- **Should HH enter the Singaporean market? If so, how**
In Co-operation with

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Supervisor
Dr. Josh Keller

Prepared by
Ms. Marte Elin Hamre – 20090413A
Ms. Marthe Skogsrud – 20090463H
Ms. Carina Aleksandra Bidne – 20090412E

This paper is done as a part of the undergraduate program at BI Norwegian School of Management. This does not entail that BI Norwegian School of Management has cleared the methods applied, the results presented, or the conclusions drawn.
Executive Summary

Our diploma project attempts to aid Helly Hansen (HH) in answering two critical questions relating to their international strategy. First, should HH enter the Singaporean market? Second, if so, how should they enter the market? To answer these two questions, we engaged in a combination of analyses of secondary sources, quantitative data collection in the form of a web-based survey from primary sources, and qualitative interviews.

The first part of our study, concerning whether HH should enter the market, includes an analysis of Singapore’s macro environment, apparel retail industry, and apparel consumer behaviour in Singapore, using both primary and secondary data. In order to find out if HH is capable of entering the Singaporean market, we also do an analysis of HH as a firm. Because HH has a long history and heritage, we also discuss HH’s historic core competencies and how they can translate to success in Singapore. After doing research we conclude that Singapore is a good potential market for HH to enter. Through our analyses, we not only discuss why HH should enter the Singaporean market, but have come up with four critical success factors that HH needs to achieve success in the Singaporean market. They are:

- Manage to position themselves in a way that differentiates them from their competitors.
- Have a competitive advantage through their three-layer system and the Helly-tech technology.
- Be able to provide relevant products to the Singaporean market 365 days a year.
- Manage to create brand awareness among the consumers.

In part two of our diploma project we go on to answer how HH can enter the Singaporean market in order to become successful. We look into possible strategies HH might consider
when entering the market. We also identify three segments we believe HH should target if entering the Singaporean market. In order to predict the competition HH is going to face we identify HH’s potential competitors in the market, before reflecting on HH’s positioning strategy. We identify distribution options and suggest who HH should partner with and what follow-up information HH should acquire before making a final decision.
Acknowledgement

The outcome of this diploma project is a result of superior teamwork and contribution from external sources. We would like to express our appreciation to everybody that has contributed. However there are some persons that deserve special attention.

Above all we will like to thank Dr. Josh Keller, supervisor for guiding, motivating and helping us along the project period.

We will also like to thank Bob Danker, export manager for HH AS for given us the opportunity to prepare this project.

Our gratitude goes to Claus Gaasvig at the Innovation of Norway and Jonas Ericsson from Style Nordic for taking their time to provide us with helpful information.

Furthermore, we hope that HH will benefit from this project in their evaluation on whether to enter the Singaporean market and how.

And finally we would like to thank each other in the group for a great and valuable cooperation. Despite facing barriers and lack of information from HH we have managed to complete a report that we are proud of.
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1 Introduction

The diploma project has been a big and exiting part of our one-year exchange program in Nanyang Technological University. We have worked with the final year product in the time period: December 2009 until the end of April 2010.

Our group consist of three members who have contributed equally:

Ms. Marte Elin Hamre
Ms. Marthe Skogsrud
Ms. Carina Aleksandra Bidne

We wanted to write about a Norwegian company that was established in Singapore. Due to the long distance we thought this would be more convenient. However, we read an article about HH and how they now are penetrating the Asian market. We decided to contact them and they were very positive and arranged a meeting with HH marketing export manager Bob Danker.

In collaboration with Bob Danker we decided to write our diploma project for HH. HH is in the Asian market but has not yet penetrated the South East Asian region. They are, however, evaluating the possibilities for expanding in the Asian market.

Our dialog with HH has mainly been through phone calls and emails due to the physical distance between Singapore and Norway.

We have learned a lot from working with our final year project. It has been challenging but also very exiting and educational.
1.1 Problem Definition

Through research we are going to find out if the Singaporean market is a potential market for HH to enter. Our diploma project will study the market potential in Singapore for HH.

HH is going to face many challenges when entering the Singaporean market. We will examine the potential challenges, the cultural, as well as the challenges concerning marketing in order to tap the market potential and grow their market share.

Our main problem will be to figure out whether HH should enter the Singaporean market and if so, how they should enter. We will evaluate the market potential available for HH and recommend appropriate market entry strategies.

In order to solve our problem definition we have decided to divide our paper into two parts. The first part of our project includes analysis and research done in order to figure out if HH should enter the Singaporean market. Based on our findings in part 1, we find that HH should enter the Singaporean market. In part 2 we look at how HH can enter the market.

Our two problems to answer are therefore:

1. Should HH enter the Singaporean market?
2. If so, how?
PART 1

- SHOULD HH ENTER THE SINGAPOREAN MARKET?
Introduction – Part 1

Before HH can enter the Singaporean market, they first need to know if they are capable of entering a new market and if there actually is a potential market for HH to enter. In order to solve this question we first have looked at HH’s internal strength and analyzed the Singaporean market, in terms of macro environmental factors, industry analysis, as well as consumer behavior.
2 Company Profile – Helly Hansen AS

HH is one of the few Norwegian apparel brands that are internationally well known. HH provides high quality, protective technical gear for work, survival and sport. A Scandinavian PE group called “Altor” owns HH. Peter Sjølander is the CEO of the HH Company. Their production takes place in China, Turkey, Sri Lanka, Vietnam, Indonesia and Thailand.

HH often discusses how it works and plays in the harshest environments on the planet to learn what's needed to create the best performance gear possible. HH is divided into three business units, HH Sport, HH Work wear and HH Survival and Marine. HH Sport is the largest division, supplying branded technical apparel and footwear for outdoor sports. HH Sport has a strong global brand and market position. HH sport appeals to the consumer market while HH work wear and survival is more suitable for the business-to-business market. Each of these divisions utilizes similar technologies, but target radically different markets, each requiring considerable analysis. We believe HH sport unit has the most potential in the Singaporean market because, as we will discuss later, has an advanced retail apparel market, and therefore we decided to focus on the business-to-consumer market.

2.1 History

HH has a long history. It was founded in 1877 by Helly Juell Hansen\(^1\). HH created the first ever-waterproof clothing. HH was first to create the three-layer system of clothing, providing clothing that protects people against both hot and cold conditions. In 1979 HH launched LIFA, making it the ideal base layer fabric for outdoor sports and work wear use. The year

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\(^1\) http://hellyhansen.com/about-us/heritage
after, in 1980, the ‘Helly-Tech’ technology was launched, which meant the apparel was both waterproof and breathable. The heritage from Helly Juell Hansen is still HH cornerstone. Their long history of innovation and high technology has for many years been HH’s competitive advantage.

2.2 Products

HH offers a wide range of products in their sports unit in order to suit different customer needs: lifestyle, outdoor sport, water sports and winter sports. HH sell it’s clothing to men, women, juniors and kids.

The LIFA technology and the base layers system provide HH products with high technology products appropriate for all activities of sports, whether the consumer wants dry, warm or cool base layers².

For hot and humid climates (such as Singapore), HH Cool would be the most preferred base layer because the product is designed to keep people cool and dry. The “stay dry” technology is designed for training, travel and casual wear.

*HH Cool Baselayer:*

² http://www.hellyhansengear.com/default.aspx
2.3 Scope of Market

Scandinavia is HH’s home market; UK and North America are focus markets. China, Korea and Japan are all very important markets, as they will be bringing in lots of business as the years go on.

HH has three warehouses for Sport – in Netherlands, in Canada and one in USA.

HH has wholly owned subsidiaries in North America, UK, Scandinavia and Western Europe. All other operations are run through distributors who may have a distributor agreement or a combination of a distribution and license agreement, meaning they have the right to build their own product to suit local needs, but all products must be approved by HH. The transport costs are baked into the cost of the goods.

HH now has 134 shops around the world, mostly run by licensees and distribution partners (SEE APPENDIX 1). It plans to add a further 150 over the next five years; most of them through a licensing deal agreed with the Hong Kong based Symphony Holdings\(^3\).

\(^3\) http://www.8264.net/html/Outdoor_News/International_Outdoor_Industry/200909/10-6142.html
2.4 HH’s Internal Strengths

To ensure that HH is capable of entering a new market we first have to find out if HH has the internal strength that is needed to enter a new market. We have therefore looked into two models The Bakka model and the ACE-model.

2.4.1 Internationalization Process – The Bakka Model

Bjarne Bakka was among the first to illustrate an internationalization-model in different phases - from what he called trial export, through extensive and intensive export, to international marketing (multi-national marketing). Later, Solberg extended the model with phase 5 - global marketing. This model describes the factors that are believed to influence corporate decisions in the various stages. This model explains where HH is in their internationalization process.

HH’s position in the Bakka - model “internationalization process” is *multi-national marketing*. This means that the HHs export activity is present in order to achieve company goals in line with their home marketing. This also shows that HH is capable of entering a new market like Singapore. Exports are in this position a large and important part of the company's total business. An analysis of this model gives us an indicator that HH are capable of entering a new market (SEE APPENDIX 2).

*Motive of exporting*

HH has a strategic motive to drive the export of their goods. HH sees a need for development and growth in order to expand their export activity. This leads to new entry into new markets such as for example Singapore.

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Choice of Market

HH is today a global company with Brand Stores and retail outlets in 45 countries worldwide\(^5\). With its long history and good reputation HH has managed to develop a strong brand name, both nationally and internationally. HH will now continue their market expansion and offer their products in additional new markets as for example in Asia.

Market share

HH offer a large range of different products such as sports wear, sailing, hiking, winter clothing and footwear suitable for different needs, in all kinds of weather while always looking fashionable. HH is known for their high technology and quality products with good durability. HH have wholly owned subsidiaries in North America, UK, Scandinavia and Western Europe. All the rest are run through distributors who may have a distributor agreement or a combination of a distribution and license agreement, meaning they have the right to build their own product to suit local needs. HH want to achieve the same confidence in other countries as they already have in their domestic markets.

Organization

In 2003, HH centralized the organization to create a larger community and a better organizational culture. Their product development takes place in Oslo/Moss while the production takes place in China, Turkey, Sri Lanka, Vietnam, Indonesia and Thailand. The Hong Kong-based company Li & Fung Ltd., the largest supply chain company in China, has taken over the sourcing function. This is an indicator that HH has a strong organization that is capable of entering a new market.

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Entry Strategy

HH's main strategy in Asia is to penetrate the Chinese market and expand its operations in large parts of Asia. As HH already is well established in several major markets, it will be easier to introduce their brand and product lines into new markets. This can be done through outlets (flags stores), licensing, distributor agreements, agents or sales offices. Direct Delivery is a cost effective way of delivering goods to the partners, and this might be the best way for HH to serve the Singaporean market, this can be done from the production centers in China through a consolidation point in Hong Kong.

Marketing Mix

HH culturally adapts to their export markets. HH customizes their products, and actively builds their profile in these markets. They have medium to high prices on their products. HH customers get more than just the physical product, but also high quality products. The products cover several needs in the market as high-tech, quality, fashion and trends. HH adapts their products to their export markets. This might make it easier to achieve successes in the Singaporean market as HH can adapt their products to the Singaporean customer’s preferences.

Financial Result

HH has mutual dependence on their home market, as the Norwegian market is a major part of their business.

Operating income before depreciation (EBITDA) ended at NOK 152 million (36 million SGD) in 2008. HH’s first period 2010 sales were 35% higher than last year at the same time. In 2009, despite the global recession, HH had a slight increase in sales, which not many other companies in this industry can claim. HH is not publicly listed. Therefore, they believe they
are in a better position to exploit opportunities than they're publicly traded competitors that may have a stronger pressure to deliver results in the short term. HH has used the financial crisis to open new stores. The company is planning a number of new stores in the coming years, and for the next few years they plan to open as many as 10 to 15 new stores. This gives us an indicator that HH has a healthy economical growth, and is willing to invest in new stores and enter new markets.

2.5 The ACE - Model

It will be important that HH has the right attitude and competence when entering a new market such as Singapore. The ACE-model shows HH's development in the international corporate culture through the development of attitudes, competence and the embodiment.

It is primarily the company's internal commitment and support to the internationalization process that determines whether it will succeed in their export activities. Today HH is a global brand. They have been exporting their products for many years and have developed deep insights in international business activities and attitudes towards internationalization.

Attitude

HH has a positive attitude towards export, as this is something that is important for the corporate development and sales.

Competence

HH has during the last decades developed international experience and expertise. Peter Sjölander who is the CEO of HH previously worked 15 years at Nike. The Global Brand

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6 http://e24.no/naeringsliv/article3258282.ece
Manager Hans Gunleiksrud has in addition experience as Global Brand Manager at Nike, and worked in the same position in the Coca-Cola Company. This implies a high degree of competence. HH’s slogan is “We work hard, so you can play hard” - the company has the expertise needed and is in the position to highly adapt to the various markets. Thus, in addition to having sales offices situated in the largest export markets, they also have staff that knows the market and the different cultures well.

**Embodiment**

HH has had a tremendous development since it’s beginning in 1877. They have managed to develop a first-class organizational structure and culture in which all parts of the organization work closely together. This has led to a foundation of norms and values. They have adapted to the various cultural differences in the markets, and their attitudes to the internationalization process are well integrated.

Therefore, we believe that HH is overall in a strong position to enter new markets.
3 Methodology

We have now seen that HH is a company that is capable of entering a new market. The next step in the process to answer our problem definition is to do research on the Singaporean market. We will now describe how we did our research process.

The market research process can be defined as the systematic designs, collection, analysis and reporting of data, and findings relevant to a specific marketing situation facing the company. We have used “Gripsrud, Olsson & Silkoset’s” effective research process.

3.1 Problem Identification and Formulation

Through research we are going to find out if HH should enter the Singaporean market, if so, how.

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The innovative-patented technology “Helly Tech” combined with the long history of the company has made the company to become a global brand with success in many large markets. HH has never been introduced to the Singaporean Market before.

**Problem definition:**

**Should HH enter the Singaporean market?**

**If so, How?**

### 3.2 Research Design

The different research design involves a description on how the analysis process should be organized to be able solving a problem on a certain area. There are three different designs to use in the research analysis: *Explorative Design, Descriptive Design and Causal Design.*

We used both *explorative design* and *descriptive design* in our research process.
We used explorative design to gain an understanding of the potential for HH to cooperate with partners/apparel distributors in Singapore. By using this design we gained knowledge about the potential distributors in the sportswear industry.

We have an understanding of our problem area. We used descriptive design as a part of our research method to describe the consumer’s behaviour and attitudes towards sports and shopping habits. By using this design we will gain descriptions of the Singaporean consumer market as well as the apparel industry in Singapore.

By using both explorative- and descriptive designs in our research we collected valuable information about potential distributors in the apparel industry as well as the consumer market in Singapore.

3.3 Choice of Method of Research

The next step in this research process was to find out what kind of method of research we wanted to choose. We combined the methods of research by using web-surveys, observations, and in-depth interviews.

3.4 Collection of the Data

3.4.1 Primary Data

We gathered primary data for our project by using surveys, observations-methods and in-depth interviews for our project. We used first-hand experience so we were able to collect qualitative data for our research project.
Personal

Meeting with HH A/S

On the 5th of January 2010 we had a meeting with Bob Danker from HH in Norway, Oslo where we met the management team of HH. Bob Danker from HH had a presentation for us. We gained knowledge and information about the history of HH and their values and hopes for the future. HH shared their history, vision, values and future-plans with us; something that will help us better be suited for analyzing the market in Singapore for HH to entry.

In-depth Interviews

To find out if it is potential distributors for HH in the Singaporean market we used qualitative data. We had an in-depth interview with Style Nordic here in Singapore (SEE APPENDIX 3). “The Innovation of Norway” gave us email address and phone number to Jonas Ericsson in Style Nordic. We also had an interview with “Innovation Norway” (SEE APPENDIX 4). These interviews gained us deep insight and knowledge about the apparel industry in Singapore, the consumer market, as well as how Style Nordic may see HH as a part of their product assortment in their stores. We also got an understanding of the challenges HH probably will face when entering the Singaporean market.

We gained information about the apparel industry in Singapore as well as we got a certain confirmation that it is a possibility for HH to enter the Singaporean market.

Phone

Due to the fact that HH AS is located in Norway we had to use phone-interviews to communicate with HH. The reason for using this kind of communication is due to the fact that we wanted to make sure that we were on the right track as well as we needed more inside
information about HH. After communicate with Bob Danker we gained information about HH’s perspectives and thoughts (SEE APPENDIX 5).

**Internet**

*Web-surveys*

We used web surveys to effectively collect information about the consumer’s shopping habits and preferences on sportswear. Due to the fact that we wanted an overview of the Singaporean consumer market we felt we gained this by only using web-surveys on the consumer behaviour part.

We designed questions that were relevant to our research problem so we easily could gain knowledge about the Singaporean consumer market. The questioners involved:

- Sports habits
- Brand loyalty
- Function
- Appearance
- Price
- Shopping habits
- Technology

We used www.surveymonkey.com to collect answers from the respondents. At the first page of the survey we informed the respondents about whom we were and the purpose of this survey.
When targeting the respondent market we used a convenience sample of 120 people currently located in Singapore. We collected 58 answers to our survey. This gave us a great insight into the Singaporean consumer market.

**E-mail**

We communicated with The Innovation of Norway by mail. They gave us information about different distributors here in Singapore. They gave us the email address and phone number to Jonas Ericsson in Style Nordic. The Norwegian Business Association and The Norwegian Ambassador gave us tips surrounding our problem definition. We also had contact with “Innovation Norway”.

**Observations**

Observing is a way of registering phenomena, without given any written or orally information\(^\text{10}\). We used our own personal observations when researching. We observed the products and environment at HH. Due to lack of inside information from several companies we also observed the apparel industry in Singapore. We have also observed the shopping habits and behaviour of the Singaporean consumers.

**Helly Hansen**

We looked at the summer- and autumn collections for 2010 when we were at their head office 5\(^{\text{th}}\) of January 2010 in Norway. We talked to the people working at HH AS. We also visited the two flag stores located in Oslo. These observations at HH gave us great insight into the environment, atmosphere at HH and the product assortments.

Competitor Presence in Retail Locations in Singapore

We have observed the competitors and where they are located within Singapore. We divided the locations of competitors into four different areas and observed their presence in four key geographic locations:

- Orchard- a high end retail district
- Jurong East- a working class neighbourhood
- Harbour Front – Vivo City- a tourist and business focused retail district
- Changi-Airport

We choose to use these locations due to the differences found in these populations.

In each of these locations, we observed the competitors’:

- Product assortment
- Price on products
- Promotions
- Environmental atmosphere in the store
- Sales staff
- Target group

Consumers

At each of these locations, we also observed the Singaporeans behaviour, attitudes and preferences when shopping in different settings.

3.4.2 Secondary Data

By using secondary data we gathered information about the shopping and sports habits and preferences among Singaporean consumers and tourists, as well as we gained information
about the apparel business industry in Singapore. These sources included web sites, journals and articles.

3.5 Analysis of the Data

We used statistical models to interpret our quantitative data. We analysed our interviews and used and some forms of qualitative analysis of the interviews and survey. We used this data to answer the theoretical questions based on these frameworks. To analyze the data we used SPSS to gain an understanding of the findings.

3.6 Report and Presentation

When finding our target for the in-depth interviews we used both primary and secondary data and gathered information about the sportswear industry in Singapore as well as the consumer market. We combined all of the information together to provide a holistic picture of the situation facing HH.
4 Macro Environmental Analysis

Now that we have described our research process, we will now begin to analyze whether the Singaporean market is a good fit, given HH’s current global position. First, in order to get a better understanding of the Singaporean macro environmental factors HH has to take into consideration before entering the market, we conduct a PESTEL analysis.

4.1 PESTEL

The PESTEL framework scans the external macro-environment in which a firm operates. PESTEL stands for “Political, Economic, Social and Technological, Legal and Environmental analysis”. These factors play an important role in the value creation opportunities of a strategy. Since these factors usually are considered as outside the control of the corporation they must normally be considered as opportunities.\(^{11}\)

Singapore is a small state located at the southern tip of the Malay Peninsula. Singapore has a total area of approximately 662 square kilometers. It was founded in 1819, as a British trading colony. Singapore's equatorial climate is warm and humid, with an average daytime temperature of 31ºC and a minimum average of 23 ºC at night. Due to this climate there is not a market for HH winter products, but a market for outdoor sports and lifestyle. The country receives an average of 2.3 meters of rain annually, and has two annual monsoon seasons from December to early March and from June to September\(^{12}\). This gives an indicator that HH can provide Singapore with their water resistance products.

\(^{11}\) http://www.12manage.com/methods_PEST_analysis.html
world’s busiest by shipping tonnage\(^{13}\). This factor makes it easy for HH to ship their products from China to Singapore.

### 4.1.1 The Political Environment

Singapore is a republic, with a parliamentary system of government and an elected President as the Head of State. The People's Action Party (PAP) dominates Singapore’s political scene and has held power since 1959. The PAP government has brought in social stability, housing, employment, and a rise in living standards to the citizens of the country.

Political stability in a country is always an important factor for firms planning to enter a market. With stable politics and consistent policymaking, Singapore is an attractive market for firms planning new entry to the country. This makes the Singaporean market more attractive also for HH to enter. The country is ranked one of the least corrupt in Asia and 3\(^{rd}\) least in the world, according to Transparency International’s corruption perceptions index\(^{14}\). Norway is ranked as 11\(^{th}\) least corrupt country in the world, due to this HH can follow the same rules in Singapore as in Norway, which will make it easier for HH to do business in the country due to issues concerning bribery and high levels of corruption in the industry. It is important that HH follow the rules for what is allowed in terms of advertising and media advertising, as there is strict rules about this in the country.

### 4.1.2 The Economical Environment

Singapore has economic significance in Southeast Asia because of its position as Southeast Asia’s most important seaport, financial centre, manufacturing hub and strategic location on

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\(^{13}\) [http://www.absoluteastronomy.com/topics/World's_busiest_port](http://www.absoluteastronomy.com/topics/World's_busiest_port)

major sea-lanes\textsuperscript{15}. Singapore is therefore an attractive place for HH to start up their business activities in the South East Asia region as it is then easier to expand their operations to other parts in the region.

Singapore consists of an open economy with strong service and manufacturing sectors and excellent trading links. The East Asia economy is now facing a turnaround and has started to recover after the financial crisis of 2007-2010. Singapore’s GDP grew by 14.2\% in Q3 2009\textsuperscript{16}. This was the first quarter since the recession to report expansion in all sectors of the economy\textsuperscript{17}. For HH this means that there is economic growth in the region, which makes it even more attractive to enter, as people have more money to spend on shopping.

Numbers of visitors to Singapore increased 9.4\% to 971,000 in Dec 2009, making tourists a potential target segment for HH\textsuperscript{18}.

Strong support given to the educational sector has provided the country with a skilled labour force, which can provide HH with a high quality sales force and financial staff.

The level of income disparity in the country is high, but the middle-to-upper population in Singapore stands for the largest income group of consumers. This shows that there is a market for HH in terms of strong economical capital in the middle-to-upper population. It would be important for HH to position their brand with products that all segments can afford, as an example they could go for three different price levels, low – middle - high.

Singapore has a multinational environment with over 7000 corporations from the United States, Japan and Europe. Today there are over 170 Norwegian companies operating in\

\textsuperscript{15} http://www.asiatravelinfo.com/singapore/overview.asp
\textsuperscript{16} http://www.alacra_store.com/storecontent/datamonitor-country-profiles/ohcep0139
\textsuperscript{17} http://www.mas.gov.sg/resource/eco_research/eco_dev_ana/Recent_Economic_Developments.pdf
\textsuperscript{18} http://www.singstat.gov.sg/
Singapore, more than half of them are related to marine services and petroleum-related activities. Singapore has the largest concentration of Norwegian industry in Asia, and represents one of the most important markets in the region\(^{19}\).

### 4.1.3 The Social Environment

The level of income disparity in the country is also high; the country has approximately 300,000 lower income earners, who earn less than $833.3 per month\(^{20}\). Therefore, HH cannot count on the entire market of Singapore and thus can only target the middle to high income population in Singapore.

The population in Singapore 4,987.6 million, does not match the small geographic size of the country, as they have almost the same numbers of inhabitants as Norway. This can make it easier for HH to achieve brand awareness in the Singaporean market due to the fact that it is a small country in area with a high population, making it easier to reach out to consumers.

Singapore is a multinational society with Chinese comprising the largest group at 76.7%, followed by Malays and Indians. There are also many religions, such as Buddhism, Islam, Taoism, Hinduism and Christianity. Differences in race and ethnicity make targeting Singapore as a single market more difficult as there may be differences in consumer behaviour between cultures. However, these groups’ links to other parts of Asia make Singapore a good springboard for entering other parts of Southeast Asia.

Out of the total number of inhabitants, 3,733.9 million of these are Singaporean Residents

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while the rest are expatriate managers and foreign workers from all over the world\textsuperscript{21}.

Therefore, only 75\% of the potential market is long-term residents. However, among the 25\%, some are expatriate managers who might already be aware of the HH brand, as the company has had a presence in Europe, North America and Japan for a long time. If HH decides to enter, this factor can help HH when creating brand awareness in the start up period.

Singapore has the largest concentration of Norwegian companies in Asia, even though more than half of them are related to the marine sector, this shows that there is a “Norwegian Society” in the country, and that it is an important initial niche segment.

There are 4 official languages - Malay, Chinese (Mandarin), Tamil and English. Malay is the national language, and the business language spoken in Singapore is mainly English, so there will be no problems for HH when negotiating or interacting with their partners or customers unless you meet Singaporeans who practice their “Singlish” dialect\textsuperscript{22}.

4.1.4 The Technological Environment

The development of modern infrastructure and a rapid adoption of technology have been main factors in developing Singapore to one of the world’s most advanced ports\textsuperscript{23}. This gives an indicator that the consumers in Singapore value high technology; this can benefit HH since they offer high technology products.

\textsuperscript{21}http://www.singstat.gov.sg/stats/themes/people/hist/popn.html

\textsuperscript{22}http://cnx.org/content/m12624/latest/

The city-state is well connected to the world via a top-class airport (Changi Airport), port and telecommunications infrastructure. This makes it easy for HH to import goods and deliver it to the store. The infrastructure in the country is well organized, and the public transport gives the public a good alternative, it is cheap and the MRT system is one of the most modern and efficient in the world\textsuperscript{24}.

4.1.5 The Environment

Singapore is not as concerned with thinking environmental friendly as the western parts of the world. However, HH can contribute to a more “green thinking” environment in Singapore. They can manage to do this by offering the consumers a brand that is environmental friendly. “Production and sourcing of raw materials must not, in the short or long term, harm the natural environment in any way, nor directly threaten people’s health, safety or working environment”\textsuperscript{25}.

4.1.6 The Legal Environment

Singapore has long recognized the importance of a stable and reliable legal system in attracting foreign investment. The transparency, efficiency and integrity of the courts and authorities have contributed significantly to the city-state’s growth as a regional financial center. Contractual rights and intellectual property are well protected and easily enforceable. Singapore stands out in Asia with its leading legal system and has one of the lowest crime rates in the world\textsuperscript{26}.

On a long term basis Singapore would be a stable place for HH to have operations in.

\textsuperscript{24} http://app.www.sg/who/22/Technology-and---Infrastructure.aspx

\textsuperscript{25} http://www.hellyhansen.com/about-us/code-of-conduct

\textsuperscript{26} http://www.entersingaporebusiness.info/Bus03.htm
5 The Singaporean Apparel Industry

After scanning the Singaporean macro environment we now want to look deeper into the Singaporean apparel industry in order to see if the industry is attractive for HH to enter.

As one of the world’s smallest countries, and with a workforce of only just over two million people, Singapore still has managed to develop the country into a leading fashion business hub. With internationally recognized global brands and operations, the country now houses several major players.

The Singaporean apparel and clothing industries has earned international success, as they serve high quality and fashionable men, women and children's wear\(^27\). With over 250 shopping malls, the country is an excellent place for shopping. The official opening hours are from around 9am to 10pm\(^28\).

The Singaporean apparel industry consists of the sale of all menswear, women’s-wear and children’s-wear. The apparel industry generated total revenues of $1.9 billion in 2008, representing a compound annual growth rate (CAGR) of 6.9% for the period spanning 2004-2008. In comparison, the Chinese and South Korean industries grew with CAGR of 7.2% and 4.8% respectively, over the same period.

*M Market Value*

The Singaporean apparel retail industry grew by 6.8% in 2008 to reach a value of

\(^{27}\) [http://www.marketresearch.com/product/display.asp?productid=1055427&g=1](http://www.marketresearch.com/product/display.asp?productid=1055427&g=1)

Market Value Forecast

In 2013, the Singaporean apparel retail industry is forecast to have a value of $2.6 billion, an increase of 33% since 2008. This is an indicator that the consumers are going to buy more in the years to come and therefore this can mean that Singapore could be a profitable market for HH to enter.

5.1 Porters Five Forces for HH’s Brand in Singapore

We have decided to do a Porters Five forces analysis in order to find out the competitive intensity and the attractiveness of the potential new market (Singapore) HH is considering to enter. The five competitive forces are bargaining power of buyers, bargaining power of suppliers, threat of new markets entrants, threat of substitutes and competitive rivalry.

Michael Porter has identified five forces that determine the intrinsic long-run attractiveness of a market or market segment: Industry competitors, potential entrants, substitutes, buyers, and suppliers²⁹.

HH has a wide product range but it is the product line of sports and lifestyle clothing which represents HH’s core products, and thus we will discuss the environment for this particular product line. Because HH has the option of having both a flagship store or selling at another retailer, we also must look at the five-forces from two different positions within the apparel value chain.

Buyer bargaining power

Dependent on which distribution model HH chooses, the buyers can be defined in different ways, differentially as wholesalers, retailers or individual consumers:

If we look upon individual consumers we find: There is a low switching cost for consumers to switch brands, with the only costs being time and experience. Considering that there are many well-equipped apparel stores and outlets in Singapore squeezed into a small area, distance is not an issue, the selection is wide and opening hours are very customer friendly. This makes the differentiation important and the brand equity, product design, technologies, quality and services the most important competitive factors for HH. The buyers in the apparel retail industry are individual consumers, which weakens buyer power. HH can differentiate themselves through their high technology and style. Demographic and psychological factors are combined with the apparel, the brand is important to the consumers and therefore weakening buyer power. The brand loyalty is important. For a company that is following the differentiation strategy it means that buyers have less power because they have fewer alternatives to choose between.\footnote{http://www.quickmba.com/strategy/porter.shtml} For professional athletes using sportswear to compete in or using during expeditions where it is a matter of winning and surviving the quality and the technological features of the products will be more important than the social status that is given them by buying these products and its weakening the buyer power as there are not as many competitors in the technological apparel business who can develop and use advanced technology. There are more fashion and lifestyle brand companies. The advantage appears when the companies combine their advanced technologies (they use in technological clothing), and their brand and begin branding their lifestyle-segment, like for example HH and Henri Lloyd have done. Price sensitivity: For premium clothing in the high-end segment the products are not as price sensitive as more mass-market clothing.
If we look upon the industrial buyers like retailers, wholesalers and alliance partners we find:

The switching costs for an industrial partner is usually higher than for a private consumer. For example if HH enters a contract with a particular retailer, there will be clauses in the contract trying to prevent the contracting party to exit the contract, if the retailer would exit the contract that would be a breach of contract and following compensations. A long-term contract is a security for both parties, but also a problem if for example one party would like to exit the contract and want to withdraw, but they have a contract for 5 years. The professional buyer (a wholesaler or retailer) has a high bargaining buyer power if they are a leading company with large market shares. If the buyer, for example, is a retailer that has exclusive rights to many brands (like Wing Tai Clothing), they are not so dependent on getting the products from HH and it is not a major part of their revenues. This increases the buyer power.  

According to Colombia Sportswear, they have experienced that some of their wholesale customers are a threat because the wholesalers begin marketing competing products under their own private label. The private label products are often cheaper than the original products. In view of that the buyer power is high. The retail market in Singapore is dominated by some major players as F J Benjamin, Wing Tai and Royal Sporting House. They have exclusive distribution and retail rights to international fashion brands form all over the world. Major players have more bargaining power than a minor player like World of Sports (WOS) because they have larger market shares and scale economies. On the other hand there are many foreign retailers in Singapore and the country wants to attract foreign companies and

31 http://www.quickmba.com/strategy/porter.shtml
33 http://www.euromonitor.com/Clothing_And_Footwear_In_Singapore
make it as easy as possible to foreign companies to establish subsidiaries. Legally, companies from foreign countries are treated the same way as local businesses. The alternative to entering a contract with a wholesaler or retailer is to establish a subsidiary and open self-owned flag stores. This possibility decreases the bargaining power of the industrial buyer.

Compared to the amount that will be sold in a big market such as China (in 100 – 150 flag stores), the potential amount sold in Singapore would be smaller and the loss of the industrial buyer would not be devastating for HH. It is also unlikely that an industrial player in Singapore would threaten to buy the producing firm (backward integration threat), which weakens the buyer power. Therefore, overall buyer power is low to moderate.

**Bargaining Power of Suppliers (Supplier Power)**

The definition of supplier regarding HH as a brand can be defined in different ways depending on which business model HH chooses. In cases where HH manufacturers their products itself, their suppliers would be the companies who deliver the raw materials or their technology partners. In cases where HH has a license agreement, where another company has the right to manufacture HH products, to brand and distribute them, this company could be defined as a supplier to the wholesalers and retailers in the end of the value chain. Key suppliers in this industry are clothing manufacturers and wholesalers and the bargaining power must be regarded in different ways. It has become easier to trade globally and there are many manufacturers in low wage countries to choose between. It is becoming more and more important for the retailer company (HH or the licensee) that the manufacturer has acceptable corporate and social responsibility, thus to avoid scandals. The products are dependent on rules for product safety, environmental standards, laws and other regulations.

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34 [http://reports.manta.com/datamonitor/summary/0289-17741_ITM](http://reports.manta.com/datamonitor/summary/0289-17741_ITM)


37 [http://reports.manta.com/datamonitor/summary/0289-17741_ITM](http://reports.manta.com/datamonitor/summary/0289-17741_ITM)
This can narrow down the selection of suppliers and increase the supplier power. Switching costs for apparel companies are generally not very high, but there can be long term agreements that are difficult to exit, large exit costs, and it is important that the company has suppliers that has big enough capacity to deal with changes in demand because the fashion industry can change fast. The manufacturing of HH products is located in China, Turkey, Sri Lanka, Vietnam, Indonesia and Thailand. The manufacturing is an important part of the GDP in some of the countries, meaning the government probably will find it important to support the industry and give the industry good conditions. HH is a company with a significant amount of items that are to be manufactured but is small compared to for example VF Corporate and will compete for production capacity. It is easier for a company with a strategy of differentiation to pass on supplier price increases to their customers and this makes HH less vulnerable regarding supplier price increases. However, HH is dependent on key suppliers for special technological clothing that utilize HH’s own research and development resources, giving them stronger supplier power. Because Singapore’s market is open and has no particular restriction on country of origin, supplier power mimics the supplier power for HH worldwide. Therefore, overall there is moderate supplier power, but this is no different from their global position.

**Threat of new market entrants (Entry ease /barriers)**

There is no high barrier to enter the Singaporean clothing marked, the economy is growing in the Asia Pacific region, and costs of nearby production and transportation is cheap. So HH needs to be prepared for any new entry from other global or regional clothing brands. This makes product and brand differentiation especially critical.

Easy entry in Singapore

There are many foreign retailers in Singapore. Singapore is trying to attract foreign investors and it is easy/fast to start a subsidiary or beginning to retailing. It does not require large capital outlay.

Easy doing business

Free trade agreements make it easy to import products in to Singapore for example from China. 39 Singapore is similar to western countries with high living standard; high standard of technology, highly educated people and is known for their focus on research and development. Therefore many companies choose Singapore as location for their Headquarters for Asian operations.

High income and spending willingness among consumers again

Singapore has a GDP per capita of $52,000 in 2008, second only to Japan in Asia. That makes the market attractive for all potential competitors 40.

Growing market can attract new entrants

The Singaporean apparel retail industry has grown with significantly strong levels of growth in recent years, increasing its attractiveness to new entrants. Tourist arrivals are increasing again in 2010. F1 – races and new integrated resorts are expected to attract more tourists. Tourists spent S$3.1 billion on shopping in 2009 41. The forecast for non food retailing in Singapore for 2010 is US$15.3 US billion (2009 $14.0 US billion) and 2011 US$16.3 billion,

39 http://reports.manta.com/datamonitor/summary/0289-17741_ITM
40 http://reports.manta.com/datamonitor/summary/0289-17741_ITM
so the total non retailing is increasing\textsuperscript{42}. More retail space means more opportunities for new entrants to establish themselves in Singapore\textsuperscript{43}.

*Entry barriers*

High rental costs, long-term rental agreements and high living cost are the only true entry barriers. The leading companies like Wing Tai that also deals with property can have an advantage as they can have easier access to retail space and maybe lower rental costs.

*Very competitive market*

Singapore’s retail market is a fragmented market with a multi-ethnical population with different religions and customer habits and it is not easy to deal with when deciding in which way to create brand awareness and brand loyalty. But Singapore is presenting itself as a shopping paradise and shopping is a main and favorite occupation among the Singaporeans and tourists.

*E-commerce (buying through online-stores)*

The growing trend of buying online will impact the Singaporean market. Henri Lloyd, for example, is not present in Singapore, but it is possible for Singaporeans to buy HL clothing online, where delivery takes 3-5 days. The competitors TNF and Columbia Sportswear are developing their direct consumer e-commerce businesses but TNF does not yet offer online buying to Asian consumers and COLM only to Japanese. Often the retailer stores have online solutions in addition to their store. According to the Consumer Goods and Retail Report Singapore February 2010 by the EIU the business to consumer e-commerce will grow rapidly as more people get Internet. According to Singapore's Infocomm Development Authority

\textsuperscript{43} http://www.euromonitor.com/Retailing_in_Singapore
(IDA), 76% of households in Singapore had access to the Internet in 2008. There were around 75 Internet users per 100 people in 2008. According to a survey published by the IDA, 36% of Internet users purchased goods or services online in 2008. Overall, the threat of new entrants is strong.

**Threat of substitute Products**

There are substitutes for HH products in Singapore. The technological advantage that HH has in relation to its competitors may also to some extent be copied, particularly their waterproof product and breathable Helly-Tech which their R & D department has created. This can be replaced with, for example, Gore-Tex™. That is why it is important for HH to not only focus on quality but also focus on creating trendy products. For a company like HH that is following the differentiation strategy the threat of substitutes is lower because the consumers become attached to the brand because of its differentiating attributes, specialized products and core competences make it harder for customers to choose substitute products. Substitute products can also mean products that are not apparel but products that customers spend their money on instead of buying sportswear. These include the use of gymnasiums that don’t require sportswear or regular clothing that may be useful enough for engaging in sports. Therefore, overall the threat of substitutes is moderate, but weaker than other apparel, as sports apparel has a function that other apparel doesn’t have.

**Competitive Rivalry**

There are many potential competitors to HH in the Singaporean market. There are large companies who compete with HH with products of the same high quality and features and there are companies that offer substitute products. TNF, Colombian Sportswear, Li Ning are some of the Outdoor sports competitors who are present in Singapore.

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44 EIU, Consumer Goods and Retail Report Singapore February 2010, see appendix
Factors that increase competitive rivalry

There are many apparel companies offering products in Singapore. A large number of competitors increase rivalry because more firms compete for the same customers and resources\(^\text{45}\). On the other hand Singapore's apparel retail industry is fragmented and there is room for more players in this industry\(^\text{46}\). Low switching costs increases rivalry; the competitors must try harder to hold on to the customers. A high fixed cost increases rivalry among competitors, as they have to sell more to cover the expenses\(^\text{47}\).

Factors that decrease competitive rivalry

The fast growing market in Singapore is growing again, which means that the companies in the same market can improve their revenues by expanding.

Uniqueness of products

A high level of product differentiation and brand identification lowers rivalry\(^\text{48}\). By analyzing the biggest competitors like TNF, Colombia and Li Ning we have found out that it is safe to assume that they will continue to invest in the Asian market. Colombia has invested a lot in innovation and new product technology, and has in the last two years applied for more patents than in the last 72 years, believing being a leader in innovative technology will strengthen their brand and give them the most loyal customers.\(^\text{49}\) This will strengthen them as a competitor to HH in the outdoor segment and increase rivalry. Overall the rivalry is high, but not anymore than in other markets where there are significant levels of apparel retail.

\(^{45}\) http://www.quickmba.com/strategy/porter.shtml
\(^{46}\) http://reports.manta.com/data/monitor/summary/0289-17741_ITM
\(^{47}\) http://www.quickmba.com/strategy/porter.shtml
\(^{48}\) http://www.quickmba.com/strategy/porter.shtml
Overall conclusion on Porters Five Forces

The Porters Five Forces has shown that the threat of new entrants is strong, buyer and supplier power are low to moderate, and rivalry is high and threat of substitutes moderate. Therefore, the environment is not particularly attractive to enter, but that applies to all competitive apparel industry locations, where competition is strong. Moreover, the apparel retail market in Singapore is estimated to grow during the next five years and entry will provide important insights into Asia’s consumer behavior. A successful location strategy often involves going to a more competitive market first to ensure competitiveness elsewhere. Therefore, we believe that if and only if HH has a differentiated product, Singapore is worth entering for HH as a step in their Southeast Asian entry strategy.

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51 http://reports.manta.com/datamonitor/summary/0289-17741_ITM
6 General Sports Trends in Singapore

Because the entry of HH into the Singaporean market depends on differentiation, we believe it is important to understand the particular environment for sports, as HH’s core competency lies in its functionality for sports. We therefore also examine the general trends towards sports in the country.

Singapore is a sporting haven with a wide range of indoor and outdoor sports activities. Sandy beaches and sea sports clubs cater to those seeking sports, including windsurfing, sailing, wakeboarding or cable skiing is popular sports in Singapore. The three most popular sports are jogging, swimming and walking.

The increase in the diversity of sports played means that Singaporeans are now eager to try out different types of sports. The combined increase in participation rate and interest in a wider variety of sports suggests that sports are becoming a lifestyle option of choice in Singapore.

The notion that ‘sports means health and health means wealth’ is gaining increasing acceptance in Singapore, 48% of Singaporeans participate in some form of sports / exercise at least once a week. We believe with the aim of this high amount of increases in sports enthusiasm in Singapore there will in the future be more people interest in sports. We have therefore reason to believe that HH products will be attractive in the Singaporean market, as sports functionality is a core competency of HH.

Following the sailing competition at the Asian Youth Games 2009, the International Sailing

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53 http://www.getforme.com/previous2006/250306_surveyshowsmoresingaporeansactiveinsports.htm
54 http://www.getforme.com/previous2006/250306_surveyshowsmoresingaporeansactiveinsports.htm
55 http://www.getforme.com/previous2006/250306_surveyshowsmoresingaporeansactiveinsports.htm
Federation confirmed that Singapore is ready for the first-ever Youth Olympic Games sailing event\(^{56}\). This arrangement will likely increase the focus on sailing becoming a popular sport in Singapore and the consumers are seeking sportswear relevant to this sport. Based on our research we also know that the interest for sailing is increasing, which suggests a key initial niche market that takes advantage of HH’s sailing collection.

7 HH’s Competitors In Singapore

Although the growing trends towards sports in Singapore provide opportunity for HH, there are competitors who are already tapping into this market. Therefore, before entering the market, HH needs to know more details about existing and potential competitors. From our research we have looked deeper into some of the main competitors.

Since HH’s appeal goes across multiple types of products, we believe they are going to face competition from three types of apparel companies: Outdoors (The North Face, Columbia), Lifestyle (Tommy Hilfiger) and training (Adidas, Li Ning).

7.1 The North Face (TNF)

American TNF was founded in 1968 in the US. TNF is present in 57 countries (including China, Japan, Hong Kong, Korea) their apparel is sold through retailers and flag ship stores.

TNF promotes their products as Premier, Authentic, Technical and Innovative. TNF promotes themselves as a retail company that has technical superiority and authenticity, best-in-class product leadership, sustainability, exceptional brand experiences and outdoor participation.

Products

TNF offers clothing as footwear, accessories and equipment to men, women and children for the activities biking, skiing, training, climbing, hiking, snowboarding, running, trekking and travel. We have observed that TNF in Singapore mainly sells outdoor clothing and have a lot of their winter collection in the store. They do not offer a wide product range in

57 www.thenorthface.com
Singapore. We also observed that TNF has the same general price points as HH does in their home market, with some slightly higher.

**Technology**

The North Face develops their own advanced technologies which only they have the right to use. In addition, they use Partner Technologies that are developed and patented by others, like Gore-Tex.\(^{58}\)

**Place**

TNF has two flagship stores in Singapore; Suntech City Mall and in ION Orchard. TNF is also sold in 23 other retail stores.

**Target Segments**

TNF in Singapore is targeting the tourist segment and Singaporeans going overseas. HH can differentiate from TNF by targeting other segments as HH’s product range offers more than just Outdoor Sport products.

TNF is competing with HH in the outdoor and activity sports segment. Both apparel companies have advanced technologies. Both companies use the technical clothing targeting the professional athletes and also target the non-professional segment. TNF has not the special technical marine and water sports product range that HH has as a heritage. Based on observations, TNF stores sell mostly winter clothes and outdoor apparel. They do not have the marine high-fashion/high-quality product range that HH can offer. TNF is selling mostly to tourists and travelers that have needs for outdoor gears and apparel. According to their annual

report in 2009, TNF will continue investing in Asia. This will strengthen TNF’s position in Singapore, and make them an even stronger competitor for HH.

7.2 The Colombia Sportswear (COLM)

Columbia sells sportswear, outerwear, footwear and related accessories and equipment. They distribute to over 10,600 retailers in 42 countries around the world, in Asia, Japan, Korea, and Singapore. COLM can offer an advantage technology in their products. We have observed that they have a flag store in ION Orchard, and that they also sell their products through the distributor, World of Sports (WOS).

According to the annual report 2009 COLM have focused in innovation and new technology to differentiate their brand from their competitors. COLM has applied for more patents in the last two years than in their whole history, demonstrating they are focusing on innovation as a competitive advantage. This means that they might compete with HH on technology in the future. This also means that COLM is going to be one of the main competitors to HH in the high tech outdoor sports segment.

7.3 Tommy Hilfiger (TH)

Tommy Hilfiger is one of the world’s leading premium lifestyle brands. Offering consumers a breadth of beautifully designed, high quality products including men’s, women and children’s apparel, sportswear, denim and a range of licensed products such as accessories and fragrances. TH has a presence in the Asia region, including China, India, Singapore, Japan, South Korea and Taiwan. Today TH has two stores in Singapore, one in Raffles City Shopping Centre, and one store in Harbour front walk. The brand is found in leading

department and specialty store as in its own expanding network of freestanding retail stores around the world.

TH is a competitor to HH in sportswear and lifestyle segment.

HH is going to face competition from several lifestyle brands in Singapore (e.g., Gant) that already has achieved a strong position in the market and has high brand awareness. Due to this fact, HH has to be prepared that it can be difficult to position themselves from the competitors in the lifestyle segment.

7.4 Adidas

Adidas Group is a global business in the sporting goods industry\textsuperscript{62}.

Products

We have observed that Adidas sells footwear, clothing, and accessories for men and women in Singapore. HH will compete with Adidas on their training/sports collection.

Place

We have observed that Adidas has a large presence in Singapore through outlets, a flagship store and the distributor “Wing Tai Clothing”. Raffles Shopping Centre, Suntec City, Orchard Road and Raffles Hotel Arcade are some of the places they are represented\textsuperscript{63}. Adidas is well established in Singapore and has achieved high brand awareness, but HH can differentiate their products by offering different technology in their sportswear.

\textsuperscript{62} \url{http://www.adidas-group.com/en/SER2009/}
\textsuperscript{63} \url{http://www.adidas.com/campaigns/slvr/content/ss10/download/pdf/SLVR_SS10.pdf}
7.5 Li Ning

Li Ning is also going to be a competitor for HH products as a china-based athletic shoe and apparel company. Li Ning counts Nike and Adidas as its main competitors, and the products of Li Ning Sports Goods continue to be more popular in China than those of foreign competitors. These products are priced under HH’s products. The company endorses a number of athletes and teams, both at home in China and abroad. We have observed that Li Ning has one flagship store in Singapore and we have reasons to believe that they have plans to open more in the future. We also observed that they are also selling their products through WOS. Lining has the competitive advantage of knowing the Asian market very well and the founder is a well know badminton player from China. This might mean that this brand could appeal more to Singaporean athletes then a western unknown brand like HH.\(^{64}\)

Overall, HH is going to face a lot of competition if entering the Singaporean sport apparel industry. The competitors have strong brand equity and many are already well established in the market. It seems that many of the competitors plan to invest in Asian markets since they think they will find long term growth there more than in the existing mature markets. Most of the competitors have in common that they are uncertain of what the global economy will bring in 2010 but they are willing to invest. They think that Asia and other emerging markets are a growing market (compared to Europe), and that outdoors and activity sports segment is keeping strong. Rising standards of living in these markets, higher disposable income for the consumers, positive demographic trends and growing sports participation rates should continue to support increasing consumption of sporting goods in these markets. Lately there have been news articles informing them that Japan has an extremely high foreign debt and they fear a debt crisis in Japan. This will make it less attractive for the competitors to invest in

\(^{64}\) http://www.lining.com/EN/home/index.html
Japan and more attractive to expand their presence in other Asian countries\textsuperscript{65}. This can increase the changes of competitors establishing themselves in Singapore. HH should also take this fact into consideration when expanding in the Asian market.

\textsuperscript{65} http://www.straitstimes.com/BreakingNews/Money/Story/STIStory_513248.html
8 Analaysis Of The Consumer Behaviour In Singapore

We have demonstrated that Singapore is a good environment for HH to enter, but a highly competitive environment that requires a sports-focused differentiation. Therefore, we believe it is important to understand whether people will be particularly attracted to HH’s products. Therefore, the next step in the process is to get a deeper understanding of consumer behaviour and preferences towards sports among people in Singapore in order to find out if there is a demand for HH products. To answer this we did a web-survey and analysed our findings in the data analysis program SPSS.

Both internal and external factors influence the consumers’ behaviour towards sports such as person-related factors, properties of the products, and purchasing environmental factors. These factors influence the consumer’s decision-making process in combination and interaction with each other. We will now reflect on the Singaporeans behaviour towards sportswear.

In our survey, we asked three items (including one reverse item), each for properties of the sportswear (function, appearance, trendiness, technology) and lifestyle-associations with the sportswear (brand loyalty, price and status). Each rating was on a scale of 1 to 5, with 5 signifying a strong interest. After testing for reliability, we aggregated the three items to find a composite score for each property of the clothing. We compared the Expats (N=23) and Singaporeans (N=45) using an independent T-tests and we used one-sample t-tests with both groups to compare to a mean of 3, demonstrating whether each group showed a preference for a particular property.

Sports habits

Before looking into specific features, we looked at general sports habits among Singaporeans and Expats. Consumers purchase sportswear for personal usage and these clothes will reflect their behaviour and attitudes towards a sporty and healthy image.

The Singaporeans (M:3.73, SD: 0.94) are moderately into sports, but the Expats (M:4.29, SD: 0.73) tend to be more into sports compared to the Singaporeans. Therefore, Expatriates may be a more favourable niche market of consumers focused on sports.

Properties of the Sportswear

According to our research and findings of our web-survey, we will now look at the consumers’ properties of the sportswear such as technology that the consumer consider when purchasing sportswear.

Function

The Singaporeans (M: 3.73, SD: 0.78) and the Expats (M: 3.89, SD: 0.85) care about the functional role of the sportswear. HH provide products with high functionality. It is therefore likely that the consumers will value this factor with HH products.

Appearance

The Singaporeans (M: 3.68, SD: 0.71) and the Expats (M:3.78, SD:0.69) care about the appearance of sportswear. The consumers tend to be more into sports and are less into the appearance of the sportswear. HH should therefore offer different collections to different segments. For example, they can target the sport enthusiasts with their training collection and the lifestyle collection to the consumers that are less into sports.
**Fashionable/Trendy**

Overall the Singaporeans (M: 3, 32. SD: 0, 89) and Expats (M: 3, 35. SD: 0, 69) only moderately care as much about the clothing being fashionable. HH has in the last couple of years focused on design and technology. They have for example cooperated with the famous Norwegian designers Moods of Norway\(^6\). This is not as critical, based on our survey. This suggests that HH needs to build a brand more than focusing on the most current trends.

**Technology**

The Singaporeans (M:3,83. SD:0,60) tend to value the technology of sportswear more compared to the Expats (M:3,53. SD:0,65). We used a Multivariate General Linear Model Analysis with Sports Interest as the covariate and all features and found that only technology differed between groups, with Singaporeans more likely to value technology. This shows that even controlling for differences in sports enthusiasm, Singaporeans show an overall preference for technology in sportswear. This suggests that the Singaporean resident market, in particular, provides opportunity for sports clothes that focus on technology as a differentiator. This is despite higher interests overall in Sports by expatriates. We also ran a Linear Regression Model and found that sports enthusiasm predicted preference for technology, and this was the only property that showed significant differences based on sports enthusiasm. This also suggests that a differentiation based on technology is most likely the case when people are already active in sports.

### 8.1 Person-related factors

Person-related factors include lifestyles, value systems, quality perceptions and environmental consciousness. Lifestyles, values and personality are factors that influence the buyers

\(^6\) [http://www.hellyhansen.com/products/filter/activity=Snow%7Ccollection=Moods%20of%20Norway](http://www.hellyhansen.com/products/filter/activity=Snow%7Ccollection=Moods%20of%20Norway)
purchasing behaviour. A lifestyle is a person’s pattern of living in the world as expressed in activities, interest, and opinions. In Singapore, the lifestyles of the people are really vibrant and include several aspects of sports.

*Brand loyalty*

The Singaporeans (M:2,64. SD: 0,44) and the Expats (M:2,53. SD: 0,51) tend to be less loyal to their existing sportswear brand. This gives an indicator that the consumers have low switching costs. This is positive for HH in the introduction phase, but in the long term low switching cost will make it difficult for HH to gain loyal customers. They cannot depend on the brand alone, and must demonstrate a differentiated product each time.

*Price*

The population’s economical situation will also impact the consumers buying behaviour. The middle-high income population are more willing to pay more for the products that HH are offering due to the fact that these consumers see price as an indicator of quality.

The analysis of our data gives us an indicator that the Singaporeans (M: 2, 2. SD: 9, 26) are more concerned about price compared to Expats (M:1,97. SD: 0, 12). The Singaporeans see price as an indicator of quality. Therefore it is important that the Singaporeans preferences on sportswear meet their expectations when it comes to quality and technology on the sportswear, as they see value for money. HH provides high quality clothes, and would have to demonstrate that the quality is worth the price they are paying.

Status
The Singaporean (M: 3,18. SD:0,51) and the Expats (M:3,21. SD:0,55) tend to be willing to try out new and unknown international sportswear brands. This is positive for HH due to the fact that the consumers will be willing to try their products.

Products
We also asked our survey respondents to answer how many of particular products they would normally buy. The Singaporean and the Expats share the same interest for shopping t-shirts and shorts at least every few months. The Expats are buying wind jackets and sweatshirts more frequently compared to the Singaporeans. Products such as caps/hats, swimwear, jackets, shoes, and sandals are products that both the Singaporean and Expats are more likely to buy when their old products is no longer useful for lost. Therefore, HH should offer a wide product range in order to suit the different segments but only offer a small selection of accessories.

Distribution
We also asked survey respondents how they normally buy their clothing. The Singaporeans tends to prefer shopping sportswear at a Sporting Good Store (M:4,0. SD:0,72) due to their preferences of technology, and Discount Store (M:3,61. SD:1,02) due to their concerns about price.

The Expats that value function are most likely to shop their sportswear at Speciality Sportswear Store (M:4,25. SD:0,76) and at Sporting Good Store(M:4,22. SD:0,75). The Singaporean and Expats in total are unlikely to shop at sportswear travel stores (M:2,73. SD:0,80).
These results provide an indicator that HH should enter the market, focus on Singaporean residents, and go through a distributor due to the consumers seems to prefer shopping at a Sporting Goods Store.

Technology is highly preferred among the Singaporeans. The Expats and Singaporeans are both into sports. The consumers’ interest for sports seems to influence their buying patterns. The consumers having a personality and attitude towards a sporty image will prior to use more money on high technology and quality sportswear.

### 8.2 Cultural Factors

Identifying consumer interests are not enough. In order for HH to see if there is a potential market in Singapore, they also need to look at the different socio-cultural factors that may influence the consumer behavior. The consumer behaviour will be influenced by cultural, social and personal factors when purchasing a product. Culture is the fundamental determinant of a persons wants and behaviour\(^70\).

Residents of Singapore practice a whole range of religions, depending on their background or individual choice. The Chinese population in Singapore has a good number of Buddhists, Christians, and Catholics. The Malay population is predominantly Muslim, while the Indians in Singapore are largely Hindus\(^71\). The people in the different cultures in Singapore have their own values, habits and preferences, and purchase out from their learned perceptions – and these vary among the cultures.

Social classes are members in a society that share the similar values, interest and behaviour.


\(^{71}\) [http://www.mapsofworld.com/singapore/culture.html](http://www.mapsofworld.com/singapore/culture.html)
In Singapore the social classes vary among the landscape. People have different income, habits and preferences and this will affect their purchasing process. The people that value health and training are more into sports, and are therefore purchasing sportswear frequently.

### 8.2.1 Cultural Dimensions

We have used Geert Hofstede’s Model (SEE APPENDIX 6) to get an overview of the general structure in Singapore. The problem when using Hofstede is that the different variables may or may not be related to the questions we have to answer in our project, and due to the fact that we target a population that is not only the Singaporean culture. We have therefore also looked at the concept of biculturalism.

Prof. Geert Hofstede conducted perhaps the most comprehensive study of how values in the workplace are influenced by culture.\(^\text{72}\)

**Power Distance Index (PDI):** Power is a fundamental part of any society, all societies are unequal, but some are more unequal than others. Compared to Norway Singapore has a pretty high level of PDI. PDI will affect both the consumers and the organizationally structure. For HH this means that the organizational structure in Singapore may be different from Norway, due to the fact that high level of power distance gives a more hierarchical organizational structure. The consumers have also high power distance, which can be seen in their purchase process, they might adapt to their family and friends values and perceptions.

**Individualism (IDV):** vs. collectivism reflects on how well individuals are integrated into groups. Norway has a high degree of individualism while Singapore tends to be more

collectivism. As individualist the Norwegians is expected to look after him/herself and his/her immediate family. The Singaporeans consist of a society where people are integrated into strong related groups, often extended families (with uncles, aunts and grandparents), they look after each other and shows mutual loyalty and respect. It is important that HH take this into consideration, HH should be careful by not setting individual goals in the organization. Instead they should organize the staff in teams that can work together towards one common goal to increase HH sales. Status is important for Singaporeans, and since they are more collectivist and seek status it is important that HH’s products are not perceived as different, but better.

**Masculinity (MAS):** vs. femininity refers to the distribution of roles between the genders.

In Norway the level of masculinity is low, which means that the woman in this country have the same modest and caring values as the men. Singapore consists of a society with a moderate level of masculinity, still the feminists are confident and competitive, but not as much as the men, due to this there is a gap between men's and women's values. This will not affect HH in any drastic way if entering the market, but it is important that they are aware of this factor, so they can adapt to it when negotiating, doing business and run the organization.

**Uncertainty Avoidance Index (UAI):** deals with a society's tolerance for uncertainty, it indicates to what extent a culture programs its members to feel either uncomfortable or comfortable in unstructured situations, and how eager they are to take risks. People in uncertainty avoiding cultures feel uncomfortable when taking risks and are also more emotional, and motivated by inner nervous energy.

The opposite type, in cultures with low uncertainty avoidance, people are more open to new things. They are more willing to take risks. People within these cultures are not expected to
express emotions. Norway has moderate uncertainty avoidance, while Singapore has low. For HH this can be seen as positive as the people in Singapore are more than willing to try out new things, different to what they are used to. On the other hand, HH has to be aware of the Singaporeans way of not expressing themselves non-verbally.

**Long-Term Orientation (LTO):** versus short-term orientation: Values associated with Long Term Orientation are based on the fact that they don’t want urgency. Values associated with Short Term Orientation are respect for tradition, fulfilling social obligations, and protecting one's 'face'. Singapore has a moderate long-term orientation. The Singaporeans want results, and to see these quickly. This may be a problem for HH, if the distributor or consumers don’t understand HH’s vision and just want to sell their products for profit. This can lead to an identity problem for HH, as it is very important for HH to sell more than just a product, but also give the customer a product with identity and core values from the Norwegian heritage brand.

**8.2.2 Biculturalism**

Singapore consist of a bicultural society, the country is more than just multinational, as there exist cultural diversity. Being bicultural (You, yourself are tied to multiple cultures), the Singaporeans are “western enough to appreciate western things, but they are also Singaporean enough to demonstrate that that this is something to wear”. This factor also gives HH an organizationally advantage, this because the Singaporeans are willing to adapt from the western cultures.

The fact that Singapore is a country with so many different cultures leads the Singaporeans to seek an identity through products and apparel. HH can take advantage of this fact and offer an
identity to the Singaporeans consumer through their product range.

8.3 Social Factors

Social factors such as reference groups, family, and social roles and statues affect the consumers buying behaviour. These social groups create pressure for conformity that may affect product and brand choices. The opinion leader in a certain society is the most valuable to target due to their high influence tendencies. For instance HH can target a leader in a sport club or a professional well-known sports person in Singapore etc. This can influence the consumer buying decisions so they are more willing to adapt to the products these opinion leaders’ has.

The consumers chose a product that communicates the same roles and status they have in the society, therefore people with high status and roles are more preferable to wear expensive and high quality clothes compared to the consumers with lower status that are not conscious of what they wear or how the clothes appears.

8.4 The Purchase Process in the Apparel Industry

After analysing the consumer behaviour, HH also needs to have an understanding of the consumers purchase process, as people may not necessarily buy what they want. In order to understand the consumer’s purchase behaviour we have therefore looked into the purchase process in the apparel industry.

The general purchase behaviour of apparel tends to be viewed as a middle-involvement decision activity. Apparel purchases are frequently and involve long but not complicated
processes.

The high focus on purchasing new innovative products are increasing due to shopping has become a popular activity in Singapore. Due to a lot of different ethnicities and lifestyles in Singapore, the consumer’s behaviour for purchasing is highly diverged. Cultural-, social, and personal factors influence the purchase process.

The purchase process

The consumers go through a five-stage process before selection of a product or a brand: problem recognition, information search, evaluation of alternatives, purchase decisions, and post purchase behaviour. Five-Stage Model of the Consumer Buying Process:

Problem recognition

The buying process starts when the buyer recognizes a problem or a need triggered by internal and external stimuli. The main reason for consumers when adopting sportswear is if their existing product has been lost. For the more fashionable consumers the reason of re-purchase can be due to new trends and designs.

Information search

When searching information about a certain product there are different information sources that can be used to gain information about a product. The major information search on

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sportswear is through commercial and experiential groups. Especially in Singapore commercial groups along with public groups will affect the information search due to the high focus on mass media and advertising that dominate the Singaporean market. Also personal groups will affect the information search on sportswear due to the importance of acceptance among friends and family. The window display in the store will also be an informational search for the potential consumers. It is important for HH to create brand awareness so hence the consumers involve this brand in their information search process.

**Evaluation of alternatives**

When purchasing sportswear the consumer is trying to satisfy a need and look for alternatives to satisfy this need. The consumer will pay the most attention to attributes that deliver the sought-after benefits\textsuperscript{76}. Due to the high amount of Sportswear stores and outlets in Singapore the alternatives of sportswear is plenty and it is important to stand out and become a part of the successive sets involved in consumer decisions making process.

Beliefs and attitudes influence buying behaviour. It is significant that HH will manage to not change attitudes, but better fit their products into the Singaporean attitudes. The consumer’s preferences will also affect which of the alternatives that are need to be evaluated. Consumers of sportswear can also evaluate the product during usage.

**Purchase decisions**

The consumer can either choose whom to buy from (terms of sales, past experience, return policy), when to buy (store atmosphere, pleasant of shopping experience) and not to buy\textsuperscript{77}. In executing a purchase intention, the consumer may make up to five sub decisions: brand,

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\textsuperscript{77} http://www-rohan.sdsu.edu/~renglish/370/notes/chapt05/index.htm
dealer, quantity, timing and payment method. The brand and dealer sub decisions are the most significant to consider when purchasing sportswear.

Post purchase behaviour

After buying a product, the consumer compares it with expectations and is either satisfied or dissatisfied\textsuperscript{78}. Sportswear is normally high-priced and therefore the customers value the perceptions of the product and need to make sure they have done the right decision. If the customers are satisfied they will hopefully repeat the purchase.

\textsuperscript{78} http://www-rohan.sdsu.edu/~renchi/370/notes/chapt05/index.htm
9 SWOT/TOWS Analysis

Now that we have analyzed the internal and external factors, we will now summarize these factors into a SWOT analysis. This in order to find out what HH critical success factors will be in order to succeed in the Singaporean market.

SWOT Analysis

The SWOT analysis is an overall evaluation of a company’s strengths, weaknesses, opportunities and threats. This analysis is important for HH’s strategic planning process in order to get an overview of the internal and external environment.

Strengths

- 140 years of innovation and history
- Internationally well known
- Wide product range
- High technology and high quality product
- Scandinavia heritage
- Global competence in the firm
- HH has authenticity as the founder of the three-layer system
- Continuously optimize the technology and design buy working close with top athletes
- First class organizational structure organization
- Direct delivery from the production in China

Weaknesses

- Modest knowledge about the Singaporean market and consumers
- Lack of brand awareness among the Singaporeans
• Challenge to provide products to the Climate in Singapore and South East Asia 365 days a year
• Lack of control due to the physical and cultural distance between Norway and Singapore
• Not established relationship or network in the Singaporean market

Opportunities

• HH is a Scandinavian heritage this can be seen as exotic and seldom in the Singaporean market.
• The bicultural identity of Singapore make Singaporeans buy and adapt to western brands
• Singaporeans seek high quality/technology products
• Increasing number of people who are interested in sailing
• Increasing number of tourists
• Asians are health conscious and are getting more focused on keeping in shape through exercise
• The Singaporean economy is growing
• Strong support to the educational sector in Singapore can provide HH with a high quality sales force

Threats

• Wide range of competitors in the apparel market
• Asian brands can be preferred over western brands as for example Li-Lining who is an increasing brand in the Asian market
• Consumers get the wrong perception of the brand due to lack of control with potential partners

• Established competitors in the Singapore market might have an advantage based on their established relationship to consumers and the whole distribution chain

• Becoming one of many apparel brands that is offer in the Singaporean market

**TOWS Analysis**

The TOWS analysis is a variant of the classic SWOT analysis; the only difference is that this tool goes beyond the classic variant.

The TOWS Matrix addresses how HH best can take advantage of the opportunities open to them, at the same time as minimize the impact of weaknesses and protect their brand against threats.\(^{79}\)

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\(^{79}\) [http://www.mindtools.com/pages/article/newSTR_89.htm](http://www.mindtools.com/pages/article/newSTR_89.htm)
# Model 1: TOWS Analysis

## Strengths (S)

<table>
<thead>
<tr>
<th><strong>INTERNAL</strong></th>
<th><strong>EXTERNAL</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. High quality and high technology products</td>
<td>1. Challenge of providing products 365 days a year</td>
</tr>
<tr>
<td>2. Founder of three layer system</td>
<td>2. Little knowledge of the Singapore market</td>
</tr>
<tr>
<td>3. High level of competence</td>
<td>3. No brand awareness</td>
</tr>
<tr>
<td>4. Global focus firm</td>
<td>4. Lack of network</td>
</tr>
</tbody>
</table>

## Weaknesses (W)

<table>
<thead>
<tr>
<th><strong>OPPORTUNITIES (O)</strong></th>
<th><strong>SO Strategies</strong></th>
<th><strong>WO Strategies</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Scandinavian heritage</td>
<td>Target the segments that want high quality products and are willing to pay for it.</td>
<td>Offer a wide product range that fits the climate in Singapore</td>
</tr>
<tr>
<td>2. Singapore is bi-cultural</td>
<td>High quality products and are willing to pay for it.</td>
<td>Do market research, contact innovation Norway</td>
</tr>
<tr>
<td>3. Sailing sport is increasing</td>
<td>Focus on competitive advantage through innovation and quality</td>
<td>Use local distributor who knows the market</td>
</tr>
<tr>
<td>4. More westernised consumers</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## Threats

<table>
<thead>
<tr>
<th><strong>ST Strategies</strong></th>
<th><strong>WT Strategies</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Wide range of substitute products</td>
<td>Use the fact that HH is from Scandinavia in their promotion</td>
</tr>
<tr>
<td>- Use high price and position place as a high quality factor</td>
<td></td>
</tr>
<tr>
<td>2. Singapore small market</td>
<td>Inform the sales force about HH history, value and high technology product</td>
</tr>
<tr>
<td>- High focus on the promotion and advertising</td>
<td>Use high price and position place as a high quality factor</td>
</tr>
<tr>
<td>3. Become anonymous</td>
<td></td>
</tr>
<tr>
<td>4. Consumer get the wrong impression of brand.</td>
<td></td>
</tr>
<tr>
<td>- Wide product range</td>
<td>- Target consumers from their passion and lifestyle</td>
</tr>
</tbody>
</table>
9.1 Critical Success Factors

After analysing the SWOT/TOWS analysis, we have identified four critical success factors that HH has to achieve in order to become a successful brand in the Singaporean market.

- Manage to position themselves in a way that differentiation them from their competitors and seem unique for the consumers.
- Competitive advantage through their three-layer system and the Helly-tech technology.
- Be able to provide relevant products to the Singaporean market 365 days a year.
- Manage to create brand awareness among the consumers.

The major critical success factor for HH should be to provide the Singaporean market with products 365 days a year. HH can manage this by introducing a wide product range adjusted to the warm climate.
10 Should HH Enter The Singaporean Market?

Based on our research we will now summarize the reason for why Singapore is a potential market for HH to enter:

- HH has the resources and competence to enter a new market
- Stable political environment
- Low switching costs - consumers are willing to try out new sports brand
- Consumers are willing to pay a high price for high technology sportswear products
- Competitive advantage over the existing competitors in the market
- Tourism is increasing
- The sailing sport is increasing
- Singaporeans are health conscious and are becoming more into sports
- If HH establish themselves in Singapore it will strengthen their position in the Asian market
- Singapore is bicultural society were people tend to adapt from the western
- Singapore is the world's easiest place to do business

Based on the internal and external analysis and the research we have done, we now can conclude that there is a potential market for HH.

HH has the internal strength that is needed for entering a new market, and from our research we can conclude that HH should enter the Singaporean market.

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PART 2

- HOW SHOULD HH ENTER THE SINGAPOREAN MARKET?
Introduction – Part 2

In order to find out how HH should enter the market we have first looked into how to do business in Singapore. Furthermore we have evaluated different entry strategies and possible partners for HH, before we have come up with a recommended strategy and an entry strategy for HH.
11 Doing business in Singapore

Before HH enters the Singaporean market it is important for HH to have an understanding of the business environment in the market they are about to enter. We have therefore looked deeper into successful practices for doing business in Singapore.

There are some regulations HH has to consider before embarking on the Singaporean market. Every firm has to register their business, but doing so is easy. It takes about 30 minutes to register and costs about S$300. If HH plans to hire any foreign employees, one needs to have a valid permit. An Employment Pass in Singapore is issued to foreign professionals, managers or other middle-level skilled workers. The minimum salary requirement for an employment pass is S$2500 per month.

The employees’ performance is driven mostly by incentives in terms of bonuses related to their work. This is something HH has to bear in mind if setting up a flagship store. There are no special approvals required for most business activities in Singapore.

Costs of setting up a store will vary from region to region, but the major costs are rental terms, employee costs and fixtures. For HH they calculate approximately 40K euro for 100sqm store in fixtures per month. The average prime retails rents for stores in Orchard are $32,40psf (per square meter) per month, while $28,10psf in the suburban district. A wide range of business offices is available in Singapore, but it can be more difficult to find a suitable store place for HH in terms of places like Orchard Road. Rentals in the prime business districts are usually higher than those in the outskirts. The rental in Singapore has come somewhat down in view of the current global financial crisis, but rentals will still be the

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82 Claus - Innovation Norway
largest cost for HH. North Face’s rental costs for its store at ION Orchard Shopping center is about S$30K per month.

One negative aspect of potentially opening a flagship store is that the firm is usually tied to the lease over a longer time. If HH sales results is not favorable they might want to pull out quickly, which again can be hard, due to the long lease. Labor costs in Singapore are increasing, but still cheap compared to other places HH has operations. Average monthly nominal income is about $3,800\(^3\). Transport costs in to Singapore are only a small fraction, and are not expensive. Transport costs for HH is about US$ 1000 for a full container, this is from their production place in China and shipped into Singapore. Singapore is a major international finance center, which provides an attractive economic environment for firms to operate in.

11.1 Trade Agreements

A Free Trade Agreement (FTA) is a legally binding agreement between 2 or more countries.

The first agreement signed by Singapore was the ASEAN Free Trade Area (AFTA) in 1993. Ever since then Singapore's network of FTA's has increased to 13 regional and bilateral FTAs with 23 trading partners\(^4\). In 2002, Singapore signed the first FTA between countries of the Western World and East Asia. This Free Trade agreement, EFTA, consist of Norway and countries from Europe. The agreement gives companies none or reduced taxes on products when entering the Singaporean market\(^5\). In October 2008, Singapore signed a Free Trade Agreement with China (CSFTA). The pact is expected to improve bilateral ties and advance

\(^3\) http://www.businesstimes.com.sg/sub-suite/story/0,4574,379956,00.html
\(^5\) http://goliath.ecnext.com/coms2/gi_0199-6755184/In-focus-the-EFTA-Singapore.html
cooperation in East Asia\(^\text{86}\).

**ASEAN Agreement**

One of the reasons for this agreement is to increase speed for the economic growth, social progress and cultural development in the region through joint endeavors in the spirit of equality and partnership in order to strengthen the foundation for a prosperous and peaceful community of the Southeast Asian Nations\(^\text{87}\).

This agreement will benefit Singapore since they have production in some of the countries that are involved in this contract. If HH decides to expand to other markets in the South East Asia, this agreement will be positive for HH.

**FTA with China**

China is Singapore's third largest trading partner and biggest investment destination, while Singapore is China's eighth-largest trading partner. Under the agreement, Singapore will eliminate tariffs on all products imported from China from the beginning of 2009\(^\text{88}\).

Since HH has a large part of their production in China, this agreement will benefit HH in a positive way in order of reduced export costs.

### 11.2 Tax Regulations

Singapore Government uses tax policy to enhance its international competitiveness. Singapore has one of the lowest corporate tax rates in the world, currently at 17%. It is charged on all income derived from sources in Singapore, together with income from sources outside Singapore if received in Singapore has tax treaties for the avoidance of double

\(^{86}\) [http://www.bilaterals.org/article.php3?id_article=13116](http://www.bilaterals.org/article.php3?id_article=13116)

\(^{87}\) [http://www.aseansec.org/](http://www.aseansec.org/)

\(^{88}\) [http://afp.google.com/article/ALeqM5iOvLw9vmN24g2I5gX85IZKPB3jJw](http://afp.google.com/article/ALeqM5iOvLw9vmN24g2I5gX85IZKPB3jJw)
taxation with more than 40 countries, including Norway. There are numbers of beneficial tax regimes available to the international investor.\(^8^9\)

It is uncomplicated to import goods into Singapore. HH will therefore have no problem importing their goods as long as they follow the restrictions for import and the tax regulations.

11.3 Innovation Norway

Innovation Norway is an organization that helps the Norwegian industry and commerce nationally, as well as abroad. Innovation Norway offers products and services intended to help increase innovation in business and industry nationwide, care for regional development and promote Norwegian industry.\(^9^0\)

The staff working in Innovation Norway has the knowledge of local and international conditions and can be to good help for HH in the start up period, if they decide to enter the Singaporean market.

11.4 The Norwegian Business Association in Singapore (NBAS)

NBAS main objective is to provide a forum on an organized and continuing basis for Norwegian organizations and their executives.\(^9^1\) NBAS is a major player in the Norwegian Community, and organizes a range of events through the year. NBAS is also actively involved in promoting trade, investments, finance and industry between Norway and Singapore actively using all appropriate channels in both countries.\(^9^2\)

\(^{89}\) http://www.lowtax.net/lowtax/html/offon/singapore/sinhom.html

\(^{90}\) http://www.innovasjonorge.no/Om-oss/Innovation-Norway/About-Us/


If HH enters the Singaporean market, they will then also be a part of the Norwegian community here in Singapore. They should consult this organization as well as Innovation Norway in order to get guidelines if they have unsolved question/problems of how doing business in Singapore.

11.5 International Chamber of Singapore

The Chamber provides a respected and effective voice for the business community in Singapore. The Chamber's large local membership gives it firm roots in Singapore. The Chamber enjoys high credibility and status, which gives it access to key areas of government where policy decisions are made. The Chamber constantly monitors and speaks up on issues or developments of concern to its members. The Chamber works as a "watch-dog" in order to improve the business and investment environment in Singapore. For HH, a membership could be a possibility in order to create a network of influential people in Singapore and in order to get the benefits the chamber has to offer.
12 Possible Entry Strategies

There are many possible ways of entering a new market. We have looked into some of the most relevant entry strategies in order to find the most appropriate entry strategy for HH.

12.1 Agent

An agent's main task is to promote the sale for a foreign company in a specific market, distributing it and orient the exporter about market conditions. If HH choose to operate with an agent, they must take responsibility themselves for the remaining functions in the distribution system, or sort them over to a third party. Operating with an agent will give HH more control, and they can do the marketing themselves. Export through an agent may have weaknesses. The agent depends on commission, which can lead to opportunism as the agent focus on volume instead of price and profit. Another disadvantage is that it may be difficult to end the contract with the agent without paying a major outlay. \(^{93}\)

12.2 Importer/Distributor

The importer/ distributor operate on the concrete market under their own name. A distributor is direct buyers of the product and takes over the marketing and financial responsibility.

The benefit with using a distributor for HH is plentiful. First, it will reduce their financial risk and potential loss for HH if Singapore turns out to not be profitable. A distributor will give HH the advantage of not putting too many resources into the market research due to the fact that the distributor already has the necessary market information for introducing HH products in Singapore. Another advantage by using a distributor is that a distributor will take care of many important functions in the distribution system.

The disadvantages in using a distributor are that they will have less control over the marketing and the way the brand is perceived. If HH chose to enter with a distributor they should make a distributor agreement that clearly states the obligations that the distributor has and their short term and long-term goals.

12.3 Sales Office

To provide the best contact with the market and better management of marketing, the HH should establish a separate sales office in the market. The advantage of a sales office appears only when the export reaches a certain volume-so that the fixed costs are covered. This entry strategy possibly will be too expensive option for HH since Singapore is a limited market compared to their domestics markets. There are advantages with establishing a sales office in Singapore. It is an “uncomplicated” place to do business and Singapore is well placed in the heart of South East Asian. If Singapore is proving to be a profitable market to operate in HH, it can in the long term set up a sales office.

12.4 Possible distribution channels

HH has to decide on how many intermediaries and how much control HH wants to have over their products in Singapore. There are three possible distribution strategies.

Exclusive distribution

Severely limiting the number of intermediaries. It is used when the producer wants to maintain control over the service level and outputs offered by the resellers, and it often includes exclusive dealing arrangements.

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Selective distribution
Relies on more than a few but less than all of the intermediaries willing to carry a particular product. It makes sense for established companies for new companies seeking distributors. The company doesn’t need to worry about too many outlets.

Intensive distribution
With this strategy the manufacturer places the goods or services in as many outlets as possible. This strategy is generally used for items such as snack food, newspaper etc products the consumer seeks to buy frequently or in variety of location. Manufactures are constantly tempted to move from exclusive or selective distribution to more intensive distribution to increase coverage and sales. This strategy may help in short term, but it can hurt long-term performance.96

12.5 HH’s Criterias For a Partner
To introduce HH to Singapore, it is important to make the right decision on what kind of distribution channel they shall use and how many intermediaries the products are going to go through before reaching the customer. Choosing the right partner is the key factor in order to sell their products in Singapore. To get a perspective on what kind of distributors HH are looking for it is important to see what kind of agreement HH has with other partners.

In May 2009, HH signed an agreement with the Hong Kong based “Symphony Group”. They are responsible for opening 100-150 HH flag stores in China within the next 5-7 years. In

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addition to this they are also responsible for the manufacturing, brand building and
distribution of the HH products\textsuperscript{97}.

In South Korea HH signed a 10-years agreement with the chain “Kum Kang” Sport. In other
countries like Australia and New Zealand HH has signed a three multiple five-year agreement
with “Blue Rock Pty Ltd”. HH’s plan for the company is to increase that the company's 134
HH-shops worldwide, by 5.8 new outlets each year in the course of a four years period, the
goal is to increase sales from 1.5 billion to at least 2.5 billion.

From this, we can see that HH is looking for a strong economic partner over a long-term
period. They want a partner that is willing to invest and a contract that assures them a good
return in investment (ROI).

\textsuperscript{97} http://www.moss-avis.no/nyheter/konomi-og-forbruker/apner-100-150-butikker-i-kina-1.3970852
13 Potential Distributors

13.1 World of Sports

World of Sports (WOS) is a Multi-brand Sports Performance retail chain stores with a mix of Sports Performance Brands\(^98\). WOS is owned by the VGO Corporation Limited\(^99\).

They have received a number of rewards for outstanding customer service. In 2008 VGO began retailing high fashion luxury brands at Bread & Butter boutiques. The boutiques are placed strategically in malls and main shopping streets. The WOS customers are offered a VIP member card with the right to 15% off regular-priced merchandise and privileged access to Fashion Shows and Sale Previews. WOS offer their members for example a free 14-Day Fitness pass\(^100\). This shows that WOS has a good promotion and advertising that is important for HH in order to create brand awareness.

VGO has regional offices in: Singapore, Brunei, Malaysia, Indonesia and Vietnam. The VGO Corporation Limited is a limited liability company incorporated in Singapore and is listed on the Singapore Exchange Securities Tracking Limited (SCX-ST). The principal activities of VGO are that of franchising and retailing of lifestyle sporting goods, footwear, equipment, apparel and accessories under the World of Sports trademark of specialty sports retail shops\(^101\).

WOS has a commitment to achieve better financial results to the shareholders. They are also committed to building a strong relationship based on trust, respect and mutual understanding with customers and suppliers. Today WOS operates in Singapore, Malaysia & Vietnam. WOS has 15 stores in Malaysia and is present in Vietnam through franchising where there are 6

\(^101\) [http://www.vgocorp.com/](http://www.vgocorp.com/)
World Of Sports stores in Ho Chi Minh City (Vietnam). WOS have brands in four categories *Sports, Lifestyle, Fashion and Luxury Fashion*. Since HH has a wide range of products in both sports and lifestyle segments this could be an opportunity to reach the different segments through WOS different stores for example selling HH sport products in the world of sports stores and HH’s lifestyle products in their bread and butter store.

Among the International Distribution Brands WOS distributes are Columbia, Salomon, Li Ning and O’Neil that can be seen as competitive brands for HH.

WOS have 20 retail stores in Singapore, the latest WOS Outlet opened in the high-end ION Orchard Centre with 4500 sq feet retail space, with a new exciting layout and fun concept with brands for the outdoor enthusiast running, trail, hiking, swimming and gym under one roof. In 2009 WOS opened a standalone boutique for O’Neill in ION Orchard at the same time they opened their own World of Sport store. According to the VGO Annual Report 2008 they have strengthened their brands through heavy outdoor advertisement for example on busses \(^{102}\).

WOS also have “Outdoors” concept stores in Changi Airport and Velocity Novena Square. WOS offers here outdoors range of footwear, apparel and accessories for the traveler. This can be one attractive place for HH to sell their outdoor sports wear.

*Financial facts from the annual report 2008 for VGO Corporation Limited*

The global economic slowdown which started since 3rd Quarter 2008 has a negative impact the Group’s results. The Group had a revenue of $40,3 million in FY 2008 which was 4,4%

lower than the revenue achieved in FY 2007. Despite that the gross profit margin has increased. The Group had a total profit before tax of $0.4 million in FY 2008.  

**Advantages of choosing World of Sports as a distributor for HH**

- WOS are experienced, know the culture and know the market
- They can take care of the whole marketing part, the branding and creating customer awareness. They are customer focused
- They already have shops where it easy to establish a HH shop-in –shop
- They have established standalone stores (O’Neill) and will maybe be willing to establish and operate a HH flag store
- They have an Outdoor Concept store at the Changi Airport where HH products can be sold
- WOS have many stores and reach a great number of people
- They can sign a contract with WOS for a short period (one year) this is positive if HH want to “tap on the water” in Singapore
- They are a quite strong economic partner and could be a long term partner
- It seems like they want to grow bigger and expend in the South East Asia market.
- They are committed to creating loyal customers, good customer service
- Committed to provide better financial results for the shareholders

**Disadvantages of choosing World of Sports as a distributor for HH**

- World of Sports have many brands. HH will be only one of many brands and maybe neglected
- It can be difficult to control which brands WOS are giving priority to although there

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103 http://www.vgocorp.com
can be goals and demands in contracts between HH and WOS

- WOS is not depending on HH, they can easily live without HH if there should be trouble in the cooperation
- There is no mentioning of a code of conduct, social or environmental responsibilities neither in their annual report nor on their website
- WOS also have Colombia Sportswear as a brand, which we have analyzed in competitors analysis
- Since WOS are also selling competing brands the customer might prefer the competing brand (Columbia) to HH

13.2 Arcadia Group Limited

Arcadia Group is a privately owned clothing retailer that operates approximately 2,500 stores throughout the UK and over 420 international franchise stores with seven shopping banners. The company operates in the UK, Asia, Europe, Middle East, South America and the US. Their e-commerce operation is significant and rapidly expanding\(^{104}\). The company primarily operates through eight store banners: Burton, Dorothy Perkins, Topshop, Topman, Evans, Miss Selfridge, Wallis and Outfit. The company operates with the brands international franchise stores (also in Singapore) Arcadia Group take their Corporate and social responsibilities very seriously and they have a Supplier Code of Conduct that make sure that their products are manufactured under acceptable conditions\(^{105}\).

Financial facts

\(^{104}\) http://www.arcadiagroup.co.uk/index.html
\(^{105}\) http://www.arcadiagroup.co.uk/responsibilities/index.html
The company recorded revenues of £1,848.4 million (approximately $3,392.1 million) in the fiscal year ended August 2008, a decrease of 0.6% over 2007. Its net profit was £164.1 million (approximately $301.2 million) in fiscal 2008, an increase of 38.8% compared to 2007\textsuperscript{106}.

**Advantages of choosing Arcadia Group Limited as a distributor**

- They have the same environmental attitude, care about the environment
- According to their website they care a lot about their responsibilities, their social responsibility and they have an extensive supplier code of conduct
- They have not brands that are directly competing with HH products

**Disadvantages of choosing Arcadia Group Limited as a distributor**

- Expensive
- More high street fashion – then sports brands
- HQ in the UK. Do they have enough control over their franchising stores in Singapore so that HH can be sure of that their products are branded according to their guidelines?

**13.3 Wing Tai Holdings Limited**

Wing Tai Holdings Limited is a holding company. Apart from its main core business in property investment, development and management, Wing Tai’s other business interests include hospitality management, apparel retailing and food franchise operations. Wing Tai is a major player in the retail business in Singapore. Wing Tai holds right for exclusive distribution and retail right to many internationally renowned and popular fashion labels and brands. Typical for this kind of player is that they open specialist boutiques or retail outlets for each special fashion label or brand name they have and these outlets account for a majority of sales in Singapore\textsuperscript{107}. The Company operates through its subsidiaries as a property

\textsuperscript{106} http://www.euromonitor.com/Clothing_And_Footwear_in_Singapore#exec

\textsuperscript{107}
developer, hospitality management, apparel retailing and food franchise operations. Wing Tai manufactures distributes and retails clothing in Singapore.

Financial Facts

The revenues of the Group increase 18% for the financial Year ended 30 June 2009. The Group’s operating profit decreased from S$ 204.7million to S$35.3 million in the current year due mostly to the fair value losses on investment properties. But Wing Tai is a solid and major player.

Advantages of choosing Wing Tai Holdings Limited as a distributor for HH:

- Listed in Singapore since 1989. Leading in property development and investment, which should make them a financially strong partner
- A major player in the retail scene in Singapore
- Access to property can be an advantage as Wing Tai maybe get easier access to retail space and rental cost can be lower

Disadvantages of choosing Wing Tai Holdings Limited as a distributor for HH

Wing Tai as a Group

- The Group has a core business dealing with properties. Retail is a smaller part of the Group and not the main business
- The Group’s operating profit decreased from S$204.7 million to S$35.3 million in the current year due mostly to the fair value losses on investment properties of S$109.7 million. The Group achieved growth in operating profit in retail despite the recession. But both property and demand of the mass-market segment and high-end segment tend to follow the same ups and down during a global financial crisis.
• Wing Tai have brands like Adidas that might be competing with HH. This depends on if its Adidas Sport or Sport Style.

**What type of distribution should HH choose?**

HH should have a selective distribution, meaning that WOS will not be the only one that is allowed to sell HH in the Singaporean market. It is important that HH don’t lose control over their product, but HH must also see to that their products get the optimal access to their customers. Selective distribution will give HH better options for gaining higher market coverage in the Singaporean market. In the beginning, one distributor should for the short-term period the only one in order to test the waters. If it turns out to be a high demand for the product and the distributor turns out to be a profitable partner, HH should consider making an exclusive distributor agreement with the distributor if they want to open a flagship store. In this case, the flagship store can operate as a joint venture.

**What distributor is most suitable for HH?**

If HH wants to enter the market in order to first just “tap on the water” and see if Singapore is a profitable market, we believe that WOS is the most suitable partner. The main reason for this is that they can make a short-term contract with them. This will not bind them to the market if it turns out to not be a profitable market for HH. If it turns out to be a profitable market, WOS is a huge distributor with stable and strong economic and knowledge about the market. Since this distributor is also established in other regions in the South East Asia market, it will make it easier for HH to expand their operation in the South East Asian region. However, we believe that due diligence is important, and thus only make this recommendation based on information available to us. Internal information about WOS’ practices will be critical.
14 Recommended Strategy

After finding a suitable partner for HH we will now recommend them a strategy for positioning in the market effectively. In order to find their strategy we have done a Solbers 9 strategic
window framework. This is a model that is used by Norwegian companies exporting to foreign countries. This model analysis two factors: the structure of the industry and capability of internazionalization\textsuperscript{108}. The analysis will give the us a signals of what strategies that HH should chose.

14.1 Solbergs 9 Strategic Windows

HH has already achieved a central position in the markets they have chosen to operate in. HH has over the time established themselves in over 40 countries around the world and with 130 years of experiences and innovation, they can today proudly call themselves one of Norway’s few global brands. HH is an organization that has a strong and engaged management. HH shows from good results in the market they have entered that HH is an organization that can manage the internationalization process well.

HH needs to strengthen their global position in order to secure their position in the future. It is important that HH is aware of changes in customer preferences, keep up with the new technology and has a valid image of the competition and the financial movement in the different markets, as well as changes in political conditions in every country. It is also significant for HH to be able to identify what the key markets are.

Another key element for HH’s strategy will be to have a business organization that follows the vision: Think Global, act local. Since Singapore is a country that has a different culture, the customers in Singapore have other preferences then in Norway. HH has to know the market well and know what the customer’s preferences are before entering the market.

The most important strategic resource in this position for HH is in the access to information through an international market intelligence system, it is also important that HH have the ability and competence to use the information from the market system right. If HH chose to enter with WOS they will most likely inhabit the information that HH need to be aware of before entering the Singaporean market.

Singapore consumers are multi-racial, cosmopolitan, sophisticated, forward thinking and discerning\textsuperscript{109}. This makes Singapore an ideal test-bed for products and concepts primed for Asia. Many leading consumer products companies also have internal teams set up in Singapore, to spot trends and consumer in-sights to gather market intelligence for Asia. Establish themselves in Singapore would help HH to experience and be educated on different kind of people from countries all around in Asia\textsuperscript{110}.

This will give HH a competitive advantage in terms of other competitors that are not yet established in the Singaporean market. This could in the long-term help strengthen HH position in the Asian market.

14.2 Segmentation

We have now found out that HH need to strenghten their global position and that they can do this by entering the Singaporean market. It is now important that we use our research in order to find out what segment groups HH should target in the Singaporean market.

\textsuperscript{109}http://www.sedb.com/content/edb/sg/en_uk/index/industry_sectors/Consumer_Products/industry_background.print.htm
\textsuperscript{110}http://www.sedb.com/content/edb/sg/en_uk/index/industry_sectors/Consumer_Products/industry_background.print.htm
Market Segmentation is the process of splitting customers, or potential customers, in a market into different groups, or segments, within which customers share a similar level of interest in the same or comparable set of needs satisfied by a distinct marketing proposition\(^{111}\).

**In order to identify market segments they must rate favorable on five key criteria’s**

*Measurable*: the size, purchasing power, and characteristics of the segment can be measured.

*Substantial*: The segment is large enough to serve. A segment should be the largest possible homogenous group worth going after with a tailored marketing program.

*Accessible*: The segments can be effectively reached and served.

*Differentiable*: The segments are conceptually distinguishable and respond differently to different marketing mix elements and programs.

*Actionable*: Effective programs can be formulated for attracting and serving the segment.

**Identify a segment for HH**

Since Singapore consists of a bi-cultural society, it is difficult to target the right segments based on the traditional segmentation criteria’s. Based on our research we have based our segmentation on the demographic and psychographic segmentation criteria’s.

Demographic segmentation the market is divided into groups on the basis of different variables. We have chosen to focus on the variables income and social class\(^{112}\).

Psychographics is the science of using psychology and demographics to better understand consumers. Psychographic segmentation: buyers are divided into different group on the bases of psychological/personality traits, lifestyle or values\(^{113}\).

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\(^{111}\) [http://www.marketsegmentation.co.uk/segmentation_tmsc.htm](http://www.marketsegmentation.co.uk/segmentation_tmsc.htm)


Through first and secondary data we have identified three segments that we would recommend HH to target in the middle to upper population. These are: Expats/others, Singaporean national and the tourists segment.

**Singaporean Nationals**

The total number of Singaporean residents in 2009 was 3,733.9 million. Median Age among the Singaporean resident was: 36.9 years\(^{114}\). “The Singaporeans associate Scandinavian brands with high quality” (Quote: Jonas Ericsson, Style Nordic). Based on our web survey we can see that Singaporeans value functionality and technology when buying sports clothes. HH can therefore be a suitable choice for Singaporeans when buying high technology sportswear. Singaporeans are more westernized then other countries in the Asian Pacific region. They are therefore more willing to try out HH products.

**Expats and others**

The second segment we will recommend HH to target is expatriates and others who live in Singapore. Based on our web survey we can see that expats and others virtually have the same preferences we have therefore lump them together to one target group. “*Expatriates are people who move to Singapore to work for a short or a long-term period. Many of them are from the Western part of the world and among them there are 15-1600 Norwegians*” (Quote: Claus Gaasvig, Innovation Norway). Due to this fact the target group might already be aware of the HH brand. Others are a wide group of people: exchange students, people on long-term visit, business partners flying in for short time work related stay. This is usually people with middle to high income that are willing to spend a high amount on quality products. However,

because they care less about technology, HH may not be able to differentiate itself as well. Therefore, the Singaporean residents provide the more sustainable market long-term.

Tourists
Tourism in Singapore is a major industry and attracts millions of visitors each year 9,7 millions in 2009. In 2009 visitors spent S$ 3.1 billion on shopping in Singapore. Due to this fact the tourist segment is an attractive segment for HH to target. Some of the largest tourist groups are people from China (S$1,403 million) and Australia (S$934 million)\textsuperscript{115}. HH has flagship stores in both those countries. This means that HH believe that people from Australia and China are potential customers. We therefore believe that this target group is likely to buy HH products in the Singapore market.

14.3 Marketing Mix
We have chosen to use Philip Kotlers 4 Ps- Product, Promotion, price and place are the parameters that the marketing manager can control, subject to the internal and external constraints of the marketing environments. The goal is to make decisions that centre the four Ps in the customers in the target market in order to create perceived value and generate a positive response\textsuperscript{116}.

Marketing Objectives

- Differentiate HH products from the competitors products
- Create a high quality reputation
- Achieve customers awareness by communicating the uniqueness of HH products

\textsuperscript{115} http://www.singstat.gov.sg/stats/keyind.html
\textsuperscript{116} http://www.netmba.com/marketing/mix/
• Inform the customers about HH history and their unique technology

• Use Price as a quality indicator

14.3.1 Product

HH Sports supplies branded technical apparel and footwear for outdoor sports. We have decided to concentrate on the HH sports unit due to the fact that we believe this unit has the most potential to create brand awareness on the consumer market. HH products are of high quality and functionality. If Singapore turns out to be a profitable market for HH, HH can in the future look at the potential of introducing HH work wear or HH marine on the B2B market.

Product Life Cycle:

In Singapore consumers easily get bored of products and the products tend to have a short life cycle (In depth interview with style Nordic). In order for HH products to stay attractive for the consumers it is important that they constantly predict new trends in the market, continue to be innovative, and introduce new collections regularly to the Singaporean market.
Service

In the introduction phase, HH has to offer an easy access’s to information for the customers.

14.3.2 Price

HH offers a price range from moderate to high prices on their products.

HH can use the premium price strategy due to the fact that they have a high price and high quality on their products and they have the substantial competitive advantage of being the founder of the three-layer system\(^\text{117}\). Consumers often combine high price with high quality. HH products are of high quality and they therefore need to be careful with reducing the price and have too many sales in the introduction phase. This is due to the fact that the consumer might get the wrong impression of the HH brand. It is important for HH to inform their customers about the high quality of their products so that customers are willing to pay the high price for HH products.

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\(^{117}\) [Pricing Strategies Matrix](http://images.google.com/imgres?imgurl=http://www.marketingteacher.com/IMAGES/pricing_matrix.gif&imgrefurl=http://marketingteacher.com/Lessons/lesson_pricing.htm&usg=__-qTpci7PICSTFWvuCexJakKAQ=&h=300&w=400&sz=6&hl=en&start=3&um=1&tbnid=YhRX0hCOCKAs6M:&tbnh=93&tbnw=124&prev=/images%3Fq%3Dpricing%2Bstrategy%2Bmatrix%26um%3D1%26hl%3Den%26client%3Dsafari%26sa%3DG%26rls%3Dnb-no%26tbs%3Disch:1)
14.3.3 Promotion/Distribution

*Promotion*

It is critical for service companies and retailers that all employees have an up to date deep understanding of the brand and its promises. An inadequately trained sales force can damage the best effort to build a strong brand name. It is therefore important for HH to educate the sales forces that are selling HH products. They are HH’ s face out to the customers and have to know about their history, products and brand profile in order to communicate it to the costumers. HH can use the Push strategy or the Pull strategy in their promotion.

*Push strategy*

When the manufacturer uses it sales force and trade promotion money to induce intermediaries to carry, promote and sell the product to end-users\(^{118}\).

*Pull strategy*

When the manufacturer uses advertising and promotion to persuade consumers to ask intermediaries for the product\(^{119}\).

In the introduction phase, HH should use the Pull strategy and bring the customers to the product. Our web survey results found that sports enthusiasts are the best potential customers and these people are not going to be shopping in a particular location. Instead, they will learn about sports apparel from learning about sports. This provides HH with the opportunity to focus on advertising in sports-related publications.


In the future the most effective strategy will be to skilfully employ both push and pull strategies\textsuperscript{120}. This is due to the fact that Singapore has a high number of shopping malls and retail stores. HH runs the risk to become one of many on the market without providing great access and service to a wider customer base.

In Singapore, Scandinavia is exotic and often associated with high quality for many consumers. Singapore city is a bi cultural society and therefore many Singaporeans are seeking an identity through goods. HH has to take advantage of this and offer the consumers an “identity/image” with their products. HH is unfamiliar to most Singaporeans. It is crucial for HH to create brand awareness and build up trust to the consumers. This can best be done in providing a unique shopping experience.

\textit{Supplies of Product}

The production of HH products is located in China, Turkey, Sri Lanka, Vietnam, Indonesia and Thailand. Transport costs are baked into the cost of the goods. We believe direct delivery is the best way to service Singapore and this can be done through a consolidation point in Hong Kong.

\textbf{14.3.4 Place}

HH has to be aware of where their products are being sold. It is important for HH to have control and watch/follow up how the consumer reacts to HH products. It will be wise to start out by introducing the brand in stores that are located in the central business district in Singapore. After HH has achieved brand awareness they can also have the distributor sell

their products in stores that are located in the community shopping centre in the more local district of Singapore.

An alternative to distributors for HH is to open a flagship store through an exclusive distributor but this should be a long-term project if HH products turn out to be profitable in the Singaporean market. If this is a decision HH will take, we will recommend them to open a flagship store in the ION Orchard centre and/or at Changi airport.

*Why ION is a good place to establish HH*

We believe ION will be a good place for HH to establish a flagship store due to the fact that it will give the consumers a sense of HH as a high quality brand. The North Face has already established a flagship store on ION. Due to the fact that the The North Face is offering the same type of products as HH, the same type of consumers HH want to target, will most likely shop at ION\(^1\).

Another option if HH wants to open a flag store will be to open at Changi airport.

*Why Changi Airport is a good place for Helly Hansen to open a flag store*

Changi Airport now has an annual handling capacity of more than 70 million passengers. Changi Airport Singapore is recognized as one of the best airports in the world and has won accumulated over 250 awards. With 80 airlines serving 200 cities in 60 countries, Changi Airport has established itself as a major aviation hub in the Asia Pacific region. At Changi airport all of HH’s target group would be in one place and easy to target. Many people use Singapore as a stop base before going to another country and might need hiking or other

\(^1\)http://www.ionorchard.com/about-ion-orchard
products from HH on their further journey. People at the Changi airport might also be familiar with HH since they already are established in large part of the world\textsuperscript{122}.

\section*{14.4 Standardization versus Product/Communication Adaption}

We have now looked at the marketing mix. In order to decide whether HH should standardize their product and communication or adapt to the Singaporean market we have looked into standardization versus product/communication adaption.

Some products “travel” better overseas than others. Straight extension introduces the products in the foreign market without any change or adaption. Product adaption alerts the product to meet local requirements and preferences\textsuperscript{123}.

HH has through their distributor agreements in some markets allowed their partners to build their own product to suit local needs. All products must be approved by HH. HH should have this agreement with its Singaporean partner; the partner can then adapt HH products to the specific needs in the Singaporean market.

HH also needs to consider if they should run the same marketing communication program as they use in their domestics markets or whether they should change it for the Singaporean market. HH should go for communication adaption in the Singapore market. They need to adapt their communication to the Singaporean norms and regulation, as well as concerning how they communicate their commercial. Singapore is a multinational society with different religions; they should focus on the products technology, design and origin, and try to avoid advertising with too much focus on nudity and “sex-appeal”.

\begin{flushleft}
\textsuperscript{122} http://www.changaairport.com/changi/en/about_us/?\_locale=en
\textsuperscript{123} Kotler, Philip and Keller, Kevin Lane. 2009. Marketing Management. 13\textsuperscript{th} ed. Person Education, Inc. Page 611
\end{flushleft}
HH adapts both their product and communication, they therefore engage in “Dual adaption”.

*Five International Product and Communication strategies:*

<table>
<thead>
<tr>
<th>COMMUNICATION</th>
<th>PRODUCT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do not change</td>
<td>Do not change product</td>
</tr>
<tr>
<td>Communications</td>
<td>Adapt product</td>
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<tr>
<td>Adapt Communications</td>
<td>Develop new product</td>
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<tr>
<td></td>
<td>Do not change Communications</td>
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<td></td>
<td>Straight extension</td>
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<td></td>
<td>Product adaption</td>
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<td>Adapt Communication adaption</td>
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<td>Dual adaption</td>
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**14.5 Positioning**

We have now reached the conclusion that HH needs to adapt their products and communication when entering the Singaporean market. In order for HH to compete effectively in the market they need to position their brand to get a unique position in their consumers mind.

Positioning is an important part of HH marketing strategy if entering the Singaporean market due to the fact that HH is going to face a lot of competition.

“Especially for passionate professionals whose work and adventures are on oceans and mountains, HH is the provider of the most purposeful apparel and gear, that delivers a sense of personal & physical confidence, because only HH
delivers unsurpassed protection from the elements by blending progressive Scandinavian design (efficiency, style, performance) with the ability to test their products in the harshest environments on earth” (Quote: Bob Danker, HH).

HH has to position their products so the target market recognizes their brand’s distinctive offerings and image. If HH does a poor job of positioning, the market will be confused, and get wrong perceptions of the brand124. This is something HH has to avoid.

HH has to positioning their products and create an image in order to occupy a unique place in the minds of their Singaporean target groups. If they manage to do so, HH will maximize the potential benefit of operating in this market, and create a successful customer-focused value proposition125. The customers will see the values in the products, and therefore understand why they should buy the products.

*HH’s Value Propositions*

<table>
<thead>
<tr>
<th>COMPANY AND PRODUCT</th>
<th>TARGET CUSTOMERS</th>
<th>BENEFITS</th>
<th>PRICE</th>
<th>VALUE PROPOSITION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Helly Hansen As</td>
<td>Quality and design-conscious consumers of sports wear</td>
<td>High-tech and design</td>
<td>Middle - High</td>
<td>Real, simple, clean, high-tech products, only what’s needed to get the job done</td>
</tr>
</tbody>
</table>


Based on our research we have defined a competitive frame of references for the products HH competes against, as well as how the competitors are positioning themselves in this market. How HH positioning is relative to other companies, what should HH positioning be versus the competitors?

*Positioning towards the competitors*

After observations of HH competitors we have a better picture of how HH can position their brand away from the many other players in this market. HH technology is more likely to address sport brands as Adidas and TNF in the Singaporean market. When positioning their technology, the competition is therefore more likely towards these two brands, not so much the lifestyle brands such as Tommy Hilfiger.

HH can offer a different technology compared to these brands, the Helly-Tech technology, the base layer system and LIFA. If HH manages to create a positive awareness towards these attributes they may be able to position their brand away from the competitors. We also observed that TNF has a relatively small product range in their stores, with most concentration on the winter and outdoor segment. They also see their target segment as mostly tourists from the USA, and Asians that are going overseas. HH can therefore differentiate their brand by offering a larger scale of products, as they also sell sportswear for training, hiking, sailing and has lifestyle products. Columbia offers almost the same products as TNF, but they have a larger product range. Again, we could see that HH has the potential to differentiate them by offering a larger product range, suitable for everyone’s needs. This factor reflects the other competitors as well.

All the competitors offer high quality products as for example Gore Tex. HH offers high quality products, but with a different technology that is even better, Helly-Tech. It would be
essential for HH to make the consumers aware of this technology.

The price among the competitors is almost the same; all offer products suitable for three different price categories.

*Positioning through a flagship store or distributor*

Another question is where HH want to position them self in terms of setting up a flagship store or sell their products through partner/distributors. Based on our research we can see that the Singaporeans tend to prefer shopping their sportswear at a Sporting Good Store, as for example World of Sports. The Expats are most likely to shop their sportswear at both Specialty Stores and Sporting Good stores. This therefore gives us an indicator to where HH should first position their brand if they decide to enter the market.

It would be easier for HH to positioning their brand at a flagship store, due to the fact that then all focus is related to one store and one brand. With a distributor, there are many other competing brands in the same store, the consumers may choose brands they all ready are aware of. But again, there are more risks involved (financial) for HH if they first enter the market with a flag store.

Positioning through a Sporting Good Store seems to be the most suitable choice for HH, in order to first “test the water”, and build up brand awareness in order to create an unique position in the customers minds. This also allows them to focus on “pulling” the customers, as they can do focused advertising aimed at sports enthusiasts, starting with sailing.

*Positioning based on technology*

Based on our research we also find that the Singaporean and Expats segments tend to care about technology, especially Singaporeans and especially sports enthusiasts. HH can therefore
not position their brand based on price, but has to focus on the high-technology in their products, their capability to continuously be innovative as well as the special high-tech attributes in their products, for example LIFA, the base layer system and the Helly-tech technology. These technologies must also demonstrate that they are mainly geared towards helping sports function, while still looking good.

14.5.1 How should HH positioning their brand?

HH should go for a differentiation strategy when positioning their brand in the Singaporean market.

_Porters Generic Competitive Strategies_

The differentiation strategy is an integrated set of actions taken to produce goods or services (at any acceptable cost) that customers perceive as being different in ways that are important to them\(^\text{126}\).
The reason why we believe that HH will succeed with a differentiation strategy in is that HH inhabit these internal strengths:

- Access to leading scientific research
- Highly skilled and creative product development team
- Corporate reputation for quality and innovation

HH must have a true understanding of what its targeted customers value, the relatively importance they attach to the satisfaction of different needs, and for what they are willing to pay a premium, the differentiation strategy can be successful. HH need to continue the development of new technology, product development (R & D), design, and always be ahead when it comes to keeping up with the new trends in the market.

Uninterrupted success with the differentiation strategy results when the firm consistently upgrades differentiated features that customers value and/or create new ones (innovates) without significant cost increases. Due to the fact that a differentiated product satisfies customer’s unique needs, HH are able to take premium price on their high quality products.

Even though there are low switching costs among the consumers in Singapore, HH can with the differentiation strategy manage to gain loyal customers.

**Competitive risks of differentiation strategy**

1. One risk is that customers might decide that the price differential between the differentiator’s product and the cost leader product is too large. And some of HH products exceed the target customers need
2. Another risk of the differentiation strategy is that a firm’s means of differentiation may cease to provide value for which customers are willing to pay.

3. A third risk of the differentiation strategy is that experience can narrow customer’s perceptions of the value of products differentiated features.

If HH decides to follow the differentiation strategy, they have to be able to make the consumers feel they get a value perceived higher than the price.

After analyzing the market and the competitors HH should go for a differentiation strategy based on high technology and design. HH can offer both, high quality products, with innovative technology at the same time as the products look exceptional great. HH should be position among professional and style, not as wannabe.

But HH should also focus on the brands origin, Scandinavian heritage. This is due to the fact that Asian people tend to perceive Scandinavian brands as high quality products, trustable and exotic. HH can therefore use this factor to differentiate away from the competitors, due to the fact that there are few other brands that can claim to the same history and origin.

14.5.2 Points-of-Difference (PODs) and Point-of-Parity (POPs)

PODs are attributes or benefits consumers strongly associate with a brand, positively evaluate, and believe they could not find to the same extent with a competing brand.

It is important that HH manage to create strong, favorable, and unique associations to their products, this is challenging, but essential in terms of establish a competing brand positioning\textsuperscript{127}.

\textsuperscript{127} Kotler, Philip and Keller, Kevin Lane. 2009. Marketing Management. 13\textsuperscript{th} ed. Person Education, Inc. Page 269.
HH can with its long history of innovation, founder of the Three Layer system and the development of the Helly-Tech offer attributes in their products that their competitors don’t have. POPs on the other hand, are associations that are not necessarily unique to the brand but may in fact be shared with other brands. HH offer high quality products on the same level as their competitors. HH work closely with professional athletes to develop new products, their life depends on HH’s products so the quality has to be excellent. HH offer “luxury” products as they combined high quality with style (fashion). HH also has an environmental friendly collection, Ecolab. HH products have functionally, comfort, quality and design, which are attributes other competitors also offer. POPs represent necessary, but not sufficient conditions for brand choice.

**PODs versus POPs**

For HH to achieve a POP on any of the particularly attributes or benefits listed above, a sufficient number of the Singaporean consumers must believe the brand is good enough on that dimension. HH does not exactly need to be seen as equal to the competitors, but consumers must feel that HH does well enough on that particular attribute or benefit\(^{128}\). If HH manages to convince the consumers that they do, the consumers may be willing to base their evaluations and decisions on other factors potentially more favorable to the brand, as for example that Helly-Tech is a better technology than Gore-Tex. HH’s products has to give the same value as the competitor’s products in order to compete effectively.

The consumers must be convinced that HH offers the “most professional sportswear”. The key to positioning is not so much achieving POD as achieving POP! HH has many POPs, and offer the same high quality products as their competitors, they will therefore be able to

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compete effectively, and they just have to manage to position their offerings so the target market recognizes their brands unique products and image.

### 14.6 Sustainable Competitive Advantage – VRIO

In order to give a greater understanding of which of HH’s competencies that have sustainable competitive advantage in the Singaporean market, we have looked at HH’s competencies and evaluated if they are valuable, rare, costly to imitate and whether HH is organized to exploit these resources. If so, they can expect to enjoy a sustained competitive advantage in the market.

Resources and capabilities that generate an advantage in one market may or may not generate an advantage in a new market\(^{129}\). We have therefore re-applied the VRIO framework in order to see if HH has any sustainable competitive advantage in the Singaporean market.

\textit{Valuable Resources}

It is important for HH that they always have top qualified employees who can develop new products, as the technology improves. Today HH work strategically and more targeted against their overall goals, which is an essential factor for business development. HH adapt their products to different markets' needs, which is an advantage when entering new markets. HH has managed to build up a good reputation and relations, both in the industry and with their customers, this is due to the fact that they have been on the market longer than most of its competitors. HH has established this by offering customers products that gives them the usefulness they need/expect. This is a very important competitive advantage. Since Singapore is a totally new market for HH, they don’t have this advantage in this market. Instead of, HH can use this and communicate it to the Singaporean market - their reputation as a leading

\(^{129}\) http://www.scribd.com/doc/2259137/VRIO
sports brand in other major markets, as well as the brands innovativeness, trustworthy and honest, and the fact that they have a long history. These factors would again give HH a valuable competitive advantage. HH pioneered the three-layer approach and base layer technology - the foundation for today's versatile protective outdoor clothing. HH has broad expertise and is constantly developing new and improved technology, which also is a valuable resource.

**Rare**

HH's main competitive advantage lies in the firms 130 years of innovation. HH has built up long and broad experience, expertise and development. HH have a long history as they have been on the market for well over 100 years. Having a story that one can merge their product into helps to create trust and credibility to the brand. By having the ability to promote Norway as country of origin in their marketing communication is also a competitive advantage, as this can be looked at as exotic, rare and exclusive. HH products has been tested in the most extreme conditions on earth, been on both poles, all oceans and the highest peaks in the world. The three-layer system, and the development of the Helly Tech technology may also been seen as rare as they have patent on the Helly-tech technology.

**Costly to imitate**

HH has patent on their product and brand so competitors cannot copy it. HH has own teams that innovate and develop the technology and design. This cannot be directly copied, but competitors may develop the same technology, as for example the Gore Tex technology.
HH can be seen as a global brand, HH operates in many markets, and has been exporting their goods for many years. HH has 134 brand stores located in different countries, this has gained the firm with knowledge and experience they can make use of when they now look at the opportunities of entering the Singaporean market.

_Organized to Exploit_

HH can be seen as a global brand, HH operates in many markets, and has been exporting their goods for many years. HH has 134 brand stores located in different countries, this has gained the firm with knowledge and experience they can make use of when they now look at the opportunities of entering the Singaporean market.

_Sustainable Competitive Advantage of Competencies_
HH has a sustainable competitive advantage in their long history of innovation and their three-layer system (technology). This confirm that HH should focus on their long history of innovation and their high-technology when differentiate themselves away from the competitors in the Singaporean market. These two factors will be important for them to focus on in the future in order to stay differentiated.
15 Overall Entry Strategy for HH

After evaluating different entry strategies we have now come up with an overall entry strategy for how HH should penetrate the Singaporean market.

We will not recommend HH to enter the market through a flagship store due to this involving too many financial risks. HH should first “test the water” in order to see if there is a potential market for growth and if Singapore is a profitable market. It is important that they first manage to establish their brand, create brand awareness and position themselves among the competitors.

We would therefore recommend HH to enter the Singaporean market through a distributor. Out of the three potential distributors we have evaluated, we believe World of Sport is the most suitable distributor. WOS has the qualifications that HH is looking for in a potential partner. WOS has a strong and increasing economic, and the knowledge needed to compete effectively in the Singaporean market. The fact that they also are located in other parts of the South East Asian region can be an advantage for HH, in order to expand their operations in the long-term perspective.

The best way to serve the Singaporean market is direct delivery from the production in China, through a consolidation point in Hong Kong and in to Singapore. Entering the Singaporean market through a distributor will not require lots of effort or resources from HH. It is both cost and time efficient and HH does not need to put up an own marketing division due to the fact that the whole distribution process will be taking care of by the distributor. HH need to negotiate with the distributor on their short and long term goals for the brand. The first agreement between HH and WOS should be a one-year agreement.
If HH turns out to be successful in Singapore they can evaluate to extend their contract with WOS and have them open a flag store for HH on ION shopping mall or at Changi airport.

15.1 Implementing the Marketing Mix

15.1.1 Product

We see from our research that there is a potential market for HH sports products. The consumers in Singapore are willing to pay a high price for high quality products. The consumers seem to care about high technology and design. They are also willing to try new sports brands. (low switching costs). In order to be able to distribute products 365 days a year HH should introduce a wide product range in the Singaporean market.

*HH should introduce their sport collection*

Due to the increasing interest for sports in Singapore - we believe it can become an increasing demand for high technology sports clothes. Addition to the sailing collection we see a potential market for clothes, shoes related to waters- sport, hiking and training that are fit for a warm climate. This is due to the fact that HH has high quality in their products and a “neutral” look. The Singaporeans do not prefer products that are different but product that are better. HH can offer this with their high quality sport - product lines. In order to show their identity and who they are HH should introduce some of their winter clothes this can be targeted towards the tourist segment that is a big segment in Singapore.

HH should also introduce their lifestyle collection this is a trendy functionally collection that are based on using in the daily life with a maritime inspired look in order to get a wide product range and appeal to all their target groups.
The distributor (WOS) are allowed to choose what kind of different HH products they want to stock and carry out in their stores. This is due to the fact that they are closest to the market and to it is easier for them to follow up the buying habits of their customers.

15.1.2 Place

Based on our research we believe that HH products should be distributed in the central district in Singapore, such as WOS’s retail store at ION Orchard. This is a place where tourism, expats and Singaporeans with middle to higher income like to do their shopping. It is one of Singapore’s most exclusive shopping mall and having their brand there will increase the fundamental fact of HH quality products.

15.1.3 Promotion

In the beginning, there will be no demand for HH products, as most of the target segments are not aware of the brand yet. So in the beginning, it will be best for HH to use the Pull strategy until they have created brand awareness. HH should in the introduction phase target the expatriates and the tourist segment due to the fact that they might be familiar with the brand from their national country and therefore easier adapt to a Scandinavian brand. The Singaporeans have a tendency to follow the shopping habits of expatriates. Consumers combine Scandinavian with high quality and price. HH should in their promotion focus on communicating their heritage and make the consumers aware that this is a Scandinavian brand. They should use their heritage and there 130 years of innovation in order to win the customers trust and create loyal customers. Also, the focus should be on sports enthusiasts from the beginning, as we found that these are the most likely customers.
Since there is no brand awareness, education of the sales force will be important in order to inform the consumer about HH value, history and high quality products and technology. HH can offer training courses for the sales staff or invite them to events, presentations. HH are sponsors of Olympic sailing athletes and have two boats in the Volvo Ocean Race. HH should use this as an advantage and promote this more in the Singaporean market. They also should sponsor the yearly Singaporean marathon in order to promote their training collection.

HH should arrange sporting events for the consumers in order to create free publicity and achieve media attention. HH should also participate in trade fair, exhibition in order to create brand awareness and build new important relationships. HH can also make sure that the right people wear HH clothes by sponsoring well-known Singaporean Sports athletes. The Singaporean Fashion and clothing federation arrange the “Singapore Fashion week” among other fashion events. HH can cooperate with them in order to create awareness around their brand. Advertising in sporting and travel magazines and radio commercial is also an opportunity to create attention around the HH brand. HH should also consult one of the biggest fitness centers in Singapore (California fitness) in order to make a deal that suggests that all members get a discount on the HH- sports products.

**Social media**

HH can use social media. This is a easy and effective way to promote their products to the consumers. For example HH can have someone to blog about HH and show HH products through their blogs, and create a Facebook/twitter page where HH can post there upcoming events. That way the consumers can express their attitudes and opinions about HH as a brand; this can be valuable information for HH.
Service

In the beginning HH should have an educated sale staff and a website were any questions or concerns the consumer might have will be answered.

15.1.4 Price

Based on our research we can see that consumers are willing to pay a high price for high quality products as long as the product gives the consumer value for money.

Since we have chosen to target the middle to upper class population and the fact that the prices on quality clothes, shoes and accessories in Singapore are similar to the prices on quality clothes, shoes and accessories in Norway, we would not recommend HH to reduce the prices on their products when entering the Singaporean market.

HH has high quality products and should use the price on their products as a quality indicator.

15.2 Evaluation and Control

If HH decides to enter the Singaporean market, it is important to monitor their progress. They have to control the distributors performance, HH can do this with sales analysis that measures and evaluates actual sales in relationship to goals. Market share analysis, this analysis will help HH to get a real idea on how they are performing compared to their competitor’s.

Communication between the distributor and the management in Norway is important. In order to make sure that the distributor achieves HH goals for the brand performance in Singapore. HH should have regular contact and meetings with the distributor. HH should also hire
mystery shoppers to test the knowledge and performance of the sales force that are selling HH products.

In order to get more knowledge about the market, HH should gather market information about competitors, market trends, partners and contacts in the distribution channel. This they can do by implementing an international market intelligence system. It is also important that HH receive customer feedback in order to know how the Singaporean consumers perceive the HH brand.
16 Conclusion

We can conclude that there is a market for HH in Singapore. HH should therefore enter, and it is recommended that HH enter the Singaporean market through a distributor (WOS).

Since HH is going to face a lot of competition in the Singaporean apparel industry, it is important that they manage to use the differentiation strategy and position themselves away from the competitors with their high technology products.

For HH it is essential that they target the right segment groups and manage to create brand awareness among the consumers given that there is a lack of brand awareness in the Singaporean market. If HH manage to achieve their critical success factors, we believe that HH have a chance to become a lucrative brand in the Singaporean market.
17 Limitations

Some limitations occurred during the assignment and these have affected our diploma project. We will now describe what these limitations were and how we handled it.

There has never been done any marketing research for HH sports unit in the Singaporean market. Therefore it has been a challenge to find relevant information to answer our problem definition. We have not received any information about earlier problems that HH might have experienced when entering a new market or internal information about the company—especially HH would not provide us with any financial results.

Due to the fact that HH is not present in Singapore it has been difficult to communicate with them, but we manage to communicate with them per email and phone conversations.

We tried to contact the possible distributor WOS over mail, phone and visited them but they did not want to nor have the time to answer any of our questions. Therefore we had to observe. We also went to the WOS and talked to the employees there.

Furthermore we tried to contact the Singapore National Chamber and Bert Tan at ION shopping moll in order to get a view on how to do business in Singapore and a view of the rental costs in Singapore, they told us to send an email but they have yet to respond.
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3 APPENDIX – In depth interview with “Style Nordic”

1. Have you heard about the brand Helly Hansen?
   Yes, it is a well-known brand in Scandinavia but down here there are very few who have heard about it. Therefore it is important to build the brand awareness and give the consumer information about the brand.

2. Do you have any suggestions on how a Scandinavian brand that HH can enter the Singapore market?
   Branding is important to create something around a trademark. It will probably be wise to penetrate the market through a local distributor who knows the market and can build the brand up in Singapore, take care of press releases happening and events, important to get the right people to use the HH.
   HH can use famous sporting identities they should also be sponsors to big sporting events happening in Singapore. It is important to remember that it is a completely different culture in a different world. You have the push and pull method (I would suggest that they use the pull method). Nature, we live in a new era where people like to discover myself. Events, and word of mouth is very important building credibility. Events are good because then they will get free publicity from the media. Singaporeans tend to like promotion and happenings. It is important not to have too much sales and discount. It will only give short-term profitable and can ruin the consumers perceptions of the brand name. It may take a long time, 2-3 years, before a brand begins to do well. Patience is important. There are many stores and shopping malls in Singapore it is therefore important that HH have an identity and don’t become invisible. Singapore has no identity. People here are looking for identity. Offer them an identity with HH.

3. What is important to think about when entering the market, cultural differences etc?
   If something becomes trendy in Singapore everyone wants it. The products often have short life cycle here the Singaporeans want something new and better all the time. HH should introduce new product in their store often. If not 6 collections they should have something new that gives a change in the store has high standards. They should also have winter jackets in their store to show the consumer what HH stands for and are all about. Creating a need- choose a partner who looking for the same values as HH, a partner who understand the brand. Here the cultural differences come in. In Singapore people want to make money quickly. It is important that the distributor understand the
culture and the brand HH. HH need someone who is looking after a long-term partnership.

4. *How many Scandinavian clothing brands, it is in Singapore now?*

There are not many Scandinavian brands. Style Nordic takes in part. Scandinavia is seen as a high quality-high price place, and it is important to take advantage of this. Use the story of HH, so they are not soulless. Also because there are many American competitors but HH have the advantage being from Scandinavian.

5. *Do you have any distributors to recommend Helly Hansen?*

World of Sport could be one potential as well as Style Nordic. Wonderland has a number of Scandinavian brands. It is possible that Style Nordic could be able to take in products of HH. HH has been on my product list.

6. *How can a Scandinavian brand best position them in Singapore?*

Scandinavia: know how! Use Scandinavia design and promote core values, eco friendly functionality, etc. It is important to communicate Norway and Scandinavia. Create identity and heritage the brand with its history.

There are about 50 million tourists each year, regional consumer.

7. *What perceptions of Scandinavia have Singaporeans?*

High-quality-high price. Therefore it is important to give them value for money. Although the North Face has slightly lower prices they have to be responsible for its brand. HH has to be able to say: “we are HH - therefore we can set higher prices”

8. *Helly Hansen've launched a fashion brand Ask and Embla, they have also cooperated with the Moods of Norway in a collection; it is something that could have been appropriate for you to distribute?*

Yes it could be a possibility. Style Nordic is going to open another store.

9. *What are the biggest challenges for a Scandinavian brand in Singapore?*

To not get soul less, to not just become one of many.

10. *How are the customs regulations for import into Singapore*

There is free trade. No taxes to take the products, but everything must be recorded.

11. *Do you think there is potential for HH to entering Singapore?*

Yes, North Face has done it so why shouldn’t HH be able to!
4 APPENDIX – In depth interview with “Innovation of Norway”

1. Is it difficult expensive to start to open a business or in the HH case, open a flag store in Singapore?

   It is very easy to start a business here - Registering a business costs about $ 230 and takes about half an hour in Singapore, everything you need to do is sing a residence permit or passport to register the company. You only need $ 1 to open a share capital.

2. Cost related to opening a flag store?

   The biggest cost of opening own flag store will be rent cost is expensive since a good location, will be important for the HH -

   The most negative thing with opening a flag store is that you usually are tied to the leash over a longer time. Then it's a risk to take if the company is not doing well and want to pull out quickly.

3. What about costs related to work labor?

   In Singapore the Work labor is cheap. People who work in shops earn no more than to S$1500 - 2000 dollars - not personal taxes. Tax-free. Country. The biggest cost will be the rental cost.

4. How is the transportation cost ends?

   No matter how you transport it is not expensive, it is only a small fraction of the cost. Full container 1000 - 1500 dollars from Norway to Singapore probably around $ 1000 from China to Singapore is no more. It's cheaper to transport things from Norway to Singapore than to transport goods from Asia to Norway. There are a lot more goods other way.

5. Do you know of any distributors who might have been suitable for HH?

   I am very much into the sports apparel industry, I know about World of Sports.
6. **Do you believe Helly Hansen could be successful in Singapore?**

Yes, you just need to fit the product to the climate and use Scandinavia as a competitor advantages.

7. **Do you have any advice on entry strategy for a Norwegian company?**

Marketing is everything down here! As we recommend most Norwegian companies it is always good to start with a local distributor, easy way and important to test the water first. Very often the distributors have contacts and they do business in Malaysia, Vietnam. Then HH will have the ability to move on and strengthen its position through the distributor. Distributors know the market and know generally what customers want.

8. **What are the costs relating to entrance strategy, customs taxes?**

Singapore is Duty free tax-free for everything except a small number of products such as alcohol, smokeless tobacco and cigarettes. No import duty on garments. Do they have over a million - they must register on GMT.

9. **Do you have any figures on the number of expat residing in Singapore?**

I know there is about 15 to 16 000 Norwegians, hundreds of thousands of Americans, Britans, Australians. These generally have a good income. 20 to 25% of the population in Singapore are foreigners

10. **Do you have any advice about the cultural differences that HH must take into account, when/if they decides to enter the Singaporean market?**

Singapore is divided into classes; you have those who earn well and those who do not earn that well. Those who do not have a good income will of course, be more price sensitive They will usually have the more value for money, while those who earn well are willing to pay for quality, appearance and the correct label. Those who have a high income buy what is trendy not because they need it. You have to remember that there
is two other major segments in Singapore that is Expat and tourists that usually have a medium to high income.

11. Do you have any idea about Singaporeans shopping habits?

When they are not working Singaporeans use their time to eat and shop. It said that people who live in Singapore shop a lot due to the fact that there is not much else to and there is a lot of shopping malls in Singapore.

12. Are there many Norwegian companies that establish themselves in Singapore's that have success?

Yes at least 80% of Norwegian companies succeed. Scandinavia is quality and design for Singaporeans. Singapore is westernized when it comes to fashion trends they need to think of air humidity.

13. Why is it good to open a company/store in Singapore?

Singapore natural hub some will go as far as calling it a fashion capital. Singapore on the map is more convincing then for example has a store in Indonesia. It looks better. It is wise to choose Singapore if HH wants a sales office head quarter in South East Asia. Singapore is in the center it is not far to the airport. It is easier logistically and no taxes. It can look more expensive on the paper then lets say establish themselves in Indonesia but Singapore is more efficient and more profitable than other places in Southeast Asia.

14. Is it hard to make Singapore a profitable market?

Not so hard as you might think, you could see it like this Singapore is Norway's entire population only in a smaller area.
5 APPENDIX – Phone interview with Bob Danker at HH

1. What are your thoughts of cooperate with the potential distributor World of Sports in Singapore?
   This could be a good partner.

2. One Critical factor for us would be to know more about the cost related to open a flag store. We are in contact with the government to get more information about the cost related to rent store, and place etc. Do you know what would the cost in form of setting up a flag store be? If you have any numbers of HH’s economic key figures for the latest years it would also been great!
   Costs of setting up the store vary from region to region – the major costs are rental terms, employee costs, fixtures (maybe 40K euro for 100sqm store) but they could do local production with our approval, marketing. I can tell you that our order book for the FW10 sell in is over 35% up versus last year same time. For 2009 we increase single digits. Not many companies in our industry can claim that.

3. North Face is established in Singapore, they sell winter clothing and other products similar to HH products range. It seems like North Face are selling mostly to the tourist segment. They have two flag stores and are also selling their products in about 20 retail stores. They are also established with stores in other parts of the South East Asia region, as KL, Jakarta and Bangkok. We therefore see them as HH’s main potential competitor in this market. What are your thoughts about that?
   I have heard from an industry leader in that region that TNF in Singapore is very small business and they are not doing that great. You are correct in that it is mostly tourists. However they have stores and are positioning the brand for the future.

4. We also see Columbia and Li Ing as potential competitors since they both have a large presents her in Singapore. What do you think would be HH competitive advantage compared to North face and the other brands?
   The main difference we offer these brands is Authenticity as the founder of the three-layer system. Also our sailing range is very relevant for Singapore. The biggest asset is turning that leading sailing position into sportswear. Marine inspired sportswear gives us access to a different customer, higher retail prices and positioning alongside
Ralph Lauren, Tommy Hilfiger, Gant etc.

Of course we offer products to TNF and Columbia existing competitor. Liing is interesting and is similar to Nike or Adidas. We also see our competitors as any company that is competing for the consumer’s dollar.

5. You told us earlier that HH prefer a partner rather then open a flag store in this region. But since North Face already has build up a large present her and also is represented with flag stores other places in the region, would it be smart for HH to respond quickly in order to keep up with the competitors in this market? Unsure if TNF is finding this model successful. It is not a ton of outdoor activities down there. We will not open any company owned retail in that region. There are more geographically relevant regions we would tackle first. That is why a different model would be needed.

6. North Face now has the first mover advantage, as they are represented with so many flag stores. This gives us an indicator that there actually is a market for outdoor sports wear her in South East Asia. When we now also have analyzed our research methodology part, the customer perception and needs also indicates that there is a market for HH in Singapore. The question we now ask is whether HH first should go in with a partner ("tip" on the market, is there a potential market for growth) and thereafter, if there is a market open a flag store? When it comes to HH sports wear (training clothes), is HH expanding its product lines?

Sportswear is major focus and we are continuing to expand category. Training – this is an important part of our collection from SS11 forward.

7. When you said that the best way to sell to Singapore is direct delivery and this can be done through a consolidation point in Hong Kong. What did you mean by a consolidation point and why in HK? Since the production takes place in China, Turkey, Sri Lanka, Vietnam, Indonesia and Thailand. Wouldn’t it be the most cost efficient to produce in Indonesia and then ship directly to Singapore?

All goods go through a consolidation point in HK. This saves cost and money. For all partners where we work DD we would consolidate those shipments from each factory
to the consolidation point where we would consolidate all those shipments for each country. The biggest savings is cost as we send bigger shipments. We don't do much in Indonesia. We could do direct delivery but cost analysis would have to be preformed. It cost quite a bit to ship low quantities and it is safe to assume that if business is done in Singapore then the volume of the business will be small for the first years.
6 APPENDIX – Hofstede