.6</td>
<td>114.1</td>
<td>139.7</td>
</tr>
<tr>
<td>Net Export (bn EUR)</td>
<td>1.3</td>
<td>-0.4</td>
<td>-2.3</td>
<td>-3.2</td>
<td>-2.0</td>
</tr>
<tr>
<td>State Debt (% of GDP)</td>
<td>60.8</td>
<td>64.1</td>
<td>69.8</td>
<td>72.3</td>
<td>72.1</td>
</tr>
<tr>
<td>State Budget Deficit (% of GDP)</td>
<td>-0.9</td>
<td>-0.9</td>
<td>-4.1</td>
<td>-2.6</td>
<td>-1.7</td>
</tr>
</tbody>
</table>

Table 6 shows the economic movement and progress throughout a selected period of time. It is visible that GDP was growing with a very competitive rate compared on a global level. However, in year 2009 it experienced the consequences of the global financial crisis for the first time, resulting in decrease for 3.5 percentage point with the reference year being the previous year. Unemployment rate was very stable and, relatively speaking, low, but similar to the trend of GDP, it increased in year 2009 due to crisis. Similar path was followed by all economic indicators presented in the table above. The impact was quite big compared to the data from the previous years, but not so harsh in comparison with other EU member states; meaning that Austria came out of negativity relatively faster than the others.

Anyhow, the Maastricht’s criteria represent some problems for Austria; especially the one concerning the state debt. The criterion is stating that the ratio of state debt to GDP must not exceed 60%. However, all the analyzed years are having a higher ratio (in year 2009 the highest difference above all), and the forecast is also not optimistic (as shown in the table below).

---

\(^3\) CPI stands for Consumer Price Index.
Table 7: Key Economic Indicators Forecasted for Austria for the Period 2012-2013 (www.izvoznookno.si, 2011)

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP (bn EUR)</td>
<td>309.4</td>
<td>316.3</td>
</tr>
<tr>
<td>GDP (%)</td>
<td>1.0</td>
<td>1.3</td>
</tr>
<tr>
<td>GDP (per capita, in EUR)</td>
<td>36,507</td>
<td>37,198</td>
</tr>
<tr>
<td>Inflation (CPI in %)</td>
<td>1.7</td>
<td>2.0</td>
</tr>
<tr>
<td>Unemployment rate (national def. in %)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Export (bn EUR)</td>
<td>177.4</td>
<td>234.7</td>
</tr>
<tr>
<td>Import (bn EUR)</td>
<td>178.3</td>
<td>236.6</td>
</tr>
<tr>
<td>Net Export (bn EUR)</td>
<td>-0.9</td>
<td>-1.9</td>
</tr>
<tr>
<td>State Debt (% of GDP)</td>
<td>73.1</td>
<td>74.2</td>
</tr>
<tr>
<td>State Budget Deficit (% of GDP)</td>
<td>-1.2</td>
<td>-0.9</td>
</tr>
</tbody>
</table>

In the table above it is possible to observe statistical data for the main economic indicators taking into consideration that the period 2012-2013 is considered to be forecasted, estimation for that matter.

After having a negative growth in year 2009, GDP immediately recovered with a 2.1% increase (as shown in the Table 6), with the previous year being the reference year. Also the forecast is quite positive, although there might be a slight decrease in the intensity of the growth in 2012 due to the post-crisis period. The intensity of the inflation rate will somewhat follow the logical path of the GDP (which is negatively correlated). State debt is forecasted to increase (as already indicated above), what can be quite unpleasant for the economy due to Maastricht’s criterion pointing at maximum 60% of GDP. Another issue is state budget deficit, which is indeed forecasted to be decreased, but certain policies are to be implemented in order to successfully lower the ratio (refer to text below).

According to the Austrian Statistical Office, which is governmental statistical office, trade with the EU member states (EU-27) is the most relevant accounting to 72.5% of total imports and 70.5% of total exports in 2010. Among EU-27, Germany is the foremost significant trade partner (30.5% of export and 42.7% of import) (www.statistik.at, 2011; www.izvoznookno.si, 2011).

Economic Policy

In order to fight against economic recession the government accepted several measures for the period 2009-2010. The most relevant are: abolition of school (tuition) fees, increased
subventions for health care, stimulated infrastructural investments, stimulation of R&D, special credit guarantees for loans to small- and middle-companies (SMEs) in limit up to EUR 300 million, etc. In regards to reduced quantity of labour the government is also eager to address this issue by protecting full-time employees with special subventions. These subventions are extended for the period of two years (www.izvoznookno.si, 2011).

At the moment the priorities of the government are to decrease state budget deficit as well as the unemployment rate, to increase expenditures for R&D and the level of studies. The leading political parties agreed to decrease costs and increase taxation in order to successfully reduce state budget deficit (www.izvoznookno.si, 2011).

5.2.3 Social/Demographic

In the social element numerous issues mark as relevant. Age structure, health, social protection and many more are considered as the ones that define the social/demographic picture in a country.

Below, demographic picture in Austria is presented in terms of total population, age structure and sex structure.

Table 8: Demographic Picture in Austria for the Period 2007-2010 (Austria Statistical Office, 2011)

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Population</td>
<td>8,300,954</td>
<td>8,336,549</td>
<td>8,363,040</td>
<td>8,387,742</td>
</tr>
<tr>
<td>Age structure</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(0-14)</td>
<td>1,286,619</td>
<td>1,269,556</td>
<td>1,252,435</td>
<td>1,239,538</td>
</tr>
<tr>
<td>(15-64)</td>
<td>5,601,431</td>
<td>5,629,109</td>
<td>5,646,432</td>
<td>5,668,068</td>
</tr>
<tr>
<td>(65+)</td>
<td>1,412,904</td>
<td>1,437,884</td>
<td>1,464,173</td>
<td>1,480,136</td>
</tr>
<tr>
<td>Sex structure</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Men</td>
<td>4,040,089</td>
<td>4,058,635</td>
<td>4,072,866</td>
<td>4,086,434</td>
</tr>
<tr>
<td>Women</td>
<td>4,260,865</td>
<td>4,277,914</td>
<td>4,290,174</td>
<td>4,301,308</td>
</tr>
</tbody>
</table>

The table above depicts the demographic picture in Austria in the period 2007-2010. As visible, the trend is with a positive presentiment. The structural trend is more or less the
same, with a slight decrease in the first group (0-14); ergo, the shift is towards the other two groups, which is indicating that active-working period and retirement period are gaining in share of the total population. Presumably, these two groups are forming and sustaining the stability in the economy in term of the labour market. However, in the table below, it is evident that the older population (above 60 years of age) is increasing with forecast. It means there might be a slight pressure on the retirement fund and system which was already presented in the text above.

**Table 9:** Population Forecast for Austria (Austria Statistical Office, 2011)

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Population</td>
<td>8,419,776</td>
<td>8,452,835</td>
<td>8,487,785</td>
<td>8,523,250</td>
</tr>
<tr>
<td><strong>Age structure</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(0-14)</td>
<td>1,230,744</td>
<td>1,225,055</td>
<td>1,223,232</td>
<td>1,224,672</td>
</tr>
<tr>
<td>(15-59)</td>
<td>5,223,335</td>
<td>5,238,033</td>
<td>5,248,848</td>
<td>5,255,674</td>
</tr>
<tr>
<td>(60+)</td>
<td>1,965,697</td>
<td>1,989,747</td>
<td>2,015,705</td>
<td>2,042,904</td>
</tr>
</tbody>
</table>

The structure is forecasted to change slightly. As mentioned the increase is estimated for the older population; meaning there might be a sign for the future restructuring of the labour and pension policy factors. Thereupon, the table that explains the labour force in regards to age structure is formed below (with the forecast).

**Table 10:** Age structure of labour force in Austria (in %) (Austria Statistical Office, 2011)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2030</th>
<th>2050</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Proportion of women</strong></td>
<td>44.7</td>
<td>46.1</td>
<td>47.1</td>
</tr>
<tr>
<td><strong>Age structure</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(15-29)</td>
<td>25.2</td>
<td>40.6</td>
<td>34.2</td>
</tr>
<tr>
<td>(30-44)</td>
<td>22.3</td>
<td>38.3</td>
<td>39.4</td>
</tr>
<tr>
<td>(45+)</td>
<td>22.5</td>
<td>35.7</td>
<td>41.8</td>
</tr>
</tbody>
</table>
As noticeable, among three groups there are not many differences. The main share is with the younger force. The forecast for 2030 is conjointly pointing out that the younger labour force will remain at the dominant position on the market. However, approximately 40 years from now the shift is noticeable towards the last group (45+) signifying the aging of the labour force. In regards to labour force indications it is also noteworthy to mention that annual gross monthly salary is EUR 2,731. Due to strong position of construction that same amount increases to EUR 3,049 (data from 2011) (www.izvoznookno.si, 2011).

Besides demographic structure, it is also possible to assess social perspective via other means of the analysis, such as health- or socio-environment, for that matter. Austria is taking a very good care of the socio-environment by spending 41.2% of the general government expenditures on social protection in the state. Another indication is 15.4% on health (data from the year 2010). In contest, survey conducted in 2007 showed that 37.5% of respondents stated their health perception was “very good”, whilst 38.1% perceived their health was “good”. The rest of respondents, in contrast, identified their health as rather “fair”, “bad” or “very bad”; meaning 75.6% of all the respondents perceived their health to be at least good, which is an excellent indicator for a solid health care system (Austria Statistical Office, 2011; Austria Statistical Office, 2007).

Another social component might be seen in the benefits offered at the Federal and Leander level. Social benefits at Federal level comprise of pensions, unemployment benefits, family benefits and federal long-term care allowance, whilst at Leander level these benefits comprise of social assistance, help for people with disabilities and provincial long-term care allowance (www.statistik.at, 2011).

5.2.4 Technological

According to the Global Competitiveness Report 2011-2012, Austria is in stage 3; meaning it is an innovation-driven country. It is ranked on the 19th position with the score of 5.14 (1st ranked Switzerland has a score of 5.74 out of 7 being the highest possible) according to the overall index. However, according to innovation and sophistication factors, it is ranked as number 13, whilst in the technological readiness category ranks as 15th. The 9th pillar, the so-called “technological readiness” is divided into 6 separate categories. Table below shows the rankings and the scores according to each separate category (World Economic Forum, 2011, p. 11-105).
Table 11: Technological Readiness in Austria; the 9th Pillar (World Economic Forum, 2011, p. 105)

<table>
<thead>
<tr>
<th></th>
<th>Score/Value</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.01 Availability of latest technologies</td>
<td>6.4</td>
<td>10</td>
</tr>
<tr>
<td>9.02 Firm-level technology absorption</td>
<td>5.9</td>
<td>12</td>
</tr>
<tr>
<td>9.03 FDI and technology transfer</td>
<td>4.9</td>
<td>44</td>
</tr>
<tr>
<td>9.04 Internet users/100 population</td>
<td>72.7</td>
<td>22</td>
</tr>
<tr>
<td>9.05 Broadband Internet subscription/100 population</td>
<td>23.9</td>
<td>24</td>
</tr>
<tr>
<td>9.06 Internet bandwidth, kb/s/capita</td>
<td>53.6</td>
<td>17</td>
</tr>
</tbody>
</table>

As visible in the table above, Austria is highly developed country compared to other world’s countries. The first category (9.01) explains to what extent the latest technologies are available in a specific country. With the score of 6.4, Austria has widely available new technological advancements. The second category (9.02) gives a brief overview to what extent businesses and firms in a specific country absorb these new technological advancements. Again, with a relatively very high score, Austria’s businesses very aggressively absorb technological novelties. The third category (9.03) clarifies to what extent FDIs bring new technology into the country. In Austria FDIs play an important role, but are not crucial in terms of a key source of new technology. The fourth category (9.04) gives a percentage of individuals using the internet in the country, whilst the fifth category (9.05) gives the number of fixed broadband Internet subscriptions per 100 inhabitants. Finally, the sixth category (9.06) provides the international internet bandwidth in measurement kb per second per capita (World Economic Forum, 2011, p. 490-495).

In Austria there are several institutes dedicated to research or development aspects of modern business and national environment. Austrian Institute of technology is focused on providing research and technological development to implement basic innovations for the next generation of infrastructure-related technologies in the fields of health & environment, energy, mobility and safety & security (www.ait.at.at, 2011).

Another relevant organization is the Austrian Institute for Economic Research (WIFO) which has its roots in 1927. Basically, its role is to analyse economic developments in Austria and international environment and establish some fundamentals for modern economic policies (www.wifo.ac.at, 2011).

Altogether, EUR 7.48 billion have been spent on R&D in all sectors of performance (figure from year 2009). Out of the whole amount, approximately 68% was spent in the business
enterprise sector and 26.1% in the higher education sector. R&D expenditures increased by 8.9%; compared to the reference year 2007. For the year 2011, Austrian research intensity is expected to be 2.79% of GDP amounting more than EUR 8 billion. The largest part of these expenditures will be financed by businesses (44%). The rest will be contributed by other relevant participants; the most by public sector (38.7%) and federal government (32.9%) (Austria Statistical Office, 2011; www.statistik.at, 2011).

Over the period 2006-2008 more than half of the Austrian enterprises (56%) were »innovation active«, indicating that innovation field of the business is one of the most important. These companies either introduced a new product into the market or considerably improved the features of the products already present on the market. The focus was not only on the products themselves, but also on processes, procedural implementations and other aspects of market development (www.statistik.at, 2011).

5.3 Bilateral Analysis between Austria and Slovenia

According to the Bank of Slovenia (also known as the Central Bank) and the embassy of the Republic of Slovenia in Austria, Austria is one of the most relevant foreign trade partners. The economic cooperation between the countries is highly developed. In year 2010, Austria was the third most important foreign trade partner for Slovenia and consequently the trade represented 10.3% of the whole trade exchange of Slovenia. Austria classified on the third place in regards to export of Slovenia, which represented 8.2% of the total Slovenian exports, as well as import, which represented 12.1% of the total Slovenian imports. However, generally we can say, there is much greater cooperation between the states. The following table is outlining the trading relation between the countries from the Slovenian point of view (http://vienna.embassy.si, 2011).
Table 12: Trade between Slovenia and Austria during the Period 2008-2011\(^4\)


<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th></th>
<th>2009</th>
<th></th>
<th>2010</th>
<th></th>
<th>2011</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>in 1,000 EUR</td>
<td>% of total</td>
<td>in 1,000 EUR</td>
<td>% of total</td>
<td>in 1,000 EUR</td>
<td>% of total</td>
<td>in 1,000 EUR</td>
<td>% of total</td>
</tr>
<tr>
<td>Export</td>
<td>1,555</td>
<td>7.9</td>
<td>1,251</td>
<td>7.8</td>
<td>1,494</td>
<td>8.2</td>
<td>792</td>
<td></td>
</tr>
<tr>
<td>Import</td>
<td>2,830</td>
<td>12.3</td>
<td>2,243</td>
<td>13.1</td>
<td>2,407</td>
<td>12.1</td>
<td>1,242</td>
<td></td>
</tr>
</tbody>
</table>

As visible in the table above, the imports are much greater than the exports indicating that Slovenia is very much dependent upon Austria. Slovenian export to Austria has the largest share in the product group “nuclear reactors, machines and equipment” (17% or EUR 248,795,000). The second largest sector for Slovenian exports is “vehicles, expect rail and tram vehicles and its parts” (13% or EUR 189,200,000). The third most significant product group being exported from Slovenia to Austria is “mineral fuels and oils, products of their distillation, bituminous substances and mineral waxes” (10% or EUR 150,937,000) (http://vienna.embassy.si, 2011).

Slovenian import from Austria enjoys its biggest share in the product group “electrical machines, equipment and its parts, appliances for sound recording or picture and sound reproduction, and parts with accessories for these items” (9% or EUR 215,678,000). The second largest share is in the group “mineral fuels and oils, products of their distillation, bituminous substances and mineral waxes” (8% or EUR 186,405,000). The third most significant product group in regards to importation from Austria is “iron and steel” (7% or EUR 168,920,000) (http://vienna.embassy.si, 2011).

According to the data in Bank of Slovenia, Austria is the most important foreign trade partner in regards to Slovenian Inward\(^5\) FDIs, which amounted to 47.9% solely from Austria, whilst Slovenian Outward FDIs amounted to 1.6% in Austria (data from 2010) (Bank of Slovenia, 2011, p. 17-29).

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\(^4\) The data are referring to the period January-June in 2011.

\(^5\) Inward FDI refers to FDIs in Slovenia from another foreign country, whereas outward FDI refers to FDIs from Slovenian companies abroad.
At the end of the year 2010 the stock of Austrian FDIs in Slovenia amounted to EUR 5,153.7 million. According to the data in the year 2010, the majority of the investments were in services and activities linked with financial intermediation excluding the insurance sector (EUR 3,394.9 million), followed by the second strongest sector – retail trade excluding motor vehicles (EUR 506.4 million). The third most attractive sector for Austria was intermediation and wholesale trade excluding motor vehicles (EUR 213.9 million), followed by the fourth biggest sector – the manufacture of paper and paper products (EUR 151.0 million). Finally, the fifth most attractive sector was the production of non-metallic products (EUR 135.8 million). As visible, the most significant foreign investor indeed comes from Austria (Bank of Slovenia, 2011, p. 17-18).

On the other hand, Slovenian outward FDIs are not showing a similar depiction as inward FDIs do. According to the data in the year 2010, Austria received EUR 86.7 million worth of investments from Slovenian companies, which, at the end, amounted to not more than 1.6% of the total investments carried out outside the Slovenian borders. The reason can be traced to the fact that the majority of Slovenian companies were and still are oriented towards South-eastern European markets (the same orientation was noticeable in Mura throughout its history). As a result, an assumption can be made that Slovenian companies are mostly oriented towards South-eastern European markets when it comes to more complex modes of market penetration and internationalization (Bank of Slovenia, 2011, p. 29).

In regards to bilateral analysis between the analyzed countries there are also several bilateral agreements worth mentioning:

- Agreement between the Republic of Slovenia and the Republic of Austria on the mutual promotion and protection of investments – signed on March 7, 2001; ratified on November 3, 2001 (Official Gazette of the Republic of Slovenia, No. 82/01 – International Agreement No. 22/01); valid as of February 1, 2002 (Bank of Slovenia, 2011, p. 36);

One of the most relevant agreements remains the following act:


The relevance of the above-mentioned act is seen in the organizing, executing, and solving of the interstate issues between Slovenia and Austria (i.e. mutual recognition and enforcement of arbitral cases and arbitral settlements in commercial matters, mutual judicial traffic together with the final protocol, etc.).

Additionally, Slovenian national/central bank joined forces with Austrian and Italian central bank in order to actively participate in preparation and execution of the FIS (Financial Information System) project. The aim of the project is to implement unified information solutions regarding reporting standards in terms of business-doing between central banks of the Euro-system (Bank of Slovenia, 2011, p. 10).
6 THE ANALYSIS OF FASHION AND CLOTHING INDUSTRY IN EUROPE

6.1 The Analysis of Clothing and Textile Sector in Austria

The relevant fields for the analysis are the field of textiles and the field of wearing apparel; hence clothes and other wears.

Table 13: Structural business statistics for sectors C13 (manufacture of textiles) and C14 (manufacture of wearing apparel) in 2009 (Austria Statistical Office, 2011, p. 3)

<table>
<thead>
<tr>
<th></th>
<th>C13</th>
<th>C14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of enterprises</td>
<td>623</td>
<td>725</td>
</tr>
<tr>
<td>Persons employed</td>
<td>9,193</td>
<td>8,498</td>
</tr>
<tr>
<td>Personnel expenditures</td>
<td>325,037</td>
<td>231,421</td>
</tr>
<tr>
<td>Revenues and income (in EUR 1,000)</td>
<td>1,282,118</td>
<td>1,036,477</td>
</tr>
<tr>
<td>Turnover (in EUR 1,000)</td>
<td>1,255,073</td>
<td>1,007,338</td>
</tr>
<tr>
<td>Production value (in EUR 1,000)</td>
<td>1,176,211</td>
<td>836,622</td>
</tr>
<tr>
<td>Purchase of goods and services (in EUR 1,000)</td>
<td>836,687</td>
<td>704,077</td>
</tr>
<tr>
<td>Gross operation surplus (in EUR 1,000)</td>
<td>91,547</td>
<td>81,975</td>
</tr>
<tr>
<td>Investment (in EUR 1,000)</td>
<td>36,101</td>
<td>16,958</td>
</tr>
</tbody>
</table>

The table above shows the structural business statistical data for the sectors C13 (manufacture of textiles) and C14 (manufacture of wearing apparel) in 2009 (the data has been compiled in 2011). As a whole, the sectors do not play the most dominant role in the Austrian economy. However, their importance is increasing on a yearly basis.

Concomitantly, in 2009 there were 399 enterprises/agents involved in the sale of textiles, clothing, fur, footwear, and leather goods. Persons employed in this sector amounted to 931 (Austria Statistical Office, 2011, p. 16).

To continue with the data, sector G4642 (wholesale of clothing and footwear) had altogether 458 enterprises in this sector. Persons employed amounted to 3,676. Turnover was EUR 1,311,402,000. On the other hand, the sector G4771 (retail sale of clothing in special-

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Personnel expenditure includes gross wages and salaries, statutory and other social security costs.
ised stores) focuses only on retail sale of clothing, leaving footwear out of the calculation. Here, 3,485 enterprises were present with combined number of 37,454 persons employed. Turnover was recorded to be EUR 4,471,281,000 (Austria Statistical Office, 2011, p. 16-19).

In regards to textile, it is noteworthy to say that sector G4641, which focuses on the wholesale of textile, involved 350 enterprises with a combined force of 1,663 persons employed. The turnover totalled to EUR 440,745,000. Similar to sector G4771, there is also a retail sale of textiles in specialized stores categorized under sector G4751. It involved 953 business entities employing 3,411 persons. The turnover totalled to EUR 242,941,000 (Austria Statistical Office, 2011, p. 16-19).

There is also data in regards to retail sale via stalls and markets, which combined all three together (textiles, clothing and footwear). The so-called G4782 category had 129 enterprises involved in the associated activities. People employed amounted to 233 and the category’s turnover was EUR 9,102,000 (Austria Statistical Office, 2011, p. 19).

In the Appendix I some partial data for 2010 are presented as well, but as already indicated incomplete.

6.2 Analysis of Competitors in Europe

The analysis of competitive market can be viewed in different terms and types. The main differentiation is in terms of direct and indirect competition. However, one competitor cannot directly be in only one group of competition. The reason for this lies in the focus around which the competition is oriented.

The competition can be identified in terms of market orientation, product and service supply, quality of products, income of the potential customers, niche markets, etc. After joining all these criteria, analysis is being focused on identifying the potential competitor of Mura. Therefore, list of potential competitors will be provided, while at the same time present the most relevant competitors. However, this does not mean that other competitors represent less relevance for Mura. On the contrary, they are much more relevant than in any other niche. The reason lies in integration of all the fashion houses or producers in one way or another and because of this fact Mura will compete with others for the income share of the potential customers.
The fashion and clothing industry is quite unique. Although, it is possible to find retail, wholesale, distribution, and many more business parts in fashion and any other industry, this does not indicate that fashion industry should be treated and viewed in the same way. The matter of a fact is that Mura and any other fashion house as such, is offering products with a relatively (when compares with any other normal good) high price. From the customer’s point of view this potential purchase represents quite a substantial part of his/her disposable monthly income. As a result of this, customers are willing to buy only one or two (depends on the amount of disposable income) such products. Consequently, companies like Mura find themselves competing for the share of disposable income of the potential customers; meaning the competition is mainly seen in terms of income, not presence.

However, the companies, which are focused mainly around the segment of business suites and corporate wear, will represent one of the main groups of competitors for Mura.

6.2.1 HUGO BOSS GROUP

The HUGO BOSS Group is one of the world’s market leaders in the premium fashion and luxury segment of the apparel market. The Group is among the world’s most profitable apparel manufacturers. The Group dedicates its main attention towards development and marketing of high-end women’s and men’s fashion trends. It is based in Metzinger in Germany and its workforce amounts to approximately 11,000. Its products are being offered in 124 countries worldwide and can be bought at more than 6,300 points of sale; 622 directly operated stores (including outlets) and approximately 1,000 stores operated via franchisees. The Group’s parent company is HUGO BOSS AG, which is a German stock corporation. It has dual management and control structure. Additionally, the Group consists of 53 consolidated subsidiaries, 32 of them being organized as distribution companies. Although all subsidiaries run as independent profit centres, HUGO BOSS AG is fully controlling them. The company owns production sites in Turkey, Poland, Italy, USA, and Germany; among them Poland being the most important (HUGO BOSS, 2012, p. 2-85; http://group.hugoboss.com, 2012).

The brand portfolio is a diverse one. It consists of various independent collections of the core brand BOSS and the trendy version HUGO brand that very clearly targets different end markets; meaning the consumer groups are differentiated. The brands present in the portfolio are as follows (http://group.hugoboss.com, 2012):
- BOSS Black – it is HUGO BOSS’ core brand and represents a contemporary modern elegance. The products’ range covers women’s and men’s collection with business-wear, sportswear and glamorous event styles. It is considered to be the premium line. Additionally, the line is supplemented with other products, such as shoes and accessories as well as licensed eyewear, watches, and fragrances. Moreover, the line has children’s collections as well.

- BOSS Selection – it is a luxury line which offers apparel, shoes and accessories for sophisticated fashion- and style-conscious men. The quality is the highest with handcrafted design.

- BOSS Green – it is a premium sportswear, within the boundaries between fashionable leisurewear and functional golf-wear. The collection unites the BOSS’s fashion, lifestyle and golf. It offers expressive looks expressed in strong colours for men. Since 2010 a sub-brand has been launched, targeted at women.

- BOSS Orange – it represents an individual fashion style. It is a casual-wear line and the collection is personalized by urban influences and easy-going attitude. It is intended for, both, men and women. Additionally, the line is supplemented with other products, such as shoes and accessories, as well as licensed watches, eyewear and fragrances.

- HUGO – it is the progressive trendy brand of HUGO BOSS. It captures the avant-garde design of the collection which is intended for women and men. The products’ lines are clean with innovative looks. The product range is topped with shoes and accessories as well as licensed eyewear and fragrances.

Evidently, HUGO BOSS is having a wide range assortment of products compiled with an exquisite quality. The branding is sophisticated with an emphasis on lifestyle.

In regards to marketing activities, HUGO BOSS is intensively involved in sponsorship of sport and cultural events, which enhances the worldwide recognition of the Group. Sport sponsorships include premium sports such as sailing, gold and Formula 1, because it conveys brand values such as dynamics, perfection and precision. Regarding cultural sponsorship activities, the Group underlines the similarities between art and fashion in terms of design, aesthetics and creativity. Alongside traditional means of advertising, the Group is increasingly using social networks, where relevant target groups are addressed (http://group.hugoboss.com, 2012).
The key elements identified for growth from the Group are as follows (http://group.hugoboss.com, 2012):

- Increase in consumer proximity;
- Clear differentiation between the Group’s brands;
- Expansion of own retail business;
- Increased internationalization of the business model.

The first listed growth element focuses on consumers’ needs, development of retail sector of their business, and optimization of sales area productivity. The second element clearly identifies the delineation of the individual brands, which increases the external competitiveness and sharpens the brand identity. The centre lies in communication, sales, and core competencies of the Group. The third factor talks about the increasingly important distribution channel and growth driver as a consequence of own retail. Last, but not least, the forth element is long-term oriented. The Group focuses on strengthening its market position in fast-growing future markets, where the population is benefiting from a steady rise in disposable income (http://group.hugoboss.com, 2012).

The Group’s financial overview shows that the Group is quite stable. The table below highlights the main financial indicators.

| Table 14: Key Financial Indicators for HUGO BOSS Group for the Period 2007-2010 (in million EUR) (http://group.hugoboss.com, 2012) |
|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2010 |
| Net sales | 1,632.0 | 1,686.1 | 1,561.9 | 1,729.4 |
| EBITDA<sup>7</sup> | 287.1 | 236.0 | 224.5 | 336.1 |
| Net Income | 154.1 | 112.0 | 104.0 | 189.2 |
| ROE (in %) | 29.2 | 33.7 | 50.5 | 66.9 |

As visible, net income was EUR 154.1 million in 2007, but after the crisis it decreased both in 2008 and 2009. However, the figure boosted in 2010 to EUR 189.2 million; reaching even bigger level than in the years before that. Net sales show a very similar trend,

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<sup>7</sup> EBITDA stands for earnings before interest, taxes, depreciation, and amortization.
with an increase even in 2008. Return on equity shows positive figures, increasing dramatically throughout the given years (http://group.hugoboss.com, 2012).

6.2.2 POLO RALPH LAUREN CORPORATION

Ralph Lauren Corporation has been established in 1967 by Ralph Lauren. The corporation is a global leader in the design, marketing and distribution of premium lifestyle products in four categories: apparel, home, accessories and fragrances. The products include men’s, women’s and children’s apparel, accessories (including footwear), fragrances and home furnishings. In terms of business aspect the company operates in three distinct but integrated segments: wholesale, retail and licensing. Its products are being offered in approximately 10,000 different retail locations worldwide. Additionally, the products are being sold also directly to customers via 367 full-price and factory retail stores, 510 concessions-based shop-within-shops and the company’s e-commerce websites (data according to data in 2011 fiscal year) (http://investor.ralphlauren.com, 2011; Ralph Lauren Corp, 2011, p.2-4).

Regarding brand portfolio, it is possible to judge that Ralph Lauren’s brand range comprises one of the world’s most widely recognized families of consumer brands. The company’s focus is also on lifestyle branding. As already mentioned, the products’ range is as follows (Ralph Lauren Corp. 2011, p. 5-6):

- Apparel – it includes extensive collections of men’s, women’s and children’s clothing;
- Accessories – including footwear, eyewear, watches, jewellery, hats, belts and leather goods, including handbags and luggage;
- Home – include bedding and bath products, furniture, fabric and wallpaper, paint, tabletop and giftware;
- Fragrances – sold under names Big Pony, Romance, Polo, Lauren, Safari, Ralph and Black Label brands.

As mentioned there are many brands in the brand portfolio. Due to the number of the brands, it will be more appropriate if the brands are just mentioned and not explained in detail; Ralph Lauren Purple Label, Ralph Lauren Men’s Black Label, Polo Ralph Lauren, Lauren for Men, Ralph by Ralph Lauren, Ralph Lauren Women’s Collection, Ralph Lauren Women’s Black Label, Ralph Lauren Blue Label, Lauren by Ralph Lauren, Pink Pony, RRL, RLX, Ralph Lauren Denim & Supply, Polo Jeans Co., Golf, Rugby, Ralph Lauren
Children-wear, Accessories, Club Monaco, etc. (Ralph Lauren Corp, 2011, p. 5-10). Evidently, the Ralph Lauren’s brand family is a highly developed and highly sophisticated one. They all focus on a specific feeling, emotion or lifestyle perceivable by the customers. It ranges from high sophisticated fabric and pricing strategy to more affordable products for middle class, from experienced and old individuals to naive and younger group of people.

The brand recognition is reach also via philanthropy related activities which is executed by Polo Ralph Lauren Foundation. Among other aims the Foundation is supporting initiatives in cancer care, education and service in underserved communities, etc. Accordingly, there is a Ralph Lauren Centre for Cancer Care and Prevention which is providing cancer treatment and screening services for underserved communities. The Pink Pony Campaign is also initiated in the fight against cancer. The, so-called, Reusable Organic Tote is providing funds for the Polo Ralph Lauren Foundation in support of philanthropic initiatives. The corporation spends a substantial amount of time encouraging educational opportunities through volunteerism and grants via Polo Fashion School. Another aspect of volunteerism is to help families to have a decent and affordable place to live. The aim is accomplished via Habitat for Humanity. Additionally, there are a large number of non-profit organizations which had been endorsed by Ralph Lauren. It is possible to conclude that the Ralph Lauren Corporation addresses almost all aspects of business-doing, including CSR activities (http://investor.ralphlauren.com, 2011).

The reason why Ralph Lauren Corporation grew so much in the period of its existence could be seen in their growth strategies. Company’s flexible integrated business model encompasses retail, wholesale and licensing. As HUGO BOSS, Ralph Lauren also recognizes key elements for growth (http://investor.ralphlauren.com, 2011):

- Continue to build and extend the brand – new introduction of products, services and market penetrations via applying expertise to wholesale business, including merchandise mix and excellent customer service;
- Focus on specialty retail – increase in product supply in shops with larger leadership function, adapted marketing support, and developed real estate and store strategy with a retail focus extended by global e-commerce initiatives;
- Expand international presence – opening new specialty stores and increasing its direct brand ownership.
6.2.3 THE ERMEneGIlDO ZEGNA GROUP

The Ermenegildo Zegna Group is one of the most famous family (privately) owned and driven enterprises. It indeed has a rich and long history which was always closely kept and developed under the family’s control. When it comes to emerging luxury markets (BRIC\(^8\) in particular) the Group is a pioneer. For instance, Zegna Group was the first luxury men’s brand to open a fully owned store in China; it was in Beijing in 1991. Correspondingly, China is the biggest market for the Zegna Group with more than 70 points of sales. Worldwide, the Group has 555 Ermenegildo Zegna points of sales in over 80 countries, of which 331 are direct operating stores. The Group’s marketing is mainly aim at man; so-called modern man. The main intention is to provide a complete lifestyle wardrobe for a man (www.zegnagroup.com, 2011).

Understandably, the Group developed a brand portfolio which is intended to satisfy broader wants and need by their target market. The brand families which are a part of the brand portfolio of the Zegna Group are as follows (www.zegnagroup.com, 2011):

- Ermenegildo Zegna – sub-divisions show the class and sophistication of the Ermenegildo Zegna. “Couture” is the zenith of the Ermenegildo Zegna tailoring offerings, which are characterized by handmade stunning luxurious details and exclusive fabrics. “Sartoria” redefines classical Italian style and with traditional tailoring and contemporary elegance provides ultimate business wardrobe. “Upper Casual” represents the sophisticated and chic leisurewear with contemporary elegance. It represents a modern attitude which artfully incorporates classic good taste with the resulting luxury prioritizing comfort, simplicity and stature.

- Ermenegildo Zegna SU MISURA – it signifies exclusive made-to-measure service. It produces tailor-made suits, leather garments, jackets, pants, coats, shirts and ties and all is done in just a few weeks. The brand family incorporated “The Suit”, “The Jacket”, “Premium collection”, and “Platinum collection”.

- ZegnaSport – it is centred on design and performance, offering a collection of innovative technical products that are sophisticated and highly functional.

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\(^8\) BRIC is an acronym for countries which are identified as emerging economic markets; Brazil, Russia, India, China.
- ZZegna – it combines the modern and traditional style. It is designed for a modern man looking for an eclectic masculine with fresh and at the same time classical look.

- Ermenegildo Zegna Corporate Gift – it is intended for corporations with a clear corporate identity. The products are highly customized with a great quality and rich tradition. Focus is on details and the finest materials are used for making a corporate gift of absolute prestige. The product’s offer ranges from ties, scarves, throws, and belts to leather goods, silk project, umbrellas, and sport accessories.

- AGNONA – designed for women with a creative fascination. The brand offers various products with integration into “White collection”, “Brown collection”, “Home”, and “Accessories”.

The Zegna Group’s aim and ultimate objective is to be constantly associated with pioneering and high quality. The Group’s growth was possible due to intensive focus on customer needs and wants and shrewd diversification of the Group’s offerings. Zegna Group’s philosophy for growth is based on three principles (www.zegnagroup.com, 2011):

- Long-term orientation;
- Family ownership to ensure continuity;
- A sound ethical commitment enshrined in a rigorous corporate governance system.

A general brand recognition is reach via different tools; one being social responsibility. The Group is convinced that high quality products and services are related with general beauty; meaning not just the product’s. The surroundings and nature’s protection integrated with social and cultural aspect of the society presents the main focus for the Group’s CSR focus and philanthropy. As a result, the Group established The Zegna Foundation to ensure continuity for the values nurtured by the Zegna family. There is also a historical archive and cultural centre named Casa Zegna located within the Zegna Wool Mill. Another establishment is Oasi Zegna; a nature preserve of roughly 100 km2 in the Alps (www.zegnagroup.com, 2011).

In regards to the Zegna Wool Mill, it is noteworthy to mention that is has been established in 1910 and is seen as the backbone of the company’s success. It is renowned internationally for the world’s finest textiles. Within the Zegna Wool Mill the production of the textiles takes place. The complete production process is carried out by the company itself; everything from raw material selection to the finished products. High performance reached
by the production and its technological usage allows the company to create the finest fibres possible and outsell the competition. The Ermenegildo Zegna fabrics the Group uses are: 13/14/15 MILMIL 13/14/15, Trofeo, High performance, Cashco, Traveller, Cashmere double, Elements, Oasi Cashmere, Crossover, Cool effect, Puro cashmere, Silk skin, Shetlair, Heritage, Micronsphere, and Mohair trophy. What is fascinated by these fabrics is not only their sophisticated look and soft touch, but their functionalities as well. Some of the fabrics are designed to create intelligent garments that automatically adapt to regulate body temperature in all weather conditions. The technological advancement the Group uses are indeed sophisticated and extremely developed; for instance, the usage of the nanotechnology (www.zegnagroup.com, 2011).

6.2.4 GIORGIO ARMANI, S.p.A.

Giorgio Armani Company is a company named after its founder Giorgio Armani. The company was founded in 1975 and is an Italian fashion house. According to the data in 2009 the Armani Group had had 5,208 employees and numerous boutiques worldwide where the products are being offered; 153 to be exact. The group’s shops operate in Europe, Middle East, USA, Asia, and Australia (Giorgio Armani, 2010, p. 4-127).

Just like companies mentioned above, Giorgio Armani also has a diverse brand portfolio, as shown below (Giorgio Armani, 2010, p. 4-8):

- Giorgio Armani – collection with a reputation of excellence and superior quality materials.
- Giorgio Armani Prive – handmade collection of eveningwear and daywear in the most luxurious fabrics and materials with fine jewellery, accessories, and exclusive fragrances.
- Emporio Armani – collection offering a contemporary range of day-wear and evening-wear. Additionally, the Emporio Armani EA7 highlights sports range of products. Sports such as running, ski, sailing and golf are included in the designed spec-

9 HIGH PERFORMANCE® COOL EFFECT is the latest development of fabrics in the Zegna Group. The innovative Cool Effect finishing enables the surface of dark fabrics to reflect direct sunlight, thus keeping the garment cool.
trum of the sub-brand. The products are ideal both for the gym and outdoor. The features of the products incorporate absorption, waterproof features and many others. The aim is utmost comfort.

- Armani Collezioni – represents a fine-tailored clothing, stylish sportswear, evening-wear, outer-wear, furnishings, and accessories for professionals. It has clean lines and subtle coloration, exclusive fabrics with exceptional attention to details.

- AJ (Armani Jeans) – it expresses the vision of young, independent, casual lifestyle through a denim based collection with a fashion sensibility

- Armani Junior – products are intended for children and its comfort. The products have an ecologically-based product philosophy both for boys and girls. The product range has everything from shirts, sweat-shirts, jeans and chinos to more fashionable items such as jackets, dresses, skirts, etc.

- Armani Baby – the product range comprises items for infants aged 1-9 months and for babies aged 3-24 months. The fabrics are upmost comfortable, what is reached via cotton and linen being processed with a special washes and dyes.

- A|X Armani Exchange – it is focused on more modern and fast changing fashion. As a result it is aimed at consumers of a generation of fast-fashion. It highlights the urban and individual style with an emphasis on music culture. The products are offered for both men and women including casual wear, premium denim, sportswear, music, leather accessories, underwear, watches, eyewear, and jewellery collections.

- Armani/Casa – sub-brand of the Armani Group which is a world leader in the luxury furnishings sector. The products range includes furniture and furnishing accessories, objects, lamps and exclusive fabrics.


All the brands are having a wide assortment of products and services which can be customized and tailored to specific customer’s desires and wishes. Among itemized brands the Group also has licenses over Giorgio Armani Eyewear, Giorgio Armani Watches, Giorgio Armani Cosmetics, Giorgio Armani Fragrances, Emporio Armani Fragrances, Emporio Armani Eyewear, Emporio Armani Watches, Emporio Armani Jewellery, Occhiali Armani Exchange, and Orologi Armani Exchange (Giorgio Armani, 2010, p. 54-57).
6.2.5 Other Competition

As already mentioned in the text above, Mura’s potential competition is much bigger than these three presented companies. On this basic, the following companies might also be a potential competitor to Mura: (1) Calvin Klein, (2) Gucci, (3) Dolce & Gabbana, (4) Diesel, (5) Tom Ford, and (6) others.

6.3 Purchasing Power (Expenditures) of the Population in Austria

This analysis is relevant because it will show the expenditures for our relevant field; clothing industry in Austria. For Mura this is one of the relevant information.

Table 15: Overview of the Monthly Expenditures of Private Households 2009-2010 (Austria Statistical Office, 2011)

<table>
<thead>
<tr>
<th>Expenditures per household</th>
<th>In EUR</th>
<th>In %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total consumption expenditures</td>
<td>2,910</td>
<td>100</td>
</tr>
<tr>
<td>Clothing, footwear</td>
<td>166</td>
<td>5.7</td>
</tr>
<tr>
<td>- Clothing</td>
<td>130</td>
<td>4.5</td>
</tr>
<tr>
<td>- Footwear</td>
<td>36</td>
<td>1.2</td>
</tr>
</tbody>
</table>

As visible almost 6% of a private household’s income is spent on clothing and footwear (4.5% being for clothing) per month. For comparison 10.8% is spent on food; meaning quite a lot of money is spent on average on clothing; additionally, taking into consideration that products such as Mura’s are not being bought by a private household every month.

6.4 Porter’s Five Forces

The analysis of Porter’s five forces is relevant for Mura’s understanding of its markets. It is significant because it cross compares the company and the market itself. It assists in better understanding of Mura’s current position, the market and the participants within it. Through this analysis Mura will be able to better implement its strategy and compete on a competitively healthier level. In other words, Mura will better understand where its power lies in order to take charge and use the situation of its strength, improve or even eliminate the weaknesses and avoid certain threats. It is an incredibly useful tool for assessing the balance of power in a business condition.

The industry structure in which Mura is present is very flexible and quickly changeable. In the fashion/clothing sector it is crucial to react with an incredibly fast pace and intensity.
Moreover, the behaviour is unpredictable and uncertain. There are many companies that are having their own design centres and technical platforms supporting the centres; meaning the real issue evolves from acting and not reacting. In other words, it is of a crucial interest to be proactively involved and creating your own path for the niche-fashion the company is present in. Mura will have to, basically, create fashion trends and new movements because that is what customers seek. They need to be told or, better said, communicated and informed that the fashion is changing. It is not up to the customer to decide what the new design of a product line will be, but up to the company. In other words, creating needs will consequently strengthen Mura’s competitive edges.

Due to focus on the Central European market, the following analysis will thoroughly depict and analyze the factors considering the Central European market:

**Threat of Substitute Products:** The substitute products might influence industry’s attractiveness for other firms. This threat depends on buyer’s willingness to buy a substitute and its price and quality in relative terms.

In the Central European market (especially in Austria) customers tend to be very loyal, which is a very good indication. It means it is easier to nurture relationship with customers. Especially in fashion industry this relationship develops faster and with a deepened, future-oriented connotation. On the other hand, the development factor is a bit harder; ergo, without developing this relationship the company cannot enjoy the benefits of their customers’ loyalty.

However, there is also the other side of this conclusion. Due to already heavily established competition, the loyalty factor may prove a bit harder to break. The Austrian market and therefore, Central European as well, are quite saturated in terms of relative and not absolute means; meaning that Mura will essentially have to work hard on marketing and communication. Fortunately, Mura’s path of establishment will be slightly simpler due to good reputation on B2B market. Another positive aspect of this part of the analysis is seen in building the brand loyalty in terms of its tools. For Mura its price will prove to be a big advantage, because Mura’s products are relatively cheaper. Gradually, along with the proper targeting Mura’s recognition will grow. The matter is that Mura will compete with the biggest fashion brands known on B2C market. In order to decrease the threat of substitution, Mura will have to differentiate itself on different bases; not just from the price point of view. Another relevant aspect is to create meaningful emotion for the customers, develop a certain life-style identity, for that matter. In that way the customers will not decide
to potentially purchase Mura’s products just because of the price factor, but with a much stronger dedication and feeling of sub-cultural belonging.

**Rivalry among Existing Competitors (Threat of Established Rivals):** In Austrian (Central European) market the presence of rivals and existing competitors is immense. As a consequence, Mura will have a hard challenge to establish itself on a higher level of recognition. Mura’s competitors are famous worldwide and many of the customers have been buying their products for many years; even throughout generations. Consequently, the biggest threat might indeed be seen in already established rivals.

**Threat of New Entrants:** New entrants can raise the level of competition, but on the other hand reduce the industry’s attractiveness. The threat in big share depends on the barriers to its entry (both formal and informal). In this particular industry, there is not a big threat of new entrants, not so much in terms of formal and bureaucracy-related barriers, but informal. Brands in this market have been present there for many years and undeniably they have a big influence not only on the customers but the industry itself; meaning the market is relatively inundated by these companies. From one side, this is a good sign for Mura, because as a “newcomer” (mainly in the scope of the presence compared with the others in Europe) it will not have to pay too much attention on competing with other “newcomers”, but directly create a marketing communication and strategy against main competitors. However, on the other side, it might prove difficult to break the loyalty circle in fashion “giants” for its own interest.

**The Bargaining Power of Suppliers:** In fashion industry suppliers or supplying companies are extremely important. They are the ones that are providing big fashion manufacturers with raw materials and at the same time they might be responsible for the final distribution of the finished goods and services. However, their significance decreased over the period of several years. The reason behind this lies in two parts. Firstly, nowadays, fashion manufacturers are not only producing the finished goods but the raw materials which are used for the production as well. The companies’ technology became so advanced that they are able to develop certain type of fabric used in the final product. That gives them the flexibility and mobility in the market. Lastly, many fashion “giants” are creating their own supply chain; focus being on the other side of the supply chain – distribution. They are acquiring
distributors or establishing their own distribution channels, which enables them to monitor
the market much more effectively and efficiently. For that matter, company like Inditex
Group\textsuperscript{10} controls the end-side of the market, which enables the Group to have a large turn-
over of the goods in the store and a bit different type of marketing focus; opposed to the
traditional approach with seasonal collections. As a result, Inditex Group is able to react to
market changes much faster and with an immediate solution.

\textbf{The Bargaining Power of Customers:} Generally, the bargaining power of customers is
greater when there are many sellers of well-standardized products. However, in this case it
is possible to paradoxically argue that the bargaining power lies in the hands of customers,
although they are in most cases loyal to only one brand. The issue is indeed that customers
are attached to only one company, which would logically indicate the company’s dominant
position over its customers. Despite this fact this is not the case here. The reason for it lies
in the structure of this relationship. On one side, the customers are very mobile; ergo, they
do not have a high switching cost. Per contra, the company actually has a bigger respect
towards its customers, which enables the customers to demand “more than average” from
the company; mainly due to products’ characteristics (high price, high quality, etc.). As a
result, the customers would actually have a bigger bargaining power than the company,
even though the company might have control over the fashion trends and, in a way, over
the creation of wants of the customers.

\section{6.5 SWOT Analysis}

SWOT analysis clearly depicts and explains the relation between internal strengths and
weaknesses, as opposed to external opportunities and threats. With this analysis Mura will
be able to realize the structure of its internal factors and how it influences its external busi-
ness environment. Additionally, Mura will possess a better understanding of its niche mar-
kets and will consequently have a possibility to deal with threats and opportunities and
manage them with the correct decision-making. It will also prove useful in drafting a new
business and marketing strategy in order to be more competitive in the market.

\textsuperscript{10} Includes brand like Zara, Pull & Bear, Massimo Dutti, Bershka, etc.
Therefore, the analysis is presented starting with internal factors (S-strengths and W-weaknesses) and continued with external components of it (O-opportunities and T-threats).

**Strengths**

Internal strengths of Mura are as follows:

- Relatively speaking a very good reputation: Historically, Mura was one of the biggest producers of clothing in Europe. This fact is still present; however the size of it is diminishing. On a domestic market Mura is still in fact a very large company (analyzing in relative terms). From several points of view Mura is very important for the region where it operates (development, employment, etc.). Additionally, Mura has always been developing its production, human and other capabilities and conducted socially conscious activities such as CSR.
- High quality of products: Mura has always been associated with high quality products and materials. It has a strong focus on the best possible quality and for that reason they are even producing their own fabrics and raw materials.
- Modern production facilities: Production facilities have been upgraded several times throughout Mura’s history. Modern and sophisticated technology was always one of the key elements that Mura pursued for high quality production.
- Closeness of production facilities to new potential market: Mura’s main production plant is located in Murska Sobota, city located next to the Austrian border with Slovenia.
- Wide range of supply: Mura offers products from women’s wear, children’s and men’s wear. The style Mura is targeting ranges from formal to casual. Furthermore, accessories are being provided at points of sale.
- Relatively low price on Mura’s products: When comparing the quality of the products with their price it is possible to say that Mura's pricing strategy is very well positioned. It offers high quality items for relatively lower price. For a potential customer it might be very rational to conduct a purchase in Mura’s store.

**Weaknesses**

Internal weaknesses of Mura are as follows:

- Not developed brand management and marketing (mainly on B2C): Mura has always been associated for high quality and generally everybody knew about it.
However the problem lies in the fact that it is not so deeply developed; especially on B2C market. The communication and promotion is incorrectly executed.

- Not developed sales network: Mura has very few own sales points; meaning the sales network is not on the level corresponding to the size of the company. This is one of the reasons, which is disabling Mura to properly and successfully market and promote. Mura’s own sale network in Slovenia amount to only eight cumulatively and a bit more as a partner sale network. Similar issue concerns the products offered abroad.

- Poor management system (both corporate and strategic): Mura has been changing its corporate executives like no other company. If taken into consideration only last four years of their operations, it is accurate to state that Mura changed four executives (one of them being the procurator). The first change has occurred in order to fix the situation in the company; however after the second change the company was left in even a bigger loss than it had ever been before. Additionally, Mura once had a revision of its gained certificate in the field of quality management system in accordance with the ISO 9001:2000. The audits discovered some opportunities for improvements. In other words, the system was not in a good condition.

- Poor HR management: Historically, Mura in its best times employed 5,000-6,000 employees giving it the company a status of the biggest clothing producer in Europe. However, after many mistakes and mismanagement, the above-mentioned number dropped to astonishing 650. Additionally, the structure of the human resources is not proper; for almost half of the staff the highest educational level is elementary school. The issue is seen mainly in the fact that the employees are not able to think strategically as a part of the whole unit in the company. It is possible to judge they are only trained to do their requirements, but do not have economic sense for decision-making; ergo, delegation and empowerment are not a common practice in Mura.

- Production orientation: Mura’s production orientation is mainly focused on finishing operations; meaning for other brands and not its own. The majority of production capacity is dedicated to these types of production activities, giving Mura very little manoeuvring space for diversity and flexibility, which has been apparent when Hugo Boss (the main business partner for Mura) once cancelled all the deals with Mura. Due to that incident Mura had to stop all the production until the issue
had been resolved. It is possible to articulate that Mura is very dependent upon others.
- Financial stability: Mura has had, and still has, many financial difficulties which finalized into the bankruptcy in 2009. The company has been recording losses since the late 1990s. In other words, the financial condition collapsed inside itself. Consequently, liquidity and credit risk were quite large; considering Mura had a lot of short-term loans, which were used to cover the losses from the previous periods.
- Legal troubles: Nowadays, Mura is faced with many legal actions from the side of its former employees (minding 2,635 employees were made redundant when Mura declared its bankruptcy).

Opportunities

External opportunities of Mura are as follows:
- Potential expansion of directly operated stores – own sales network.
- Creation of new collection in line with future trends to create new target markets; mainly on B2C market.
- Development of the online and physical magazine allowing Mura to carefully and properly target its audience. Moreover, the targeting tools would be specialized for different markets (domestic versus Central European).
- Expansion of the supply of accessories allowing certain manoeuvre space for customization and individual targeting.
- Increasing brand recognition by development of social network to successfully develop brand and marketing strategy for B2C market. Creating upgraded and sophisticated sub-pages on forums, social network pages in order to address and communicate directly with potential customers.
- Increasing brand recognition and successfully positioning Mura as a high quality designer and producer by organizing events such as fashion shows or sponsoring some cultural and sports events.
- Gradual development of other product expansions; besides offering high quality business suits and dresses, presenting also sports and other sections.
- EU area: Mura would have a very comfortable and convenient way of doing business in regards to tax, duties, customs, etc.
- More or less, non-exposure to exchange rate and currency risk.
- Fashion trends: Mura would be able to quickly analyze and adapt to novelties in fashion industry. Mura would be immediate access to open market (B2C), information and customer preferences. Gradually, with proper fashion climate Mura would also be able to participate in creation of new fashion trends.

- Achieving greater sales figures and shorter production cycles by creating own internal system: Mura’s competition is quite fierce and well established on B2C market. In order to potentially compete better, Mura could create its own internal system of designing, producing, and distributing the products.

- Achieving greater customer satisfaction and retention by educating and properly training Mura’s employees.

- Attaining higher level of market and customer recognition via organization of events such as runway, fashion shows, etc.

- Introduction of eco-fashion or so-called sustainable fashion as a part of CSR and tapping the customers’ sensitivity.

- Development of a more sophisticated loyalty programme as a part of marketing strategy.

**Threats**

External threats of Mura are as follows:

- Expansion in a very competitive and tough market.
- Financial crisis or unfavourable macroeconomic indicators present in Europe.
- Sudden/unexpected change of the economic climate and consequently customers’ behaviour.
- Relatively, inexperienced environment for Mura on B2C market.
- Current production orientation: significant dependency on the external business deals.
7 PROJECT OF MARKET PENETRATION INTO AUSTRIA

The aim of this project is to create an unobstructed penetration programme based on strategic and marketing implications for Slovenian fashion house Mura. In the end, the project will be thoroughly evaluated in order to minimize potential costs and maximize potential market recognition and subsequently the market share.

7.1 Market Entry Strategy

The goal of the project is to successfully re-build the brand value of Mura in Slovenia and re-establish the B2C market for Central Europe via Austrian market, where Mura can effectively, and more importantly, efficiently execute the marketing and strategic objectives and re-build the company from scratch. For the company itself, it will be essential to strategically plan the tactics of “market entrée”. Therefore, the tactical idea is to establish the company, responsible for marketing communication and strategic orientation for development of Central European market. The firm will be based in Vienna with a strategically aimed location; it is close to production site in Slovenia, it is one of the important fashion cities in Europe and a strategically important capital.

As a result of the above-mentioned argumentation, the steps to set up a marketing entity in Austria are presented.

7.1.1 Business Entity Constitution

Due to many reasons and Mura’s preference, the best choice for entity constitution is the limited liability company, also known as LLC (in slo. “družba z omejeno odgovornostjo”). The so-called “Gesellschaft mit beschränkter Haftung, GmbH” will be a part of strategic ownership of Mura, responsible for marketing and strategic development; mainly on the B2C market.

The steps which Mura will follow and execute for establishing a limited liability company in Austria are (Interview with Mr Obrad Lazic, 2011):

**Obtain the confirmation from the Economic Chamber that the start-up company is really a new enterprise:**

Mura will have to obtain form Neufö 1 or Neufö 3 which can be attained from the Ministry of Finance in Austria and later on get a confirmation from the Economic Chamber. With this step Mura could subsequently get potential costs and tax deduction (e.g. some admin-
Administrative costs, tax on transactional profit, etc.). Time requested for this action is 1 days without any pre-determined costs.

**Notarize the statutes and/or articles of association or the declaration of establishment:**

The articles should incorporate the following parts: the name of the firm, location of its headquarters, terms of existence, amount of capital share and its holders. Apart from that there are some parts that are optional. The cost for this action is assessed to range between EUR 1,000 – 1,500. Time requested for this action is 4 days.

**Deposit the minimum requirements of cash capital in the bank:**

The pre-determined cost depends on the bank individually; however, range is somewhat between EUR 0 – 30. The deposit can be placed in a day.

**Registration at the local court and publish an announcement of formation in the Wiener Zeitung:**

For the registration Mura will have to submit the following documents: certified Declaration of establishment, articles of incorporation, declaration stating the deposit was paid in (in cash), bank certificate for the deposit, evidence that the initial capital invested is not limited with opposite charges, declaration and signatures of the managing director, confirmation by tax authorities that the tax has been paid or is secured (Certificate of non-objection). When the court decides that the name is appropriate and legal the company becomes registered at the Commercial Register; meaning, at that point the firm becomes legally operative.

The registration can also be conducted online, which costs roughly EUR 27. The publication in the Gazette costs around EUR 200.

**Register trade with the Trade Authority:**

If the company was exempted from paying costs for the registration, the cost is 0. Otherwise the type of activity determines the following steps. Normally, this can be done in a day; however, the firm’s activity might require additional documental support which will delay the registration for a certain period of time. The registration can be done personally, online, or via post.
Tax Office registration (obtain a VAT (Value Added Tax) number):

From the commercial register there is an automatic notification informing the tax office about the new establishment and following tax registration. Form 15, 16, or 24 has to be filled and handed in with the statute, opening account, abstract from register, and identification document from the general manager and his signature. Afterwards, in a matter of 10 – 14 days the office issues the tax number; however, the legal deadline is one month. Sometimes, the tax officials come to visit the company with a “welcoming” purpose.

Registration of employees for social security:

Registration is done via ELDA. Medical insurance is required (attained at the legal insurance). Purely for the registration purposes there are no costs and it can be done in one day.

Registration of the firm with the municipality and responsible and competent city administration:

The reason for this action is that municipalities are responsible for calculating the taxes and other possible local costs and taxes (e.g. advertising costs). This process is cost free and done in a day.

7.1.2 Business Entity Constitution Costs

The costs of establishing LLC also requires from Mura’s side minimal capital injection of EUR 35,000 and all statute’s specifications and technicalities being notary verified. All the accountancy and financial statements will have to be submitted to the Register of companies (“Firmenbuch Gerricht”). The costs of constitution include the costs of registration at the court (0.55% of the share capital) and payment of EUR 120 for publication costs. Other costs are: tax on transfer or increase of capital (1%), real estate as a subject of sales taxes (3.5%).

As a result, total costs of setting up LLC (with all the taxes, notary and legal costs) finally amount to an average of 10-15% of the capital value.

The corporate tax used to be 34% for foreign investments, but the Austrian government decreased it in 2005 to 25%; meaning, the rate became the same as for the local companies. However, if the company operates with a loss, it still has to pay a minimum of EUR 1,750 tax annually (amount only for LLC).
7.2 Marketing Strategy

7.2.1 Mura’s Mission, Strategic Objectives, and Goals

Before beginning it is crucial to identify the situation Mura is in and act accordingly. As a result, this project classifies two separate component parts of Mura’s mission. The first one highlights Mura’s presence in Slovenia, where the company already established a strong brand image and recognition among Slovenian and former Yugoslav population. The focus of the first part will eventually be to re-build the brand value, which has unfortunately deteriorated in the recent years. It is also possible to state that the aim is to conduct a “face-lift” of the company. The second part of the mission, on the other hand, will subsequently follow the first part and will be aimed towards international markets. Here, the focal point will be to re-create the brand image and actually launch B2C segment of Mura’s operation.

The reasoning behind parting the mission is the current business and financial standing of Mura; which is unfortunately very bad – state of bankruptcy.

The strategic objectives of Mura will reasonably address the strategic focus of existence and further development of the company. The market standing’s objective is to realistically attack the market in Europe aiming to reach up to 5% market share in 5 years time. Tools used to get to this point are linked with other strategic objectives, that are: (1) innovating new trends and designs by establishing a new design centre, (2) developing store management, (3) financially investing in intangibles, (4) developing own sales network. The point is to act in terms of being proactive and not just react to already established movements on the market.

Goals of Mura are very much linked with its mission and strategic objectives. Thus, the goal is to start generating profit and become a financially solid company.

7.2.2 Strategy in Austria (Branding)

It is important to facilitate the project that is in line with the theories indicated in the theoretical part. In order to facilitate Mura’s strategic position in Austria, it is essential to look at the analyzed condition in which Mura is and determine the faults and implement the most suitable strategies. Tools to be used range from simple promotional instruments to more complex marketing implementation means.

As already mentioned in the text above, Mura’s plan is to set up a company based in Vienna. The company’s aim will be to address the market (B2C) and act as a marketing ser-
vice branch. It will realize all business activities linked with development and marketing (branding) of Mura’s own brands. It will be under 100% ownership of Mura allowing Mura to maintain control of its marketing actions abroad as well. The company will create a new platform on which the production side of Mura can push the company out of financial problems. Furthermore, it will assist in regards to market-related activities in Austria and later, other parts of Central Europe. Analyzing will never stop and will be one of the most important tasks in the future.

One of the first changes that the newly set-up company will implement is definitely the company’s website; or to be more specific – it’s content. Many modern marketing concepts indicate the relevancy of Internet and its promotional aspects linking it to proper communication. Currently, the website, unfortunately, does not allow the potential customer to bond with Mura. The website is not arousing any emotion when visited and this is one of the most relevant issues to be addressed. Mura will have to change the structure and, more importantly, the content of its website according to the customers’ profile. The thing of a matter is that the website has to be designed according to who Mura’s customers are and what they want. Without this, any other approach will prove to be wrong. There should also be a personal touch by Mura; e.g. historical milestone of the brand and issued collections. Moreover, the information should be there – combined in one place → the website. This is especially significant for Mura, because it is trying to “penetrate” B2C market; meaning there is not a lot of customer support at the moment, which results in the tactical thinking how to get it. Via website Mura can present itself to the “new market” with information and data about its business-doing, CSR-focus, and even more than that. The key is to be informative. Another relevant aspect is linked with other marketing-related activities (e.g. advertising, promotion, etc.) where the website will always be shown as a hub for attention-transfer. The website will eventually have to be in several languages; including at least French, English, and German.

Additional exposure can be achieved via, so-called, social networks. More and more emphasis is put on these so-called social structures that can in great deal make or break business success. At the moment, on Mura’s website there are no distinct linkages and connections with these networks. Mura can add tabs which are connected with Facebook, Twitter, and Youtube pages. With that Mura will show they have become modern, more open, yet they have remained sophisticated. Social sites are a great marketing device, because they are almost cost-free yet they reach the biggest audience share among all advertising tools
available nowadays. Moreover, social sites enable, the so-called, crown-sourcing which can be a very positive aspect for Mura trying to reach these targets. With the help of a better webpage design and social networks, Mura will also be able to create online discussion groups, where new collections are going to be main topics of the “symposium”, “ARTIFICIALLY” created by no one else than the customers themselves. The main ideology behind these instrumental motions is to create “the buzz” about the brand.

The following actions are related to marketing itself. One of the most important things is indeed effective marketing of the brand and company, but first, Mura will have to lay down foundations for it – something to build on. Here is where strategic changes take place. One of the first things is to re-build the distribution chain as its relevancy has already been denoted in the theoretical part. The aim is to strategically control it. The advantages (more mobile distribution of goods and services, faster inventory turnover, quicker reaction to the market’s demands and feedbacks, etc.) will irrefutably be seen later on, when Mura starts with all the newly modelled business operations but the rate of growth later on, in the future, will be much higher. Another strategic change will occur in the sales network. Mura’s current sales network poorly shows the potential which Mura possesses. Definitely, number of stores in Slovenia will have to rise (at least to 15 from today’s 8). Moreover, one strategically important store will be in Vienna, which will be discussed later on.

Marketing development of Mura will not slow down at this stage. Further on, online newspapers and magazines will be developed which will partly address the issue of website’s content and partly help to create a huge “buzz” in the beginning of a new brand-launch. Online versions will be accompanying physical magazines which are going to be printed in huge batches; again, in order to create “the buzz” – place Mura’s brand in consumers’ mind and perception. Other marketing communications will address CSR and “eco-fashion”; however, this issue will be addressed subsequently. All these tools will eventually be used in a promotional campaign for “face-lifting” of Mura’s brand and re-creation of the brand image.

As already mentioned in the text above, Mura will open a new store which will be strategically located in the centre of Vienna. Reasoning can be theoretically and realistically found in directness to the new market; everything can be directly addressed, promoted, advertised, presented, and more importantly gathered on/from the market itself. Close location of Mura’s production plant (230 km apart) to the store in Vienna will be seen as one of
Mura’s competitive edges. One of the relevant issues covered in the restoration of Mura’s brand is also the design of the store. At the moment the design is not appropriately on a high level of sophistication. For competing with the world’s most recognizable brands Mura will definitely need to adjust all the “tools”; one of them being also the look of the store. The design will subsequently reflect environment that is relaxing and comfortable with an elegant touch of perfection. It will exemplify intimate feeling of the customer which will be extremely important for brand loyalty programme. The design will combine warm colours of ivory colour fabric and many warm and elegant lines of wooden materials. Products will not be just hanging on simple stands which are predominantly used in lower quality stores. On the contrary, products will be hanging on beautifully designed and integrated hanger systems surrounded with warm and rich materials. There will be many shelves built in the wall purposely creating more space for movement. The aim will be to reach first-class and premium, yet sophisticated look of the stores.

The exclusivity and quality will also be seen in the intangibles. For some entity like Mura intangible assets sometimes mean even more than the products themselves. Loyalty and goodwill of the company and its customers add more “added-value” to the brand than anything else, for that matter. Consequently, proper knowledge and skills of the representatives of the brand are going to intensify the high-level presence on the market. At the moment, staff and shop clerks are unfortunately not very skilled (in relative meaning); or, better said, not at the level where they should be. The aim is to deliver more than just shopping experience to potential or final customers. Knowledge sharing is strategically seen as an important tool, for that matter. The intent is to train shop assistants to know more about fashion and not just the products they are trying to sell. They should advise the customers about the fashion trends, lines, what might suit them better according to their character, body or facial features, etc. Details (e.g. additional knowledge about fabrics, finest quality, materials, and the newest technologies) are the most relevant and have always been, for that matter. Via these added values Mura will excel in quality even more and will be able to build up loyalty for the brand, because there is no better asset for the company than knowledge.

For this purpose idea is to develop some sort of a “workbook” that will help the shop assistants to gain general knowledge about fashion. On the other hand, the second part will concentrate more on self-learning where much of the development will rely on being proactive, and self-management/development. The final aim is to teach them more about the
brand management. Premeditatedly, there will also be a collection of additive readings and books from management and branding. The materials will be available from the newly created “Learning and Development Department” at the Head Office. There will also be a range of ways shops assistants and other staff members will learn and develop outside the store. Ideologically, the intention is to hold area meetings, training workshops, collections launches, etc. Motivational grounds will be seen in certain benefits that they will receive (e.g. financial benefits, qualification advancement, personal growth, etc.). The development is based on improving the store management with the spotlight on customer focus, personal effectiveness, people management, leadership, living the brand and brand values, strategic and commercial management, and branch operations.

Promotional campaign will be the key to success (i.e. appropriate communication). There are many scenarios and ideas how to “target” the campaign. In the beginning all the tools will simply tell one word or they will show one single picture. The aim is to not link the brand with the advertisements, but separate with a secret reason to create the buzz about the advertisement and commercials. Later on, the brand would become connected and the real story/brand would develop.

One of the issues to consider is that Mura’s pricing is not on the highest level; meaning, it is relatively much cheaper than other brands. However, it is possible to assume that the pricing strategy is one of the strongest competitive edges for Mura and the important thing to consider. In other words, Mura’s communication will address “categories” what Mura seems to be quite good at. As a consequence, there is no logic in advertising Mura as the highest quality, best corporate wear, but as the cheapest. The important thing is to stand for a category – single-word-category. Positioning Mura’s brand with a single word must result from the strongest “tool” Mura possesses. Another crucial issue to consider is the recognition of the lower position on the market. Only after this will Mura be able to target the niche market; as an up-comer, down the latter brand. When market will know that, Mura will be capable to gain market share. Why? The answer hides in the fact that Mura itself recognized they are not the best. Logically, customers will go to Mura for price reasons or some other matters (e.g. because Mura will try harder with the service sector); but crucial issue is to consider it in the advertising campaign! The point is that Mura cannot present itself as better, if in reality it is not and at the same time aim high on the market.
Another relevant idea might be to partner-up with another company which is not in the fashion industry. The reason is to share goodwill of another company and suddenly create a positive image of Mura’s brand:

- One potential partner from this reasoning might be Blackberry; especially due to their smart phones’ applications. The business concept would, in this case, be usage of online purchasing applications via mobile phones.
- Another partner might be some sport event organizer (e.g. marathon run, ATP tennis tournament, etc.).
- A certain company that would use Mura’s corporate wear as their corporate wear (similar approach as, for instance, BMW’s as company cars).

As already illustrated, final aim of the promotional campaign will be to take the customers’ mind share. After the fundament will be laid down, Mura’s new brand image will finally be launched via a high level fashion show in Vienna. This will consequently be the last part of the promotional campaign – i.e. launching the brand with a fashion show. All external variables will favour Mura’s position (i.e. environment, location, population, living standard, market, etc.) and with proper communication Mura will launch the brand. Before the fashion show opens, marketing communication will be intensified and more active in order to increase the feeling of anxiety.

7.2.3 Marketing Mix

Marketing mix formation will have to be appropriate but, above all, flexible. Industry, such as fashion, is quite unpredictable and uncertain. Hence, Mura will have to adapt its marketing mix for different markets; customize it, better said. Relevant thing is to understand the market and target audience. With this consideration, the mix will be the most appropriate one within the range of possibility. Further on, in the text below, there is a concise depiction of each of the component elements:

Product

Products offered by Mura will range from simple services to complex creations. The first and the most important segment will be suites, dresses, and similar wears. Corporate wear and its construction will be one of the sub-categories (both, men and women emphasis). Next sub-category will definitely be prestige and glamorous wear which is intended for evening events and other formal occasions. The third category will be characterized by young and fresh new looks and styles, which is targeted at younger population. Addition-
ally, in the next following quarters Mura will develop children’s collection that will be both new and fresh injection of products’ range. However, all of these categories will have one aim in common; they will all highlight the “story” of Mura and its customers (living the life-style Mura offers). Mura’s customers will not only wear the products but feel them and be a part of the story Mura will aim to deliver.

Another part of segmentation will be according to product offer, range for that matter. Mura is known for its quality materials, fabrics, and final production. All these things will finally be incorporated into the product offer, whatever that might include. Mura’s offer will range from wear to accessories including scarves, jewellery, and other items such as belts, ties, etc. Moreover, in the following quarters Mura will develop fragrances and other delicate items which are going to strengthen the brand image and further increase its value.

Last part of segmentation will be according to fields of operations. At this stage, Mura will combine all of the above-mentioned offers and propose them with an exclusive service. Service range will consequently include custom-made suites, sampling, loyalty system, and much more.

**Price**

Pricing strategy, as already mentioned above in the text, will be of utmost importance to Mura in terms of pursuing its strategy. All the tactics will rely on detailed analyses obtained from the markets abroad. Factors, such as population, social standard, social class, region, and others are going to be taken into consideration for setting up pricing strategies against the targeted markets. However, the current standing will definitely help with this because Mura’s products are not very expensive (in relative terms) comparing to customers’ perceived value of the product. For that reason, penetration pricing strategy will be used only in drastic measures. In other words, it will not be the most relevant strategic action.

**Place**

Place refers to many relevant issues linked with location, distribution channels, etc. Mura will have a chain of own stores, where the brand building process will take the strongest effect. This will fundamentally require further investment in property, HR, promotion, and store network. The design of the stores has already been described in the text above, more precisely, under the strategic part. Distribution channel with all the logistical aspects will be controlled by Mura allowing the company to timely act and react on the market needs.
Another positive trait is definitely seen in the closeness of the market to-be-penetrated. As already mentioned, the distance between the production plant and the store, which will be located in Vienna, will be just 230 km. Transportation routes are highly developed; there is a highway system all the way to Vienna.

Channels of purchase will obviously be traditional with a development process of online and/or mobile purchase where potential partnership might be established.

**Promotion**

Promotion is all about properly communicating with customers; delivering the story for that matter. All forces will be aimed at executing product management and translating it into action. In other words, what Mura creates, it will also communicate. It is also possible to call it Branding. I believe this is where the biggest gap exist that can be filled with a new business model; as we know B2B branding approach differs from that of B2C branding. These are two separate matters, two separate industries. Communication will be executed with a tactical ideology with an ultimate aim to gradually increase the communication. As a result, in the beginning the campaign will start with a big advertisement sub-campaign that will have nothing to do with the brand Mura. Communication will completely exclude the brand itself. The reasoning behind will be to create a secret buzz on the market, interest of a kind. Subsequently, advertising and other tools will link the campaign with the brand, unveiling the root and the core. Slowly, the scale of the campaign and its intensity will increase creating an even bigger buzz as a result of which everyone will be speaking about the brand. For the most success, Mura will use traditional and modern advertising tools, public relations, corporate image, direct marketing, and event marketing. At the end the campaign will close with a launching pad at the fashion show where the remaining unknowns will be unveiled.

After successfully communicating the “story”, it will be of utmost relevancy to deliver what was being promoted; meaning, customer management will have to be realized subsequently on the basis of brand management. Ergo, Mura will try to gain not only mind share and heart share, but emotional aspect of it (i.e. spirit share) as well. In other words, the aim of such a promotional strategy is to build true loyalty; something more than just the market itself. It is possible to assume the aim is to grow an emotional relationship with customers, but not just any segment of customers but the target market in particular. The loyalty programme will eventually be aimed at knowing the real customers beyond the database capacity and here is where the relevancy of HR management comes in place.
7.2.4 Risk Analysis, Barriers of Entry, and their Elimination

Conducting a risk analysis is crucial for several reasons, the most important being their timely elimination. Thorough analysis was conducted in the analysis part where Mura was initially presented. To comprehensively fulfil the analysis, risks and barriers that might occur while penetrating are to be presented.

The major potential barriers of entry are:

- Initial investment/capital requirements – This project will require quite big initial investment and capital injection throughout the period of development. Solution: solving it with fixing the liquidity problems and become an interesting client for banks again.

- Store location – Aim is to have a store located in the city centre; however, there is a slight possibility that location will not be according to Mura’s preferences. Solution: solving it with deep analysis of “Opernring” and surroundings around it (maybe even restoring some potential store location and its interior due to proper/excellent location).

- Market power theory of advertising – Other brands might be threatened by Mura’s attempt to capture mind share of the customers on the market and will, in attempt to diminish the impact of Mura’s advertising, try to out-advertise Mura. Solution: solving it via indirect competition.

- Customer loyalty – The presence of already established strong brands within the market can affect Mura’s attempt to increase customer loyalty. Solution: solving it via own customized programme for creating customer loyalty base.

- Inelastic demand – The incumbents will generally have higher prices than Mura; meaning, there might be presence of price-insensitive consumers. Solution: solving it with a different category of fashion (indirect competition); creating a separate category, where the target market will be the one with a slightly lower inelastic demand.

- Falling behind the fashion trends – as already mentioned in the text above, Mura’s goal will be to create fashion trends, “control” the customers, and tell them what the new fashion lines are; however, there is a slight possibility that the target market will not react accordingly due to bigger influence of already established brands like Hugo Boss or Tom Ford. Solution: solving it via creation of design centres that
will continuously work on Mura’s new creations and consequently create a sub-cultural feeling for the customers of being a part of Mura.

Major risks associated with penetration are:

- The threat of not succeeding: A way to eliminate this risk is to control the situation on the market on a regular basis in order to act and react to other market factors, such as competition, for instance.
- Unsuccessful target marketing: A way to eliminate this risk is to analyze the targets in advance; meaning to implement modern way of customer management (more than just via database) according to which Mura will really understand and know its customers.
- Unsuccessful brand management: A way to minimize this risk is to invest in the campaign programme and understandingly develop a story with which the loyalty of customers will be targeted.
- Financial problems – A way to minimize this risk is to appropriately use the budget of the new owner, Aha Moda, and governmental support that will lead towards improving cash liquidity and potentially open new “financial” doors.
- Ongoing legal issues – This might prove to be a risk in the future due to its ongoing nature which can influence Mura’s struggles to develop branding programme. The best possible way out is to admit the faults and pay out the creditors.
- The threat of lack of key human resources (i.e. qualified and top management) – A way to minimize this risk is to properly and thoroughly conduct the screening process and prepare a contingency plan for potential misleads.
- Risks associated with distribution – A way to minimize and consequently eliminate this risk is to analyze the current situation and gradually invest in controlling its own distribution chain; ergo, via managing and controlling the closest elements Mura has only itself to depend on.
- Credit risk – This risk can be minimized via already shown governmental guarantee and improvement in liquidity problems.
- Turbulent EU environment – At this point Mura will be a risk-taker and will try to act on any turbulent changes adequately.

There will be hidden risks as well that are not visible in the planning stage but might occur subsequently. In this case, Mura will have to react quickly and effectively. In order to address these aims Mura will have to conduct a constant and continuous monitoring process.
with which Mura’s potential pitfall will decrease. The primary aim with these types of
risks will be to allocate them in the beginning of their occurrence.

7.2.5 Time and Implementation Analysis via PERT Method

Project initiation, development, and execution with closure will depend on the time analy-
sis conducted for the purpose of penetration. The time analysis is performed with the best
possible approximation based upon real data and subjective assessments of the informal
parts of the project.

Usage of PERT\textsuperscript{11} is significant because it simplifies the planning and scheduling of a com-
plex international project similar to this one. With its help Mura will be able to facilitate
decision making with greater effectiveness.

In the following text steps for market penetration are presented. These steps cover all rele-
vant aspects of international penetration; ergo, with all formalities and informalities. The
steps are as follow:

A. Conducting a deeper analysis of the Central European fashion market; \textbf{[14 days]}
B. Corporate management visiting Vienna (viewing store locations, visiting relevant
   authorities); \textbf{[4 days]}
C. Buying a property for store location; \textbf{[2 days]}
D. Setting up a company in Vienna, Austria; \textbf{[28 days]}
   e. Obtaining the confirmation from the Economic Chamber that the start-up
      really is a new enterprise; \textbf{[1 day]}
   f. Notarizing the statutes and/or articles of association or the declaration of
      establishment; \textbf{[4 days]}
   g. Depositing the minimum requirements of cash capital in the bank; \textbf{[1 day]}
   h. Registration at the local court; \textbf{[7 days]}
   i. Publishing an announcement of formation in the Wiener Zeitung; \textbf{[10 days]}
   j. Trade registration with the Trade Authority; \textbf{[1 day]}
   k. Tax Office registration; \textbf{[12 days]}
   l. Registration of employees for social security; \textbf{[1 day]}

\textsuperscript{11} PERT stands for Programme Evaluation and Review Technique.
m. Registration of the firm with the municipality and responsible and competent city administration; [1 day]

N. Employment/recruiting staff (i.e. shop managers, shop assistants, branch’s top management, etc.); [7 days]

O. Training and HR management; [15 days]

P. Distribution chain restructuring; [20 days]

Q. Promotional campaign (i.e. with gradually increased intensity); [40 days]

R. Website re-design; [12 days]

S. Magazine establishment; [20 days]

T. Designing the store; [13 days]

U. Grand opening/launching of the brand via fashion show. [1 day]

For further time analysis PERT method is provided. The analysis has been divided into two separate parts: (1) project penetration activities, and (2) company establishment activities (which is a sub-part of the first part; specifically, combined under activity D).

The table below shows the activities for Mura’s Austrian market penetration with their predecessors. Additionally, it displays three possible scenarios as a part of risk reduction.

Table 16: Mura’s Anticipated Activities for Market Penetration (own source via WinQSB software)

<table>
<thead>
<tr>
<th>Activity Number</th>
<th>Activity Name</th>
<th>Immediate Predecessor (list, separated by ‘,’)</th>
<th>Optimistic time (a)</th>
<th>Most Likely time (m)</th>
<th>Pessimistic time (b)</th>
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<tbody>
<tr>
<td>1</td>
<td>A</td>
<td></td>
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</tbody>
</table>

As visible in the table above, the 4th activity is followed by the 14th activity; i.e. N. There are 12 steps altogether which present anticipated activities for market penetration. It is noteworthy to mention that activities regarding promotion and other marketing activities are going to be an on-going process. The only difference will be in the structure and intensity of the activities.
The solution of PERT analysis is presented in the Appendix II whilst the critical path is shown in the table below.

**Table 17**: Completion Time and Critical Path (1st Part) (own source via WinQSB software)

<table>
<thead>
<tr>
<th>03-11-2012</th>
<th>Critical Path 1</th>
</tr>
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<tbody>
<tr>
<td>1</td>
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<td>3</td>
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<td>5</td>
<td>P</td>
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<tr>
<td>6</td>
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<tr>
<td>Completion Time</td>
<td>90.83</td>
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<tr>
<td>Std. Dev.</td>
<td>3.15</td>
</tr>
</tbody>
</table>

In the PERT analysis the critical path has been identified. There is only one critical path. Finally, the analysis depicts the project’s completion time, which is around 90 days or 3 months. Additionally, Gantt chart of project completion is provided to the project documentation. It is presented in the Appendix III.

Below, it is possible to depict Critical Path:

![Critical Path](image)

**Figure 4**: Graphical Illustration of Critical Path (1st Part) (own source via WinQSB software)

Furthermore, table below shows the second part with Mura’s steps for company establishment in Austria. It is a part of activity D in the first part.
**Table 18**: Mura’s Anticipated Activities for Company Establishment (own source via WinQSB software)

<table>
<thead>
<tr>
<th>Activity Number</th>
<th>Activity Name</th>
<th>Immediate Predecessor (list number/name, separated by &quot;,&quot;)</th>
<th>Optimistic time (a)</th>
<th>Most likely time (m)</th>
<th>Pessimistic time (b)</th>
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<tr>
<td>7</td>
<td>k</td>
<td>i</td>
<td>10</td>
<td>12</td>
<td>14</td>
</tr>
<tr>
<td>8</td>
<td>l</td>
<td>k</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>9</td>
<td>m</td>
<td>l</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

The table above depicts the activities which are necessary to successfully set up a company in Vienna, Austria; GmbH to be precise. There are 9 steps altogether, presented in the possible scenarios; optimistic, most likely, and pessimistic scenario. The following table reveals the critical path and completion time of the second part of the time analysis.

**Table 19**: Completion Time and Critical Path (2\textsuperscript{nd} Part) (own source via WinQSB software)

<table>
<thead>
<tr>
<th>03-13-2012</th>
<th>Critical Path 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>e</td>
</tr>
<tr>
<td>2</td>
<td>g</td>
</tr>
<tr>
<td>3</td>
<td>i</td>
</tr>
<tr>
<td>4</td>
<td>i</td>
</tr>
<tr>
<td>5</td>
<td>k</td>
</tr>
<tr>
<td>6</td>
<td>l</td>
</tr>
<tr>
<td>7</td>
<td>m</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Completion Time</th>
<th>28</th>
</tr>
</thead>
<tbody>
<tr>
<td>Std. Dev.</td>
<td>1.39</td>
</tr>
</tbody>
</table>

As visible in the table above, the completion time matches with most likely time of activity D in the first part, which is 28 days. The solution of the second part of PERT analysis is provided in the Appendix IV. In addition, Gantt chart of project completion is also added to the project documentation. It is presented in the Appendices V.

Below, it is possible to portray Critical Path for the second part; that is company establishment (Activity D).
7.2.6 Cost Analysis and Budgeting

The project will need financing and budget structuring. It is relevant to set up a general budget for this project in order to have an estimation of its cost. The table below demonstrated the estimations:

**Table 20: Cost Analysis of Penetration Project (own source)**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Cost (in EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(A): Deeper analysis</td>
<td>-</td>
</tr>
<tr>
<td>(B): Visit to Vienna</td>
<td>2,000</td>
</tr>
<tr>
<td>(C): Property purchase</td>
<td>300,000 – 1,000,000</td>
</tr>
<tr>
<td>(D): Company's establishment</td>
<td>1,202 – 1,702</td>
</tr>
<tr>
<td>• (e): Economic Chamber confirmation</td>
<td>-</td>
</tr>
<tr>
<td>• (f): Notarize the statutes</td>
<td>1,000 – 1,500</td>
</tr>
<tr>
<td>• (g): Cash deposit</td>
<td>0 – 30 + min 35,000</td>
</tr>
<tr>
<td>• (h): Registration</td>
<td>200</td>
</tr>
<tr>
<td>• (i): Publication</td>
<td>27</td>
</tr>
<tr>
<td>• (j): Register trade</td>
<td>-</td>
</tr>
<tr>
<td>• (k): Tax Office registration</td>
<td>-</td>
</tr>
<tr>
<td>• (l): Social security registration</td>
<td>-</td>
</tr>
<tr>
<td>• (m): Firm's registration</td>
<td>-</td>
</tr>
<tr>
<td>(N): Recruiting process</td>
<td>500</td>
</tr>
<tr>
<td>(O): Training process</td>
<td>4,500</td>
</tr>
<tr>
<td>(P): Distribution chain restructuring</td>
<td>2,000,000</td>
</tr>
<tr>
<td>(Q): Promotional campaign</td>
<td>1,000,000</td>
</tr>
<tr>
<td>(R): Website re-design</td>
<td>-</td>
</tr>
<tr>
<td>(S): Magazine establishment</td>
<td>5,000</td>
</tr>
<tr>
<td>(T): Store design</td>
<td>200,000</td>
</tr>
<tr>
<td>(U): Fashion show</td>
<td>20,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>approx. 3.5 – 4.5 million</td>
</tr>
</tbody>
</table>
As visible in the table above, the total cost for the project’s execution will eventually be EUR 2 – 4.5 million. The biggest share of the total cost is the distribution restructuring and logistics development. Significant parts are seen in promotional campaign (i.e. marketing communication) because of wide range of channels being used (e.g. TV, radio, online, billboard, cooperation, and other types of advertising) in the programme. The third biggest share is noticeable in purchasing the property/location for the store. Ideally, the property will be purchased somewhere inside “Opernring” in the city centre, where prices are considerably higher than elsewhere.

The budget will be financed from several sources. Firstly, great deal of financial injection will come from new owners, Aha Moda. Secondly, there will be significant amount of help given from the government of Slovenia; considering the fact that Mura is strategically very important for the national interest of Slovenia. Other finances will come from re-invested capital of Mura’s assets; not a great deal, but via bankruptcy procedure there will be some healthy cores where capital will remain inside the company.

7.3 Evaluation and Monitoring; Risk Management and Responsibility Assignment

This project will be monitored and evaluated within certain time periods with the purpose to identify success or problems during project implementation. This is a critical process, as it will help in making decisions which support effective project implementation.

As all major activities necessary for this project (presented above) as well as the time-frame have been identified, the importance of monitoring them is crucial as it will check the physical progress, whether the objectives are met on time, and ensure that there is enough time to adapt to any changing circumstances. Consequently, one of the most relevant parts for Mura is flexibility and mobility which can indeed be achieved via effective monitoring, controlling, and evaluation.

For this project to be successful there must be a clear awareness that certain risks might arise (whether external or internal). Some examples of risks, other than those presented in the risk analysis above, might as well include: flaws in the analysis of the fashion market (as it is subject to constant change), hurdles with recruiting enough employees, the risk that training the staff is not as effective as planned, etc. Fashion market is one of most turbulent markets and thus Mura should bear in mind the changeability and leave certain manoeuvre space for adaptation.
These risks must be identified and eliminated or minimised as soon as they become detectable, otherwise they might cause serious delays. Proper risk management will include taking timely action, having the so-called Plan B (also known as Contingency Plan), and most importantly, conducting the risk analysis constantly until the project is finalized and afterwards as well.

In order for monitoring to be properly conducted, the scope of the project will be clarified (including clear objectives and necessary resources) to every involved person. After the guidelines or formats for monitoring system are developed, a special group of experts (combining specialists from both Vienna branch and the head office in Slovenia) other than the group of executors will be placed in charge of conducting internal audit and controlling. Regular Progress Reports will be filled out to inform all major stakeholders (CEO, top management, employees (especially shop assistants), etc.) of the current state of the ongoing project.

The implementation of all the marketing and strategic activities will be, as mentioned, carried out internally by a group of people which will be responsible for the all individual projects within the programme. However, besides the team, it is crucial to identify specific holders of each individual activity and assign responsibilities to them in order to decrease the subsequent risks. In the following text the division of responsibilities is clearly shown for all individual activities.
Table 21: Assigned Responsibility for the Penetration Steps (own source)

<table>
<thead>
<tr>
<th>Activity</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>(A): Deeper analysis</td>
<td>Mura EHM Director</td>
</tr>
<tr>
<td>(B): Visit to Vienna</td>
<td>Aha Moda (owners) and Mura (executives)</td>
</tr>
<tr>
<td>(C): Property purchase</td>
<td>Aha Moda owners</td>
</tr>
<tr>
<td>(D): Company's establishment</td>
<td>Mura FH GmbH</td>
</tr>
<tr>
<td>• (E): Econ. Chamber confirmation</td>
<td>Mura FH GmbH – CEO</td>
</tr>
<tr>
<td>• (F): Notarize the statutes</td>
<td>Mura FH GmbH – CEO</td>
</tr>
<tr>
<td>• (G): Cash deposit</td>
<td>Mura FH GmbH – CEO</td>
</tr>
<tr>
<td>• (H): Registration</td>
<td>Mura FH GmbH – CEO</td>
</tr>
<tr>
<td>• (I): Publication</td>
<td>Mura FH GmbH – CEO</td>
</tr>
<tr>
<td>• (J): Register trade</td>
<td>Mura FH GmbH – CEO</td>
</tr>
<tr>
<td>• (K): Tax Office registration</td>
<td>Mura FH GmbH – CEO</td>
</tr>
<tr>
<td>• (L): Social security registration</td>
<td>Mura FH GmbH – CEO</td>
</tr>
<tr>
<td>• (M): Firm's registration</td>
<td>Mura FH GmbH – CEO</td>
</tr>
<tr>
<td>(N): Recruiting process</td>
<td>Mura d.d. – HR Director</td>
</tr>
<tr>
<td>(O): Training process</td>
<td>Mura d.d. (HR Office) and Mura EHM (Marketing Office)</td>
</tr>
<tr>
<td>(P): Distribution chain restructuring</td>
<td>Aha Moda owners</td>
</tr>
<tr>
<td>(Q): Promotional campaign</td>
<td>Mura FH GmbH</td>
</tr>
<tr>
<td>(R): Website re-design</td>
<td>Mura d.d. – IT Office</td>
</tr>
<tr>
<td>(S): Magazine establishment</td>
<td>Mura FH GmbH</td>
</tr>
<tr>
<td>(T): Store design</td>
<td>Mura FH GmbH</td>
</tr>
<tr>
<td>(U): Fashion show</td>
<td>Mura FH GmbH</td>
</tr>
</tbody>
</table>

As visible on the table above, every activity has a responsible person. The most important thing is to plan ahead and not allow uncertainties to develop the future progress of the project. Most of the actions will be linked (directly or indirectly) with the mother company. Reasons for it are business support and knowledge transfer in particular. However, direct interventions will be carried out mostly by a newly established branch in Austria; especially by its CEO (mostly due to bureaucracy and administration purposes). On the other hand, new marketing entity will have the most significant role regarding strategy execution with its all crucial elements.

---

12 Mura FH GmbH is the name of Mura's branch in Austria → Mura Fashion House GmbH.
After successful implementation, a Completion Report will be prepared and inserted in Project documentation for future needs.
CONCLUSION

This master’s thesis focused on providing a project on market penetration by a fashion house Mura. One of the aims was indeed to analyze the current market situation and prepare a new business plan that would be applicable according to the theoretical concepts and business rationale principles.

Via theoretical background it was aimed to depict the essence of international business and international marketing, which was used as a base for developing the analytical part and later on - the project.

In the analysis part detailed investigation of Mura’s internal standing and current market situation were presented, giving the fundamentals for the project part. With both parts the main objective of the study was accomplished. Furthermore, several recommendations were made regarding the project part. The most momentous are: (1) Mura should change its business orientation and develop B2C market, (2) Mura should open a marketing subsidiary in full ownership in Austria, Vienna due to numerous reasons and argumentations presented in this study, (3) Mura should part the brand development into local and global parts as the B2C segment has been damaged in the local market; ergo, firstly, brand management should focus on conducting a brand “face-lift” domestically and then link it with global expansion.

The significance of this project is seen in its authenticity and credibility. The data, information, and other consequential elaborations are based on theoretical concepts, credible analyses carried out on the basis of current market standings and credible internal data, and business rationale practice.

Additionally, risk, cost, time, responsibility, and implementation analyses have been made.
BIBLIOGRAPHY

Books:


Electronic sources:


Other sources:

[78] Internal data, information, and material from Mura.


[80] Interview with Mr Obrad Lazić; Customs Inspector, [2011-12-20].
**LIST OF ABBREVIATIONS**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment.</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>Research and Development.</td>
</tr>
<tr>
<td>JIT</td>
<td>Just in Time.</td>
</tr>
<tr>
<td>EDI</td>
<td>Electronic Data Interchange.</td>
</tr>
<tr>
<td>ESI</td>
<td>Early Supplier Involvement.</td>
</tr>
<tr>
<td>ECR</td>
<td>Efficient Customer Response System.</td>
</tr>
<tr>
<td>B2C</td>
<td>Business-To-Customer.</td>
</tr>
<tr>
<td>IMC</td>
<td>Integrated Marketing Communications.</td>
</tr>
<tr>
<td>PR</td>
<td>Public Relation.</td>
</tr>
<tr>
<td>R&amp;G</td>
<td>Rodd and Gunn.</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium Enterprise.</td>
</tr>
<tr>
<td>IT</td>
<td>Information Technology.</td>
</tr>
<tr>
<td>CAD</td>
<td>Computer-Aided Design.</td>
</tr>
<tr>
<td>RFID</td>
<td>Radio-Frequency Identification.</td>
</tr>
<tr>
<td>PDM</td>
<td>Product Data Management Tool.</td>
</tr>
<tr>
<td>ERP</td>
<td>Integrated Enterprise Resource Planning Tool.</td>
</tr>
<tr>
<td>QR</td>
<td>Quick Response.</td>
</tr>
<tr>
<td>BI</td>
<td>Business Intelligence.</td>
</tr>
<tr>
<td>CSR</td>
<td>Corporate Social Responsibility.</td>
</tr>
<tr>
<td>HR</td>
<td>Human Resource.</td>
</tr>
<tr>
<td>ROE</td>
<td>Return on Equity.</td>
</tr>
<tr>
<td>ROA</td>
<td>Return on Asset.</td>
</tr>
<tr>
<td>ROS</td>
<td>Return on Sales.</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer.</td>
</tr>
<tr>
<td>Acronym</td>
<td>Description</td>
</tr>
<tr>
<td>---------</td>
<td>-------------</td>
</tr>
<tr>
<td>EEA</td>
<td>European Economic Area.</td>
</tr>
<tr>
<td>OECD</td>
<td>Organization for Economic Cooperation and Development.</td>
</tr>
<tr>
<td>VAT</td>
<td>Value Added Tax.</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product.</td>
</tr>
<tr>
<td>CPI</td>
<td>Consumer Price Index.</td>
</tr>
<tr>
<td>WIFO</td>
<td>Austrian Institute for Economic Research.</td>
</tr>
<tr>
<td>FIS</td>
<td>Financial Information System.</td>
</tr>
<tr>
<td>EDITDA</td>
<td>Earnings before interest, taxes, depreciation, and amortization.</td>
</tr>
<tr>
<td>BRIC</td>
<td>Brazil, Russia, India, China.</td>
</tr>
<tr>
<td>LLC</td>
<td>Limited Liability Company.</td>
</tr>
</tbody>
</table>
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Appendix P II: Project Completion Time and Number of Critical Path(s) (1st Part)

Appendix P III: The Gantt Chart for Mura’s Completion of Project (1st Part)

Appendix P IV: Project Completion Time and Number of Critical Path(s) (2nd Part)

Appendix P V: The Gantt Chart for Mura’s Completion of Project (2nd Part)
APPENDIX P I: STRUCTURAL BUSINESS STATISTICS FOR SECTORS C13 AND C14 IN 2010 (AUSTRIA STATISTICAL OFFICE, 2011, P. 1)

<table>
<thead>
<tr>
<th></th>
<th>C13</th>
<th>C14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of enterprises</td>
<td>634</td>
<td>735</td>
</tr>
<tr>
<td>Persons employed</td>
<td>9,325</td>
<td>7,934</td>
</tr>
<tr>
<td>Turnover (in EUR 1,000)</td>
<td>1,422,144</td>
<td>1,008,319</td>
</tr>
</tbody>
</table>
APPENDIX P II: PROJECT COMPLETION TIME AND NUMBER OF CRITICAL PATH(S) (1ST PART)

<table>
<thead>
<tr>
<th>Date</th>
<th>Activity Name</th>
<th>On Critical Path</th>
<th>Activity Mean Time</th>
<th>Earliest Start</th>
<th>Earliest Finish</th>
<th>Latest Start</th>
<th>Latest Finish</th>
<th>Slack (LS-ES)</th>
<th>Activity Time Distribution</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>03-11-2012 18:12:20</td>
<td>A</td>
<td>Yes</td>
<td>14.6667</td>
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<td>0</td>
<td>3-Time estimate</td>
<td>1.3333</td>
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<tr>
<td>2</td>
<td>B</td>
<td>Yes</td>
<td>4.1667</td>
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<td>3</td>
<td>C</td>
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<tr>
<td>4</td>
<td>D</td>
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<td>28.6667</td>
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<td>1.6667</td>
</tr>
<tr>
<td>5</td>
<td>N</td>
<td>no</td>
<td>7.8333</td>
<td>49.8333</td>
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<td>75.1667</td>
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<tr>
<td>6</td>
<td>O</td>
<td>no</td>
<td>15.6667</td>
<td>57.6667</td>
<td>73.3333</td>
<td>75.1667</td>
<td>90.8333</td>
<td>17.5</td>
<td>3-Time estimate</td>
<td>1.3333</td>
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<tr>
<td>7</td>
<td>P</td>
<td>Yes</td>
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<td>71.1667</td>
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<td>0</td>
<td>3-Time estimate</td>
<td>2</td>
</tr>
<tr>
<td>8</td>
<td>Q</td>
<td>no</td>
<td>39</td>
<td>49.8333</td>
<td>88.8333</td>
<td>50.8333</td>
<td>89.8333</td>
<td>1</td>
<td>3-Time estimate</td>
<td>2</td>
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<tr>
<td>9</td>
<td>R</td>
<td>no</td>
<td>12</td>
<td>18.8333</td>
<td>30.8333</td>
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<td>90.8333</td>
<td>60</td>
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<tr>
<td>10</td>
<td>S</td>
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<td>19.6667</td>
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<td>90.8333</td>
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<td>1</td>
</tr>
<tr>
<td>11</td>
<td>T</td>
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<td>14</td>
<td>21.1667</td>
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<td>76.8333</td>
<td>90.8333</td>
<td>55.6667</td>
<td>3-Time estimate</td>
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</tr>
<tr>
<td>12</td>
<td>U</td>
<td>no</td>
<td>1</td>
<td>88.8333</td>
<td>89.8333</td>
<td>89.8333</td>
<td>90.8333</td>
<td>90.8333</td>
<td>1</td>
<td>3-Time estimate</td>
</tr>
</tbody>
</table>

Project Completion Time = 90.83 days

Number of Critical Path(s) = 1
APPENDIX P III: THE GANTT CHART FOR MURA’S COMPLETION OF PROJECT (1ST PART)
## APPENDIX P IV: PROJECT COMPLETION TIME AND NUMBER OF CRITICAL PATH(S) (2ND PART)

<table>
<thead>
<tr>
<th>Date</th>
<th>Activity Name</th>
<th>On Critical Path</th>
<th>Activity Mean Time</th>
<th>Earliest Start</th>
<th>Earliest Finish</th>
<th>Latest Start</th>
<th>Latest Finish</th>
<th>Slack (LS-ES)</th>
<th>Activity Time Distribution</th>
<th>Standard Deviation</th>
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<td>Yes</td>
<td>1,1667</td>
<td>0</td>
<td>1,1667</td>
<td>0</td>
<td>1,1667</td>
<td>0</td>
<td>3-Time estimate</td>
<td>0,1667</td>
</tr>
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- Project Completion Time = 28 days
- Number of Critical Path(s) = 1
APPENDIX P V: THE GANTT CHART FOR MURA’S COMPLETION OF PROJECT (2ND PART)