

Business Expansion of Apparel Brands

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Assessing opportunities in Apparel/Retail sector in Pakistan



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Abstract

The current study aims to investigate the feasibility of international apparel and footwear retailers to expand their business in Pakistan and compete with other brands. It also highlights the business opportunities in Pakistan apparel retail sector and the motivations of international brands behind expansions.

This study was conducted with the help of interviews based on diamond model of Porter, and Hofstede cultural dimensions. The open ended questions were delivered to the professionals electronically while interviews were conducted by telephone. Seven companies from Pakistan were selected for study purpose. Data was analyzed and assessed manually.

The study revealed that there is a significant opportunity for international apparel retailers to launch their retail outlets in Pakistan along with some risks. International brands which are financially strong can tackle these risks. However it was concluded that the companies with less financial strength may find it difficult to go in a new market within 5 years. UK brands are already there and brands from other countries are also opening. Overall Pakistan retail sector is growing and people are becoming fashion conscious. This study provides information to International apparel brands which they can take into consideration while entering Pakistan's apparel retail market. It also gives an opportunity for assessment of market in the light of theoretical modules and shows a direction of getting better market share by launching.

Keywords: retail sector, Pakistan, international market, apparel industry, business expansion

Table of Contents

Acknowledgement	III
Abstract	IV
List of Figures	VII
List of Tables	VII
List of Abbreviations	VIII
Chapter 1: Introduction	1
1.1. Background.....	1
1.2 Problem Discussion.....	4
1.3 Research questions.....	6
1.4 Pakistan; an overview.....	6
1.4.1 Population Analysis.....	6
1.4.2 Education.....	7
1.4.3 Consumption Behavior.....	8
1.4.4 Economy.....	8
1.5 Significance of the study.....	9
1.6 Delimitation.....	10
Chapter 2: Literature Review	11
2.1 Expansion of Retail.....	11
2.1.1 Motivations.....	11
2.1.2 Stage Theory.....	12
2.1.3 Strategies.....	13
2.2 Diamond Model.....	13
2.2.1 Factor Conditions.....	14
2.2.2 Demand Conditions.....	14
2.2.3 Related and supporting industries.....	15
2.2.4 Firm’s Strategy, Structure and Rivalry.....	15
2.3 Hofstede’s cultural dimensions	15

Chapter 3: Methodological Frame-work	19
3.1 Research design.....	19
3.2 Analysis Tools	20
3.3 Validity & Reliability.....	20
3.4 Motivation behind Questions.....	20
3.5 Case Description.....	21
3.6 Limitations.....	23
Chapter 4: Results and Findings	24
4.1 Pakistan-Market Overview.....	24
Chapter 5: Analysis & Discussion	33
5.1 Market Analysis.....	33
5.1.1 PEST Analysis.....	33
5.1.2 Opportunities & Threats.....	37
5.1.3 Diamond Model.....	38
5.2 Strategies.....	39
5.2.1 Adaptation Strategies.....	40
5.2.2 Production Strategies.....	41
5.2.3 Entry Points.....	42
Chapter 6: Conclusions	43
Implications.....	45
Future Work.....	45
References	47
Appendix. Questionnaire.....	54

List of Figures

Fig.1 GDP per capita PPP of Pakistan.....	2
Fig.2 Ease of doing business in Pakistan.....	3
Fig.3 GDP of Pakistan.....	9
Fig.4 Porter’s Diamond model.....	13
Fig.5 Cultural dimensions of Pakistan.....	16
Fig.6 Corporate Tax Comparison with India.....	34
Fig.7 Pakistan Inflation rate.....	35
Fig.8 Consumer Spending of Pakistani People.....	35
Fig.9 PEST Analysis.....	36
Fig.10 Opportunities & Threats Analysis of Pakistan.....	37
Fig.11 Porter’s Diamond model factors analysis.....	39
Fig.12 Comparison Spain and Portugal.....	40
Fig.13 Contributions.....	41

List of Tables

Table 1. Population comparisons.....	7
Table 2. Summary of Literature Review.....	18

List of Abbreviations

GDP	= Gross Domestic Product
PEST	= Political, Social, Economic and Technological
SWOT	= Strengths, Weakness, Opportunities and Threats
CSR	= Corporate Social Responsibility

CHAPTER 1

Introduction

1.1. Background to the Study

Business in various sectors is expanding around the globe. Business firms and companies grab every opportunity to gain their shares in different markets. Fashion industry is on boom in this modern age, particularly apparel industry. Most of the fashion brands like to expand in those economies and countries which are closer to their cultures. This trend is obviously advantageous in establishing business processes in the new market. But as the role of globalization is increasing, the companies can also expand their business to such markets which are different from their own cultures. Due to globalization, similar trends are becoming popular among people all over the world, especially in fashion and apparel industry. Research has been made for business expansion by many scholars on various aspects of business and trade for national and international markets. Porter (1990), Williams (2004), Gruber (2004), John (2012), Twarowska(2013) etc. have given valuable ideas about business expansion. Jin and Moon (2006), Kittichai (Tu) Watchravesring Kan, Elena Karpova, Nancy Nelson Hodges, Racdene Copland (2010) have analyzed and discussed business opportunities in apparel sector in a specific country. Svengren Holm and Tijburg (2013) studied international growth of Swedish fashion companies which covers motives to expand internationally, prime factors of success and risk factors. Daoud and Högfeltdt (2012) did their thesis on finding potential of Lebanon market for Swedish fashion brands. This study is close to the author's topic but Daoud and Högfeltdt (2012) uses different set of theoretical models and also wants to investigate the potential of international business expansion in a developing country with large population. South East Asian countries have large population and they are developing and many international companies are expanding in such market. Manveer Mann and Sang-Eun Bynn (2011) studies apparel retail sector of India by using diamond approach therefore the author of this report decided to study Pakistan.

Pakistan is a big market for apparel and footwear brands but so far no research has been done in assessing opportunities in apparel retail sector in Pakistan. According to The Express Tribune (2012),

“The retail and wholesale sector in Pakistan was worth about \$40 billion in fiscal year 2012, and has been growing at 5.3% in real (inflation-adjusted) terms for the past five years, much faster than overall economic growth during that period”.

Author intentionally chooses the word apparel retail as by definition apparel means clothing and this study does not measure the fashion-ability of these brands. Moreover, little attention has been paid to access these opportunities for western wear brands in particular. To fill this gap, present research is made to access potential and possibilities in Pakistan, particularly in apparel retail sector, for the western wear brands to expand their business.

Pakistan is the market which has very few international apparel brands at the moment and the country has a massive population. The Express Tribune (2012) reports an increase in number of consumers and their purchasing power. Expanding the brands in Pakistan can also be advantageous from business point of view for the companies working globally. GDP per capita PPP is constantly increasing from past few years and according to Trading Economics (2014),

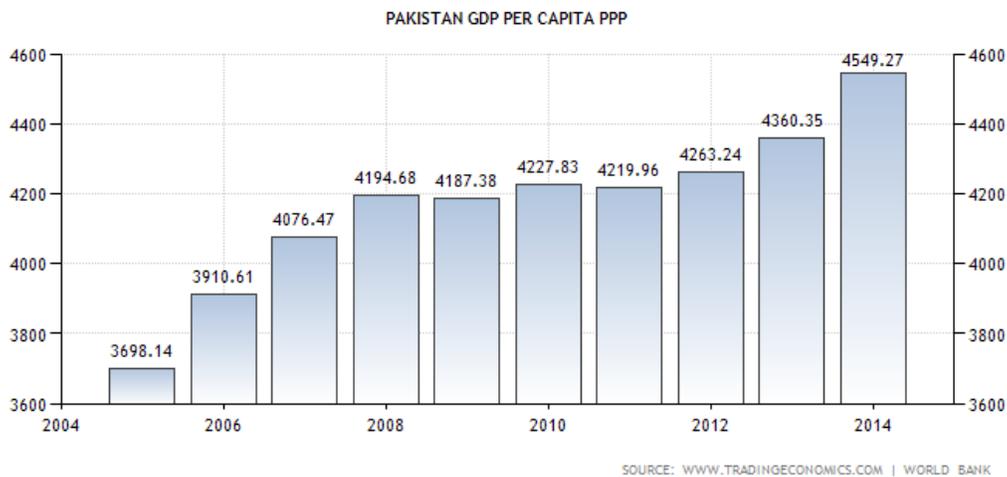


Fig- 1, GDP per capita PPP of Pakistan

Pakistan ranks high among its neighboring countries except China in terms of doing business easily. According to a report published by The World Bank and International Finance Corporation (2014), Pakistan ranks 110 in world and the study of 11 factors of business cycles are covered in it. This study covers a total of 189 economies of the world and compares them with each other.

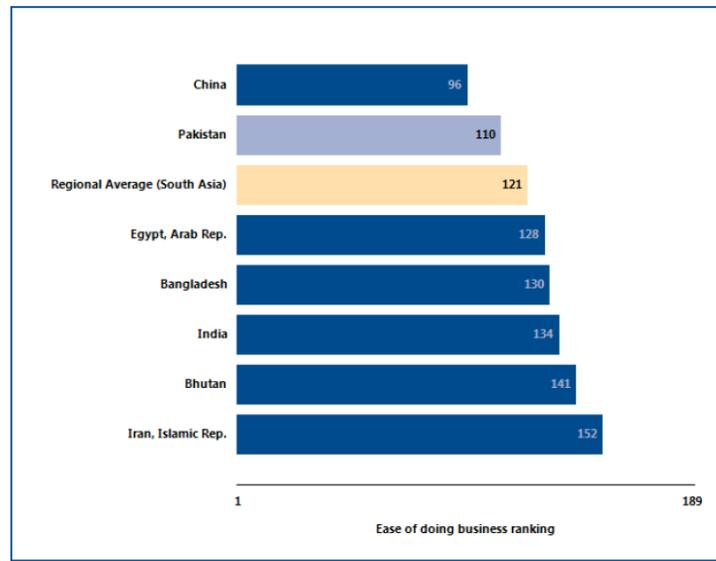


Fig. 2, Ease of doing business (doing business; 2014)

This figure shows that South Asian region and Pakistan scores better than the regional average. China is on the top in South Asia region and Pakistan follows in the list. According to British Deputy High Commissioner and Director UK Trade and Investment Francis Campbell,

“Pakistan has the potential to be the primary target for all British brands who want to benefit from this relatively untapped market. UKTI were delighted to work with Team A ventures in helping Debenhams achieve this milestone. They will be joining other British Brands in Pakistan such as Next, Mothercare, Early learning Centre, Accessorize and Monsoon in targeting the country’s emerging urban and middle classes.” (The Asian; 2012).

It can be said that foreign brands can see a good potential in the market and many well-known international brands have already entered the market.

The objective of the study is to give international western wear brands an overview of relatively less occupied market and mention lucrative opportunities in apparel retail sector in Pakistan.

1.2. Problem Discussion

World has become a global village and people are coming closer and closer due to latest technology and modern communication ways that also means fashion trends travels faster than ever. Under the impact of globalization the information travels faster than ever and cultural differences are diminishing day by day. There is a debate on the term Globalization and according to Shalmali Guttal (2007: 524), “Supporters and detractors alike agree that advancements in applied sciences, technology, and communications have played central roles in making globalization possible”. Lot of businesses around the globe have used this term and expand in different markets. Guttal (2007: 529) also suggests this term as a successful global expansion. The impacts could be different as it may create monoculture and homogenous ideas.

Globalization has its advantages as well as disadvantages but it depends on how a company strategizes its policies of the business they expand. About globalization John Madeley also suggests that “the richer half of the world benefits but very few of the poorer half” (Madeley, 2009: 52). Globalization is mostly beneficial for international companies and it has very less benefits for developing countries. John Madeley (2009) also suggests that the strategies are made only to earn more profits but it should work in both ways as to earn profits and also to give some benefits to the poor people. This could have strategically more positive impact on global society and could improve sustainability efforts. Manolică and Roman (2012) also suggest that globalization can also create problems if not researched properly about the country in which multinational company is planning to expand. Seyed-Mahmoud Aghazadeh (2004) said dealing with cultural diversity could also be a problem for international companies. From the point of view of consumer’s demand, the religious restrictions aspects are important for the international companies. Most of women in Muslim countries try to remain within certain limits prescribed by their religion. But in Pakistan religion does not cause problem for the women who want to wear western clothing. According to Pakistani fashion journalist Maria S. Hasan, "While one section of the youth is comfortable in western clothes – jeans, tops, formals and even skirts, they are equally comfortable wearing fusion of the two" (Naqvi, 2013). To understand cultural aspect is also important for international companies. Diversity attracts talents and at the same time it can

create more conflicts. Proper planning and evaluation of the target market can help to overcome such problems.

Apparel and fashion companies are now following global apparel trends and trends like jeans is accepted by most countries. In Saudi Arab Islamic laws are implemented in its strict sense but at the same time western clothing is popular among youth. Women wear western clothing but whenever they go at public places they used to cover themselves with veil (Hijab). There are many western international brands which are successfully running their business in KSA. H&M, a Swedish brand has expanded its operations to 17 stores in different cities in KSA. According to the news report “The expansion of the trendy high street brand is a result of H&M’s strategic partnership with M.H. Alshaya, the Middle East’s leading retailers” (Menewswire, 2009). Multinational companies are expanding in order to gain their share in new markets. Due to advancements and easy access of internet, the trends are becoming more and more global. For example Jeans and polo’s are popular all around the world; everywhere these products are being used. For the apparel industry globalization has played a significant role. Many companies are going global and Karen V. Beaman (2011: 6) also suggests that “In going global, organizations are seeing results in improved talent development and enhanced business performance”. Therefore, expanding the business globally is surely a gateway to success in one way or the other. Apparel products are daily commodity of life and population has a huge effect on the consumption. Therefore, international apparel brands can have some good prospects into these developing countries which have larger population. According to Moriarty and Ben-Shabat (2011) “Clearly, developing markets hold significant potential for retail growth, but picking which markets are prime for development has been a tough learning experience”.

Globalization and its benefits play a great role in business expansion. Pakistan is a developing country with a large population .Consumption of clothing is increasing in Pakistan and during the period of 2002 to 2011 there is an increase of 11% in overall buying of clothes (Tirmizi, 2012). This study attempts to investigate the feasibility of apparel and footwear retailers to expand their business in Pakistan’s retail industry and compete with local and international brands which are already established in the market. Many international companies are expanding their business in different markets of the world. This study also tries to find out the opportunities for international apparel retailers in Pakistan and investigate the success factors in Pakistani

market and also covers competitor analysis of existing international and local brands. The study also finds strategic advantages of establishing their business in Pakistan. The main focus of the study is retail expansion.

1.3. Research Questions

This study addresses the following major question:

- Is Pakistan a suitable option for apparel retailers to expand business in future?

The sub-questions for this research are,

- What are the problems and hurdles for apparel retailers to enter Pakistan's market?
- What are the opportunities for apparel retailers while entering retail sector in Pakistan?

1.4. Context: Pakistan *an overview*

Apparel and footwear retail sector of Pakistan is growing from the last few years. International brands are also establishing one by one due to development in retailing sector in Pakistan. Euro monitor International (2013) also suggests that "Retailing posted reasonably strong current value growth, strengthened by economic growth in 2012 which exceeded the previous year's performance". Pakistan is a country with lots of natural resources (J.World Times, 2011) and favorable four seasons. The country is in a developing phase and there are some ups and downs in the economic conditions due to political and social factors. The main source of income for the country is agriculture and textile manufacturing. As the middle class is increasing, the demand for products is also increasing .It causes the growth in the retail sector. The education level of people is increasing and also standards of higher education system have been improved in recent years.

1.4.1. Population Analysis

The most attractive factor of Pakistan for any business is its population and growth rate along with increase in purchasing power. The large population can be a great plus point for any brand. Just to give an idea about the largeness of population, the table is shown;

Countries	Population 2013	
Sweden	9481383	Pakistan Population: 184156976 Growth this year: 375281
Denmark	5609529	
Norway	4967764	
Finland	5395435	
Iceland	330242	
Germany	81711228	
Netherlands	16828008	
Poland	38235234	
Total	182617499	

Table 1, Population comparisons (Countrymeters.info, 2013)

Table 1 shows the comparison of population in Pakistan with 8 countries of Western Europe. The population of Pakistan is more than the population of these eight countries combined together. This data is taken from *countrymeters.info* and the author puts this data in table form to show the point of having large population. According to the statistics of UNESCO Institute for Statistics (2011), the rural population is 64% which means 36% is living in urban areas that have good exposure regarding brands. Approximately 66296511 people are living in cities and that is a bigger population than all the countries mentioned in the above table except Germany.

Approximately 5 Million Pakistani people are emigrants to other countries and many students go to different countries around the globe every year. This shows that a lot of remittance comes to Pakistan from Non-resident Pakistanis (NRP). The awareness level about the brands is also a good sign for business expansion. These NRPs living in different countries are aware of these multinational companies and they are becoming brand conscious.

1.4.2. Education

The education level and literacy rate is also improving significantly in Pakistan. According to UNESCO Institute for Statistics (2011), the average literacy rate in youth is 80.7% who are in

the age bracket of 15-24 years. The future potential of understanding the trends and awareness of brands is quite good.

1.4.3. Consumption Behavior & Retail

This study is focused on clothing and footwear industry therefore, the author will only discuss about consumption in this particular sector. Ready-made clothing consumption is rising very fast and according to a report of well reputed newspaper The Express Tribune, “The average demand for such clothes has increased by an astonishing 81% during the past decade” (Tirmazi, 2012). In the same article Farooq Tirmazi (2012) also mentioned that ‘the per capita volume of clothes bought by Pakistani’s increased by nearly 11% in between 2002 and 2011’. According UK Trade and Investment (2013), “Pakistan’s retail market was valued at 26 billion pounds in 2010 and is expected to grow at 7%”. This is due to increase in purchasing power of the consumers in Pakistan. The increase in purchasing power is a result of a boom in consumer banking and media industry in 2010. Media industry plays a great role in promoting trends which has affected in overall buying behavior of people. The same report also highlights some more facts about investment that foreign and local companies are treated on equal basis and foreign equity up to 100% is allowed (UKTI, 2013).

1.4.4. Economy

The economy of Pakistan is also growing and this can be measured by GDP growth rate. According to data presented by Trade Economics (2014), “The Gross Domestic Product (GDP) in Pakistan expanded 3.59 percent in 2013 from the previous year.” A newspaper in Pakistan summarizes the data of a report issued by State Bank of Pakistan which tells that, “The country’s Gross Domestic Product (GDP) grew by five per cent during the first quarter of the current fiscal year...” (Dawn, 2014). Below is GDP of Pakistan in Billions of US Dollar,



Fig 3, GDP of Pakistan (Trading Economics, 2014)

1.5. Significance of the study

This study is significant because by analyzing various factors which are congenial for business expansion,

- New market for international brands can be identified.
- Through the identification better prospects in apparel sector can be revealed and hopefully new horizon for business expansion will be opened for international retailers.
- Valuable opportunities can be seen in a country with large population and growing interest in fashion brands.
- Moreover, competitor analysis of existing international and local brands will highlight strategic advantages of establishing their business in Pakistan.

The study will be helpful in increasing retailer's awareness of market potential and market trends.

1.6. Delimitation

This particular study is focusing on international brand expansion of western wear apparel retailers in Pakistani apparel market. The study has been conducted only for Pakistani market. Therefore, it may not be directly applicable to other markets and countries. Moreover, this research is being done in a particular moment of time that realizes the opportunity for expansion of western wear apparel and footwear retailers in Pakistan and therefore, should be re-analyzed if used in future.

This investigation is being done as a strategic approach of expansion for international retailers; hence it focuses on general strategic management approach and actions on internationalization that may differ in various organizations. The work only focuses on retail expansion and general conditions in particular companies. Therefore, it does not investigate on entry mode, timing and product level. The research work only provides a guideline to the companies for expanding international brands into Pakistani market or similar countries.

CHAPTER 2

Literature Review

This chapter includes the previous researches done in the areas related to this field of study. This chapter also focuses on the relevant theories and modules that are used in this thesis.

2.1. Expansion of Retail and Strategies

The expansion in retail sector is planned due to various factors which help businesses to grow or survive. Strategically the retail expansions have many benefits for the companies but these expansions can be harmful as well if the companies start their expansion without proper research and planning. According to Hines and Bruce (2007: 99) two important dimensions should be considered for retail internationalization; one is the marketing mix and use according to the local market and the other is entry methods for opening store in new market.

2.1.1. Motivations

There are several reasons for a brand to plan its expansion in other countries. The first is that these brands grow faster as compared to brands whose international expansion rate is slower (John R. Cryan, 2012). It means that those companies which grow rapidly are gaining greater market share in the world. Another reason would be international appeal of the brand in terms of recognition in the world. More and more information is available due to high end technologies. People are now recognizing global brands. There are many brands like Zara, H&M who recognized the importance of going global and improved their brand image and merchandising methods by taking advantage of the huge store network (Moore; Fernie, 2004).

Sometimes the target of brands is to gain more share in new market by replicating their success strategies in different countries. Another researcher suggests that the reason could be handling the bad economic conditions in the home country; a company may want to diversify its investment and sometimes companies' want to take advantage of moving first in certain market (Sternquist, 2007: 10). Sometimes market of a country reaches to its saturation point and

companies analyze their home market as low growth potential market. Then in such situations companies strategize to expand into new markets.

Pakistan's retailing sector for international brands is not new anymore as some international brands have already established themselves but still big brands like Zara, H&M are not in Pakistan.

2.1.2. Stage Theory

“Stages theory focuses on the pattern of internationalization. According to stage theory a company will initially expand to countries that are the most similar to their home market, and then with experience they will expand to countries that are less similar” (Sternquist, 2007: 44).

There are many well established business companies in the world who are following this theory. For example Hennes and Mauritz AB (H&M) expands its business initially in similar countries and then they moved to less similar countries like India. It is also profitable in expansion as the earning of their sales from foreign countries is 91.2 % (Sternquist, 2007: 28-29). Similarly IKEA AB is earning 93.1% of their sales from foreign countries (Sternquist, 2007: 20-21). Such business companies are well aware of benefits of business expansions in different markets. Svengren Holm and Tijburg (2013) studied about expansions of Swedish brands and their research also supports the concept of stage theory,

“It is easier to choose markets which are closer to your home market, especially within the EU where the trade restrictions are limited. By tradition, Sweden has far more cultural and historical ties to countries in Northern Europe than with the countries in the south. Even if countries like Poland and the Czech Republic have a strong and stable growth there are only a few companies that are exporting to these countries. Reasons for this seem to be related to the fashion status of these countries as discussed before.” (Svengren Holm and Tijburg, 2013: 22).

2.1.3. Strategies

Strategy of any business is most important in brand expansion as there could be many changes in the new market. Twarowska and Kąkol, (2013) presented a paper about strategy in which they said, “In the international competitive environment, the ability to develop a transnational organizational capability is the key factor that can help the firm adapt to the changes in the dynamic environment. As the fast rate of globalization renders the traditional ways of doing business irrelevant, it is vital for managers to have a global mindset to be effective.” Therefore brands should prepare for any kind of scenario. Another researcher said, “Every business, regardless of its size, has some form of a strategic plan” (Sascha and Ilkka, 2009: 44). This planning will form steps for companies to enter into new markets. Gruber (2004) also emphasized that firms should do strategic planning and think of three factors before entering; networks, research available on particular market and opportunity recognition. These factors will help new businesses to gain competitive advantage. Developing countries strategies are different and people have less purchasing power as compared to the developed countries (Bang and Joshi, 2008: 6). This means companies should have to be very careful is designing such strategies.

2.2. Diamond Model

An excellent model to analyze theoretical framework in Pakistan’s apparel sector is ‘Porter’s Diamond Model’. Its implications are vast and it is often used by marketers and policy makers (Jin and Moon, 2006). With the help of this theoretical module, the author analyzes certain factors in apparel sector of Pakistan.

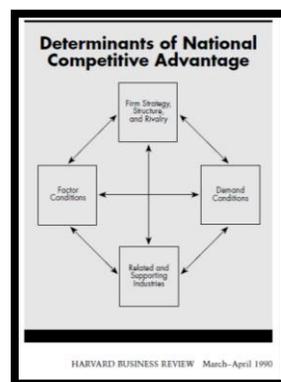


Fig.4, Porter’s Diamond model (1990)

2.2.1. Factor Conditions

Porter (1990:78) said “The nation’s position in factor of productions such as skilled labor or infrastructure, necessary to compete in a given industry.” The factor conditions include the availability of skilled labor and technological resources. According to researches, ‘Porter analyzes the characteristics of factors of productions and explains how they are created and how they relate to national competitiveness’ (Mann; Byun, 2011: 196). Porter further sub divided these categories into basic factors and advance factors. According to Jin and Moon (2006), basic factors include the unskilled and semi-skilled labor while advanced factors highly educated/skilled labor which helps in creating the nation and industries. This factor will help in understanding the situation and availability of human resources in Pakistan’s apparel market. Sledge (2005) also empirically proved that if these relating factors are ire advanced then the competitive advantage for the firm also increases. İsmail Bakan and İnci Fatma Doğan (2012) elaborated this factor into five categories i.e., human resources, material resources, knowledge resources, capital resources and Infrastructure. With the help of this factor condition, the author analyses the situation in Pakistan apparel market which gives a firm base for international brands in understanding the environment. Fashion education is also provided in many universities in Pakistan which helps in creating skilled and semi-skilled labor for apparel and retail sector.

2.2.2. Demand Conditions

Demand conditioning is defined as “The nature of home market demand for the industry’s product or service” (Porter, 1990: 78). This factor refers to the size of the home market and also involves the study of demands of certain products and services. The study of social norms, distribution channels and nation passions are also covered in this demand factor. Porter (1998) ‘views demand conditions in terms of the size of the home market and sophisticated and demanding buyers’. İsmail Bakan and İnci Fatma Doğan (2012) also explains this factor and divided it into parts and that are ‘Home Demand Conditions’, ‘Demand Size and Pattern of Growth’ and ‘Internationalization of Domestic Demand’. This factor helps in understanding the demand of global trends in Pakistan’s apparel market and helps international brands in their planning process for expansion in this market.

2.2.3. Related and supporting industries

“The presence or absence in the nation of supplier industries and other related industries that are internationally competitive” (Porter, 1990: 78). This factor is focused on the presence of supporting industries related to specific industry. That helps in information flow, shared technological development, and also helps in upgrading the work flow of the company. In case of retailing, the availability of apparel manufacturers is included in supporting industry and also transport & logistics industry to provide the fashion collection in stores. A part from such firms, local marketing firms should also be established in the country to analyze trends and consumer preferences from time to time. Porter (1990) asserted that the presence of such supporting industries is extremely necessary in order to gain benefits and these industries should be of international stands to give proper and required success factors for businesses.

2.2.4. Firm’s Strategy, Structure and Rivalry

This factor is defined as, “the conditions in the nation governing how companies are created, organized, and managed, as well as the nature of domestic rivalry” (Porter, 1990: 78). Another researcher suggests that Porter made a stress on these factors play an important role in gaining competitive advantage by improving quality and ideas and also by reducing costs (Grant, 1991). This factor helps in understanding the competitors available in the market and these firms work in Pakistan’s apparel sector. The information helps the foreign brand to focus on strategies which manage the organization in a better way and also helps them in achieving success in new market.

2.3. Hofstede’s cultural dimensions

These dimensions are used to identify differences in cultural aspects of a country. In this section, author of this research has shown cultural aspects of Pakistan which will help international apparel brands to enter in this particular market. This module is used for understanding management of Pakistan’s organizations.

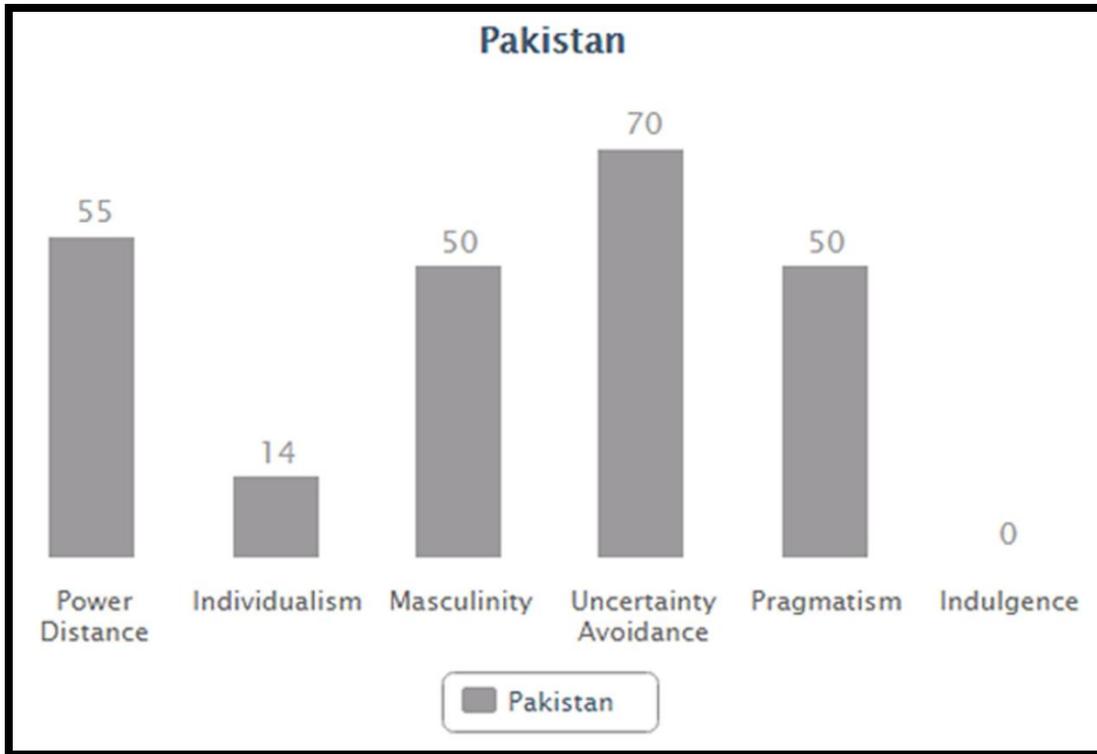


Fig. 5, Cultural Dimension of Pakistan
(Hofstede, 1984)

To identify cultural similarities and differences, Hofstede (1984) give a model which helps in comparing cultural aspects of a country and here in fig.3 cultural dimensions of Pakistan are shown. According to this model Pakistan has a huge difference in cultural dimensions from most of European and American countries. This means that in establishing a successful brand in Pakistan, international companies have to do a thorough work on cultural perspective. The understanding will help companies to manage workforce diversity in a proper way and also shows better insight of target audience. According to Stacy (2009: 14), the companies can also bridge these gaps by proper mentoring and in this increasing globalization era mentoring is a very crucial tool in dealing with workforce diversity. She also emphasize on the importance of understanding cultural differences and individual attribute. According to her, workforce diversity is good but companies should be more conscious regarding cultural changes.

Hofstede (1984) work in cultural dimensions is extremely important in understanding nation's cultures. Individualism means country has more rights individuals but Pakistan scores quite less in that which makes a big difference in the basic approach towards life. Pakistan has a strong family oriented system which is also in support of this cultural dimension. According to researchers,

“The value of a strong family system has played an important role in influencing an individual's living, social role, profession and decision making. The elderly form a central beacon in a traditional Asian family, where they are treated with reverence and hold an authoritative place. They are looked upon as the primary source of guidance. In return, they are provided with care and support from the family members.” (Ahmed, Ather, Fahd, Waris; 2007)

The countries with more score on masculinity means that the culture has more traits of male like power and achievement and the above citation is supporting this factor. Pakistan has scored very high in masculinity which points out that the gender difference is also high in the country and this indicates that international companies have to think of strategies which can effectively manage the workforce. Power Distance stands for difference in society classes and in Pakistan wealth is divided unequally. Yes it is also quite clear that Pakistan has very low tolerance towards changes in cultures. Indulgence also shows that there are lots of restrictions and it has strict social norms.

The pragmatic orientation of the Pakistan lies on 50 that mean most people don't have the need to explain everything around them, as according to them it is impossible to understand full complexity of life. An important similarity is increase in the use of western clothing. According to a news website, “Western fashion is making inroads in Pakistan...” (Naqvi, 2013). The same source also explains that models in fashion shows are wearing bold designer outfits and strapless evening gowns. This means that country is accepting western wear and could have a potential for growth.

There are three theories studied in this chapter and three major aspects were considered. The summary of the literature review is shown in the table below,

Factors	Theories
Market entry	Stage Theory
Apparel Industry Analysis	Diamond Model
Cultural Aspects	Hofstede's cultural Dimensions

Table 2, Summary of Literature Review

CHAPTER 3

Methodological Framework

Business expansion of apparel brands, focusing to access opportunities in apparel- retail sector in Pakistan was studied as the apparel brands has the wide scope in the developing countries particularly belonging to the third world.

Research Design

As the sample size was small, therefore qualitative research method was used to collect and analyze the data following the Schiffman and Kanuk (2006). The collection of secondary data about Pakistan's market was obtained from scientific journals, electronic resources, reports and books. After a detailed literature review and defining actual problem in the business expansion of apparel brands, primary data was collected in the form of interviews. Cross sectional study was conducted in order to see the risk factors of Pakistan's industry following Bryman (2012).

SAMPLING TECHNIQUE AND TOOL OF STUDY:

The sampling technique used for research is purposive sampling as the author selected the companies to balance the size of the group and study businesses with different financial size and capacity. Structured interviews have been conducted in order to get required results. These interviews were conducted from the professionals in Pakistan's apparel industry. The tool of study includes a set of open ended questions sent to the respondents by email. The respondents answered these questions according to their practical experience in Pakistan's apparel industry. Additionally details about some questions were asked on telephone. This study focuses on retail expansion strategy and covers aspects related to it.

Size of the company is main focus of the author as the study aimed on retail expansion strategy. The level of fashion does not matter so by identifying number of stores of each brand it is classified into categories. There were total seven companies investigated through this research. Three of the companies are big as they have over 50 stores in Pakistan. Two of the companies are medium size companies and two are very small brands. Another criteria for choosing companies for research is the expansion of brands in the local market within last three years.

Finally the head office should be based in provincial capital Lahore. There were eight participants, two of them were from one brand and they send one draft of answers for their brand after their mutual consent. The designations of the respondents were kept hidden during the research. As some companies are small and explaining the designation may unfold their identity.

3.1. Analysis Tools

To analyze the data properly, opportunities and threats analysis was used. PEST analysis was also used to identify the political, economic, social and technological situation in Pakistan. These tools were helpful in the analysis process and identifying some strengths and weakness for future expansion in particular area.

3.2. Validity and Reliability

For the purpose of authenticity of the report, the conducted interviews were typed and sent to these professional. These professionals reviewed and answered the questions in typed form and sent them back. This study is subcategorized as internal validity/credibility to explain the case of business expansion in Pakistan following the Yin (2003; 42-43). The study can be replicated with same pattern at different time period to approve the reliability and dependability (Bryman, 2012: 49). It is suggested that this research can also be used for different markets of the world to check risk factors in business expansions particular to the apparel retail.

3.3. Motivation behind Questionnaire

The criteria/questions available below (Appendix 1) are for professionals working in Pakistan's fashion industry and the data was collected from the people already working in apparel or lifestyle industry. These are 21 questions related to the general market conditions, trends and the specific brands in which these professional are working. The questionnaire is based on theories and modules used in the literature review. The first section of the questionnaire is related to market conditions which connects diamond module of Michael Porter (1990). The second half of the module is connected with stage theory and Hofstede's cultural dimensions (1984), as the questions are related with brand specific approach.

3.4. Case Description

This section introduces the companies from which data was collected and also highlights some information about these brands.

3.4.1. Brands from Pakistan

Seven brands were selected from Pakistan's apparel industry to know the market conditions and brand strategies of three different sizes (small, medium and large companies) and all are successful in Pakistan. The brands are as follows,

Borjan (Pvt) Limited

Company: "Borjan Pakistan has been serving the footwear industry for almost 18 years now... These fashionably charged and elegantly designed shoes are everybody's must pick items these days. Keeping in mind the ever increasing demand, Borjan is operating 83 outlets in 50 cities of Pakistan" (Borjan; 2014). They are also making bags and accessories.

Data Collection: The interview was conducted with one employee initially but on the request, two more employee of the company were involved for better authenticity of the answers.

Reet Apparel

Company: Reet is one of the leading and fast growing fashion brands. Reet creates an exclusive casual wear. They claim that their garments are designed in step with global fashions and in keeping with tradition.

Data Collection: The interview was conducted with a single employee of the company and the answers could be different from the perspective of other employees. The answers may vary on different point of time.

Motifz

Company: "Motifz designer embroidered and digital printed fabrics bring you the most innovative and exquisitely designed products. Having a history of over 10 years of commitment of providing utmost quality products we take an enormous pride for our customer base increasing

rapidly. Our parent company ms elite embroideries being a backbone of our brand. Motifz have been the major player of embroidery industry in Pakistan” (Motifz; 2014).

Data Collection: This interview was conducted with a single employee in order to gain information about the market trends and other brands. Some of the questions have been reduced in the interview as the employee does not want to answers them due to company’s policies.

Stoneage Jeans Co.

Company: Stoneage Jeans is providing casual clothes for youth of Pakistan. This brand has 27 outlets around the country.

Data Collection: The interview was conducted with the ex- employee of the company, so the perspective may vary from the current scenario of the company.

Leisure Club

Company: “Leisure Club was founded in 1997 by SEFAM Private Limited as a brand whose sole purpose was to provide good quality, trendy, economical, locally-sourced and stitched western clothing for the boys and girls of Pakistan” (Leisure Club; 2014).

Data Collection: The assistant manager was interviewed for the purpose of data collection. The employee also has previous experience of working with international brand in Pakistan. He has shared his knowledge about both the companies, national and international. The international company is currently operating in Pakistan.

Haroon’s Designer

Company: “Haroon's Desiner is the leading fashion house in pakistan deals in Formal, Smart Casual, Ethnic, Classics and Traditional in men's wear. The Company was set up in 1999 by Muhammad Nisar Ahmad. Since then Haroon's has established its reputation as the experts of Couture” (Haroon Designer; 2014).

Data Collection: The owner’s son, who is currently running this business along with his father, was interviewed for this research project.

Hush Puppies

Company: “Hush Puppies is an international brand of contemporary, casual footwear for men, women and children. The Hush Puppies brand was founded in 1958.” This brand is available in 19 cities of Pakistan.

Data Collection: An interview was mailed electronically to an employee of Hush Puppies Pakistan and then she filled and returns it by email.

3.5. Limitations

- This study shows the perspective of only those participants who are interviewed for the research project.
- This study cannot be generalized but gives an overview of the situation as all the participants are working in their respective industries and they are familiar with the current scenario of the market.
- The interviews took a lot of time to gather information due to time difference in both the countries.
- The author has started with different methods and after its initial test, the author modified it.

CHAPTER 4

Results & Findings

This chapter includes the results and findings from the empirical data collected by the author from interviews of professionals from Pakistan's apparel industry and fashion brands.

4.1. *Pakistan- Market Overview*

Pakistan's apparel industry has a great potential to grow in the coming years. The large population is one of the factors behind this growth. As mentioned above "the per capita volume of clothes bought by Pakistani's increased by nearly 11% in between 2002 and 2011" (Tirmazi, 2012). People are striving hard to lead better life and are becoming more and more brand conscious. On asking a question about retail potential of International brands in Pakistan, six out of seven agreed that this market has huge potential and two respondents further elaborated that brand conscious approach of Pakistani consumer is increasing and western brands have superior image in the minds of consumers. This could be a sign of better opportunity for all international brands to launch in this young market which has huge potential to grow. One of the respondents also highlighted the current energy crises in the market but also mentioned that proper planning could give an international company a handsome benefit in start-up. The respondent also mentioned the importance of controlling supply chain properly. The respondents of this study thinks that Pakistan's market has huge potential and success chances for international retail brands are very high. "Pakistan's growth rate of internet users is second highest in SAARC countries in accordance with its population, as it standing at 16.8 percent" (Ameen Y., 2013). Therefore people have access to global apparel trends.

The Firms' Strategy, Structure and Rivalry

When respondents are asked about presence of international brands in Pakistan and their growth potential in the local market, more than half of the respondents supported the opinion of growth in international brand presence in Pakistan's retail scenario while others only commented on the profitability of international brands and the factors involved in it. According to a respondent,

“Having work in 2 international brands (Levi’s® and Dockers®) and closely observing the performance and growth of NEXT in Pakistan, I am certain that International brands are enjoying growth and profitability. However, the raison d’être behind the success of these brands is their coherent brand policies and financial strength to invest in the market right resources. We are regularly experiencing more international brands opening up in Pakistan, due to young fashion retail market in all segments (men, women, children, home, lifestyle etc.). The local consumer knows a lot about international fashion brands and thus aspires to wear them. The middle and higher middle target market is price conscious and therefore upcoming international brands need to take care of this fact” (Interview of Leisure Club; 2014).

When asked about the strategies used for international brands and compared them with strategies of local brands, two of the respondents gave opinion about adoption strategy and its importance in success of international brands in retail market. Most local brands focus a lot on price factor as it is important in targeting middle class and higher middle class and all respondents suggested that international brands should also put clear emphasis on this aspect. Cultural accepted products have more success ratio e.g. backless garments are not accepted by majority of people. Therefore, in product range planning process international brands need to do a thorough research. According to one of the respondents who have worked with international brands, overall profitability is good in Pakistan’s fashion retail market for these international brands. As people are well aware of international brands therefore, it will be a plus point for international brands to enter the market. Hence, this data shows a very clear picture that the retail market has a great potential for growth and success of international apparel companies. According to one of the respondents,

“The demand of international apparel and even lifestyle brand is always very high in our country. Western brands have become a demand for the youth either it’s be upper class or middle class the younger and even the mid generation love buying clothes and if it’s an international brand than it would a real treat....” (Interviewee of Stoneage, 2014).

Two of the respondents worked in international brands available in Pakistan and according to them these international brands are successful in Pakistan which also shows a good potential for future success. About local competition, a respondent replied,

“There is a healthy competition in the market and competitors are analyzed every now and then in order to be successful from competitors” (Interviewee of Borjan, 2014).

Stoneage also agrees that, “It is very strong completion in local market.” According to Reet (2014) “market is a little bit saturated and has serious competition.”

Demand Condition

There are few local brands which are providing global trends of fashion to the Pakistani people and these brands are improving on a slow and steady rate. According to Borjan Pvt. Ltd. (2014), overall retail scenario is getting better and they also added few product lines in their retail outlets in the past few years. Leisure Club and Stoneage also are in expanding phase in one way or the other. Apart from store expansion, Leisure Club is entering in to online retailing and international expansions as well. Stoneage is entering into brand extension by adding apparel Lawn brand.

Borjan, Reet and Haroon’s Designer are operating their own stores while brands like Leisure Club and Stoneage Jeans has a combination of own stores and franchise outlets. One respondent gives his view about the sales and distribution channels as, “It is primarily direct distribution from our company warehouse to all the stores without the involvement of any 3rd party. For exports we do have our own middle men. Sales channels are:

- Franchisee stores
- Company owned stores that are tier1 and tier 2 (smaller cities / low sales stores) and factory outlets
- Online store.”

Online retailing is relatively new and at the moment people are only using it as a trial phase. But this gives the chance for international online retailers much more opportunity to explore this young market. As customers are conscious about international brands therefore it would be comparatively easier for multinational companies to establish online retail. According to flare business news (2014), online retailing and e-commerce has a huge potential and is expected to grow on a rapid pace in coming years. “With its population of 180 million people, 70% of which

are under 30, and 30 million Internet users in 2013, Pakistan is considered one of the most promising, emerging e-commerce markets” (A. Kłapeć, 2014).

Further the author goes into details about asking which category has the most potential for growth. Six out of seven respondents agree that a lot of opportunity lies in women wear category. After this category, kids wear and active wear are the next two most promising categories. In these categories there is a huge potential and the chances of success for international brands are very prominent as reported by the respondents. The respondent from the Borjan Pvt Ltd. said, *“According to the current scenario the most profitable business in apparel is of western women’s wear as they are the ones who want to stay in line with the rapidly changing trends and are ready to experiment with a wide range of products specifically in the apparel sector, so this category holds the most potential.”*

All the respondents were of the view that there is a need of thorough research about customer demands, cultural needs and market competitor before establishing the brand in this market. All of them supported this argument. A respondent said, *“The most important thing in order to achieve success in the local market is to understand the customer aesthetics, needs and demand...”* Three respondents out of seven also pointed many other factors like price strategy, range selection, market strategy, etc. that can play a major role in establishing the brand. Adaptation strategies can also play an important role in the success of foreign brands.

Aftersale services are also important factor in order to understand the customer demand and what companies are offering. A respondent said,

“Customers have the benefit to claim within 30 days if the product fails to fulfill their requirements. Borjan provides cash refund if they can’t repair or replace the product.”

Stongeage said that, “we provide satisfactory after-sales services to our customers” and Haroon’s Designer also said “Customers have fitting issues and we solve it according to customer’s needs and satisfies him.”

Related and Supporting Industries

On inquiring about methods to target their customers, respondents have answered that they use different strategies and use combinations of different mediums of promotion. Attracting the

target audience is most important work for all brands in Pakistan. Some brands focus on advertising and use all possible mediums like billboards, catalogues and print media while other use fashion shows and PR activities. Photo-shoots for brand's face selections is very crucial thing as people are more attracted towards famous models. 'Stoneage Jeans' uses music bands to attract teens and young target market and on the other hand 'Leisure Club' focuses on high quality product and promotes these products with all forms of marketing strategies. All the brands are working in the many ways and spend a lot of money on promotional activities. Most of the companies are outsourcing their marketing and PR activities. There are marketing & PR agencies which help them to promote their products and services along with the help from internal marketing department. According to a respondent,

“Marketing and advertising are the back bone for every company and in order to ensure we deliver the complete product information to our consumers and potential customers we strongly advertise by the help of marketing firms locally.”

On asking a question about production, one respondent said, “Local production from local raw materials. Production facilities for footwear are now increasing in Pakistan” (Interviewee Hush Pupies; 2014). Another respondent said, “The raw material is available in local market but various materials have to be imported from other countries. For examples buckles, pullers and linings of bags are imported from China” (Interviewee Borjan; 2014). Respondent from Stoneage said, “85% raw material is available in Pakistan and the remaining 15% is imported. Accessories are not included in this. 85% accessories are imported.” Haroon's Designer explained that, “Raw material is easily available and we manufacture all our products in Pakistan”. Reet also explained about their production, “Stitching and printing is in house, rest of material is purchased from local market and the material is available in the market.”

On asking a question about logistics and transportation, a respondent replied, “Yes there are many companies involved in transportation of goods. The raw material for some products is coming from China and these transportation companies' helps in the delivery of these products. For local transportation we also use different cargo services.” Haroon's Designer replied that, “We deliver goods personally by using our own vans to deliver goods and we don't hire any other logistic company for our business”. But Stoneage replied that, “yes we use some transportation company to carry products from one place to another. We also have our own vans

for transportation within cities.” The distribution to the retail outlets is done by company owned vehicles in bigger brands and in smaller brands hired vehicles are used. All respondents highlighted two modes of transportation as well, one is road and the other is air. One of the brands is using a private bus cargo service to send products to its outlets. ‘Daewoo Cargo’ is a well-known brand for cargo service.

About trainings with other organizations an officer from Borjan responded, “Recently Borjan is planning to collaborate with Pakistan Institute of Fashion & Design for visual merchandising training for store employees.” A respondent from Stoneage said, “Annually we train our upper management internally. We don’t use external organizations for training purpose.” A respondent from Reet said, “We are a small company and we don’t take any help from other organizations to train our employees.”

Labor unions are very crucial in many countries which keep an eye on employees’ rights along with the organization policies. The author asked about such organizations in Pakistan and got a response, “No there is no such organization which checks the labor laws and firms strategies.” Another company also responded, “No there are no organizations which care for labor rights” (Haroon’s Designer, 2014). Respondent from Stoneage said, “Yes there are labor unions but our organization has no connection with them.” Respondent from Reet also agreed to this point, “There are some organizations but usually they have no influence on our company.”

Factor Condition

Porter (1990) highlighted infrastructure and human capital as major factors in competitiveness of any industry. On asking question about communication infrastructure between the head office and retail outlets, an officer from Borjan responded,

“We communicate through emails and phone calls with our retail outlets. There is an application installed by the name of ‘sales and stock form’ for checking demand and supply. Restocking is assisted by the help of this software.”

A respondent from Stoneage replied, “Stoneage has its own software which connects head office with retail outlets. ‘Retail Management software’ is used to check inventory levels and also help to plans stock replenishments.” According to Haroon’s Designer, “Our inventory is quite less

and we make a monthly report of stock level. Replenishment happens after every week in peak season. Due to less number of shops we can manage it manually.” According to respondent from Reet, “We have software which is connected to head office.”

Energy is an important resource for the success of retail industry. All of the respondents agreed on the same thing that in Pakistan there is a crisis of energy and they all have to plan accordingly to reduce its impact on their businesses. One of the respondents said, “There are generators and UPS installed in each outlet to avoid energy crisis.” Respondent from Stoneage said, “Every retail outlet has its own generators. In case of power shortage these generators are used to fulfill the energy gap.” Haroon’s Designer said, “Different malls have their own generators to cover energy crisis and those outlets which are outside they have generators.” Reet also agreed that “Every sop has its own generator to cope with the power failure.”

The author asked about human resource and availability of skilled and semi-skilled workforce which is quite crucial part of factor conditions of the Porter’s Diamond model. Majority of the respondents agreed that HR department could find workforce easily and if workforce was not up to the required standards then companies could train them according to their needs. Stoneage expressed their view point, *“Hiring process is of two steps one is they interview people by themselves and the other is they hire people from their parent company ‘Crescent Bahuman Limited’ which is a very big brand. So workforce is easily available for the brand.”*

An employee from Borjan also commented,

“Sometimes HR faces the problem looking for a person with a required skillset and they don’t the right match. But usually they find appropriate people. In the above mentioned case of not finding the right person, they give training to fill the gap.”

Haroon’s Designer (2014) responded, “Lots of people are available in market but we always try to find a specific fit for our company as we are dealing in suiting’s we are very specific about certain skillset.” Reet faced a different scenario, “We don’t have proper HR department that is why we face a lot of problem in hiring.”

The role of universities is quite crucial about skilled workforce. When asked about the standard of graduates available in market, an officer from Borjan responded, “Yes theoretically the graduates

are up to the mark but practically they need some time to fully adjust according to the company's required standards." Stoneage professional said, "No the graduates lack professional sense but theoretically they are fine." Haroon's Designer said, "Education matters for managerial positions but for technical side experience is more important than any training." Reet made it quite clear that, "Some universities are providing good standard of education but others are not. We cannot say that every graduate is having standard skillset but some of the graduates available are well equipped."

Overall the results and findings cover these factors of Porter's Diamond Model in this study,

Factor Conditions

- ✓ Communication Infrastructure (the connectivity between head office and retail outlets, availability of telecommunication network)
- ✓ Energy resources
- ✓ human skilled and semi- skilled workforce (Semiskilled workers for retail and logistics while skilled workers for managerial level positions in companies)
- ✓ Universities provide workforce with standard skillsets

Demand Conditions

- ✓ Growth in retail scenario
- ✓ Distribution channels and Sales channels
- ✓ Aftersales service
- ✓ Product category (Home market demand)

The Related and Supportive Industries

- ✓ Marketing and PR firms
- ✓ Producing locally or outsourcing
- ✓ Raw material Availability
- ✓ Training of Employees
- ✓ Transportation and Logistics Company
- ✓ Labor Unions

The Firms' Strategy, Structure and Rivalry

- ✓ Potential for international brands
- ✓ Success Factors
- ✓ Strategies
- ✓ Global Trends
- ✓ Competitive Elements
- ✓ Local Competitors

CHAPTER 5

Analysis & Discussion

This chapter includes analysis of the data collected in relation to the theoretical framework. This chapter also includes analysis tool like PEST and relate it with the findings of empirical data. This analyzes Pakistan's apparel sector and shows us the advantages and problems of the market. The analysis is divided into sections which also makes it thematic analysis (Bryman, 2012) of qualitative data.

5.1. Market Analysis

The results of the study show that market of Pakistan has a good potential for international companies to open their retail outlets. Data from report of UK Trade & Investment (2013) suggests that there is equal treatment with local & foreign investments in Pakistan. The overall Pakistan retail market valued 26 billion pounds in 2010 and its expected Growth rate is 7%. The author uses PEST analysis for showing a clear picture of other factors which can have an impact on business. The conditions shown in these factors are the result of the empirical data and secondary research.

5.1.1. PEST Analysis

PEST is an analysis tool that stands for political, economic, social and technological. It is used for identifying the conditions of Pakistan's market in terms of political situation, economic situation, social and technological situation. PEST analysis clarifies the possibilities of expansion in the market.

Political scenario of Pakistan is improving and it is based on democracy. Pakistan Muslim League (PML N) is the leading party in Pakistan and running the federal government. Other two major parties are Pakistan Tehreek-e-Insaaf (PTI) and Pakistan Peoples Party (PPP). The government is taking steps to improve and grow business in the country to stabilize its economy. The government is also encouraging the foreign companies to invest in Pakistan. "The Government has also set up special export oriented zones called export-processing zones (EPZs), in order to encourage foreign investments" (Santander Trade, 2014). People are not familiar with

environmental issues and currently Pakistan is also facing energy crises which may affect the performance of the business. According to the results of primary data, the current situation is improving.

Economy of the country is also improving slowly. A lot of people are living and working abroad that is a good source of revenue for Pakistan. Many global brands have already established themselves in the market like Levis Strauss, Next, Mother care, etc. This shows growth potential in the country’s retail scenario. Corporate tax rate is 34% in 2014 which is less than India and Bangladesh in 2014 according trading economics (2014).



Fig.6, Corporate Tax Comparison with India. Source: Trading Economics (2014)

According to Santander Trade report (2014) “The poverty level has decreased by 10%, leading to higher purchasing power”. The inflation rate of Pakistan is also decreasing according to trade economics data (2014).



Fig.7, Pakistan Inflation rate (2014)

The society is divided into classes. The three main classes are Upper, Middle and Lower class, and middle class is further subdivided into upper middle class and lower middle class. People are brand-conscious and they have ostentatious behavior like to make a show of the branded goods they use. Western brands are considered as high quality and people have a good image of western international brands in their minds according to the respondents of this study. Pakistan is highly populated country and people have started following global trends. Fashion institutes are also established in the country which increases awareness among people. The overall spending of Pakistani people also improved as reported by State Bank of Pakistan. As from secondary data it is clear that clothes purchase increased in previous years (Tirmazi, 2012).



Fig.8, Consumer Spending of Pakistani People

Information technology is available in the country and on very cheap rates. Recently 3G and 4G technology is also launched in Pakistan that also boosts the awareness and knowledge about global trends. Santander Trade report (2014) also explained that, “In 2013 FDI reached only USD 900 billion, with the telecommunications sector remaining the primary recipient of the FDI in Pakistan, followed by the financial and the energy sectors”. Apart from IT, Pakistan is a manufacturing country for apparel and textiles and this can help global brands in establishing in a better way especially if they get manufacturing locally.

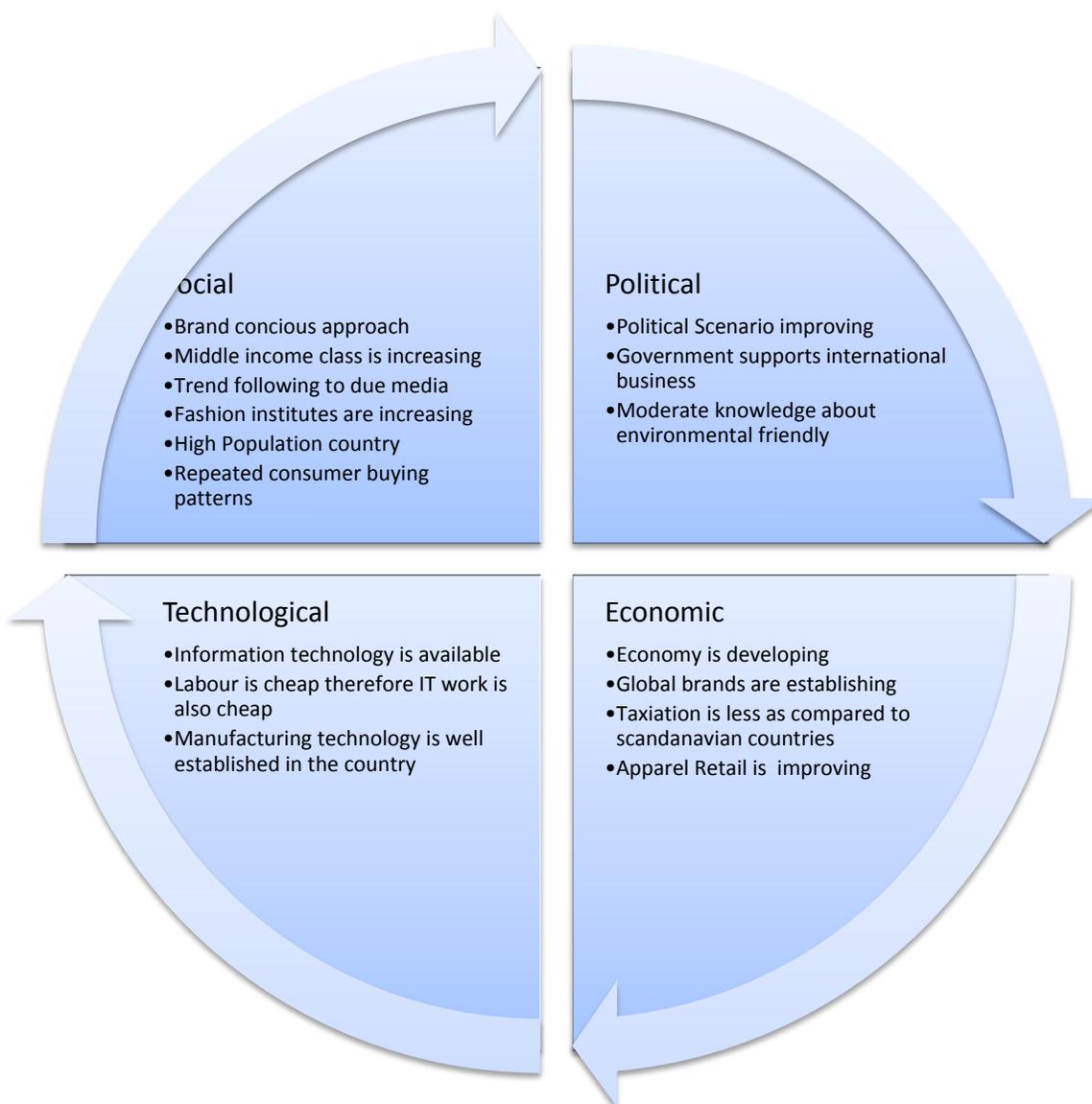


Fig.9, PEST Analysis

5.1.2. Opportunities & Threats

SWOT analysis is the tool to study strengths, weaknesses, opportunities and threats of any situation and helps the business companies to formulate their strategy accordingly (Netmba, 2014). The opportunities and threats in Pakistani context are evaluated in this section. As strengths and weaknesses are related to internal factors of the company so, for analyzing a new market the author only analyzes external factors.

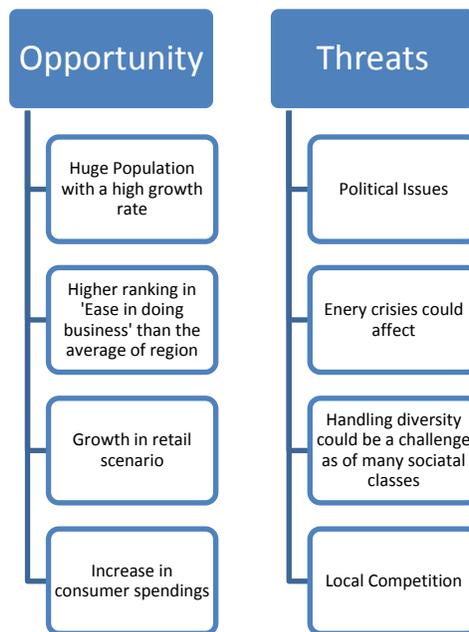


Fig.10, Opportunities & Threats Analysis of Pakistan

Huge population can be the first attractive feature for international brands especially those who want to focus on mass market. Brands like Ikea and H&M have great scope as they already have manufacturing connections in the country. Metro Cash & Carry (Retail/wholesale) has also established them in Pakistan and they already have 10 stores in different cities of the country. The growth potential in the market is huge. Levis Strauss, Dockers, Next, Mother care and many other international brands have established their name in the local market.

Hurdles and risk factors

There could be some threats as well along with opportunities. Pricing strategy could be the main obstacle as the products which are considered cheap in Europe can fall in a little upper range.

Brands which taking help from local manufacturing companies can replicate their policies. Apart from pricing, energy sector (gas and electricity) in Pakistan is in severe crisis and it may affect the business if not properly planned. Many big companies in Pakistan have their own power units or generators which provide electricity according to the company's need. Political instability is also affecting economies growth. Handling people could be another issue for multinational brands as the country is in developing stages and the needs of workforce could be different from developed countries. Handling diversity could be easier as the labor is very cheap in Pakistan but companies need to research about the culture. Local competition can be another threat as there are many well established local brands in Pakistan.

5.1.3. Diamond Model

The factors from Micheal Porter's diamond model (1990) also show positive signs for the success in fashion retail sector of Pakistan. The supporting industry factor can be seen in the strong textile and apparel manufacturing sector available in Pakistan with manufacturing units all across the country. IT industry is also improving in the country which can also support the retail business as many companies are adopting IT based networks. Secondly, factor conditions are also fulfilled by having a large pool of low cost work force that varies in skills. Lots of people are getting education as mentioned above and acquiring higher education which improves the quality of workforce. Knowledge resources are also available adequately and lots of educated people are available for handling daily bases business operations. Now a day's retail sector is growing and experience workforce is also available in the country to support operations. Infrastructure of the country is improving and much improvement can be seen in telecommunication sector in last decade. "The telecom industry posted its highest-ever revenue in the fiscal year 2013. Total investment in the sector — at \$472 million — was a major improvement from the \$240.3 million invested in the prior year" (Raza Mehdi, 2014). This information supports retail business setup. Youth is educated and follow global trends which create demand for international retailers. With a very large population the demand condition of Porter's module is also covered.

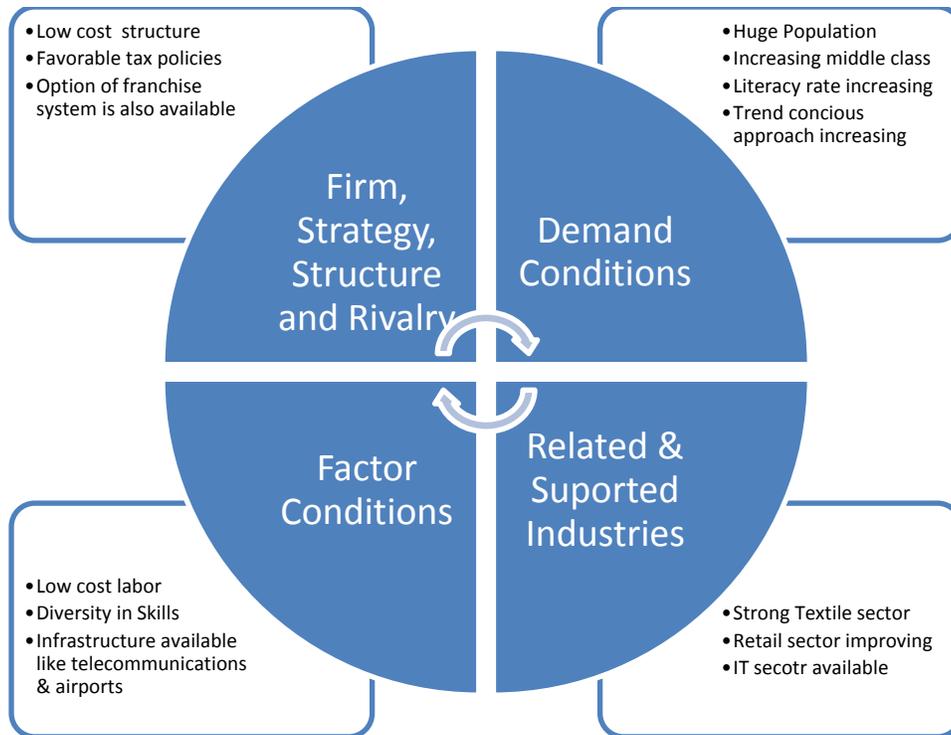


Fig.11, Porter's Diamond model factors analysis

5.2. Strategies

In second part of this study, many international brands are following stage theory as they try to expand into those cultures which are similar to their own culture. Case of Zara can be used as an example to explain this concept. Zara opened its first international store in Portugal in 1988 (Lopez and Fan, 2009). If we look at cultural dimensions by Hofstede both markets (Spain and Portugal) have quite similar traits. This example can better through light on the fact that international brands usually start expanding from similar cultures. The second international destination for Zara was France (Lopez and Fan, 2009) which had also similar cultural dimensions according to Hofstede (1984).

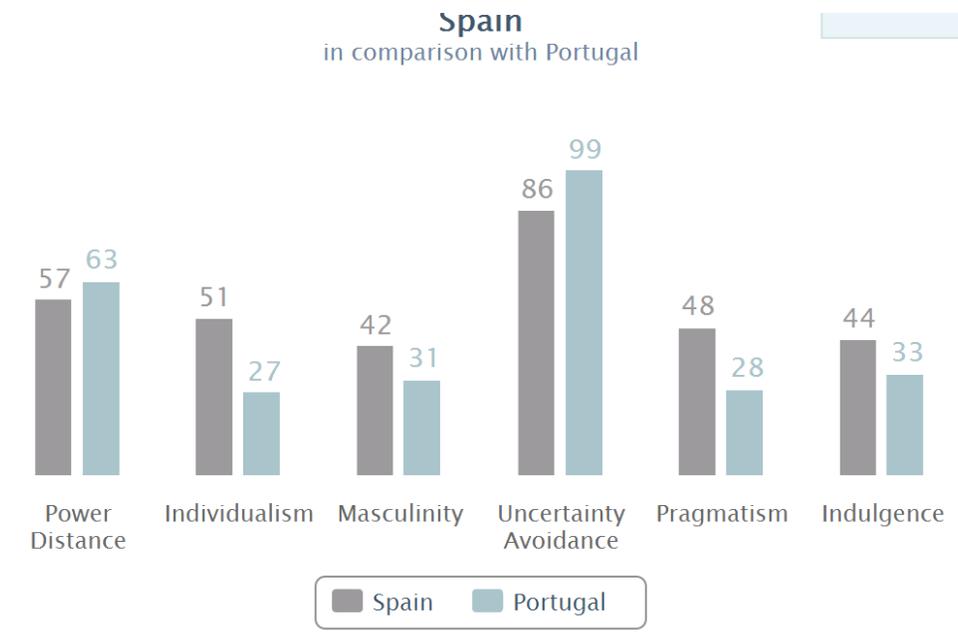


Fig.12, Comparison Spain and Portugal

One of the most important factors in the research for market selection is its cultural similarities. This is done in order to avoid risk of failing and this also helps in quick establishment as compared to opening retail in those countries which have totally a different culture. If any brand wants to establish in Pakistan apparel market, they need to understand cultural differences properly and Hofstede's (1984) cultural dimensions explains some important cultural aspects of Pakistan's market. This will help the firms to develop a sound strategy before entering into new markets.

5.2.1. Adaptation Strategies

There is a large difference in cultures of Pakistan with European and American countries which brings the need to use adaptation strategies to gain better market shares. According to a study conducted by Michael, John and Leyland (1999), "Adaptability is also probably linked to intelligence gathering. It implies an external focus, and the need to continually interact with suppliers, customers and middlemen". The role of adaptation strategy is to understand the cultural differences between western and Pakistani market to give international retailers success in their business ventures. Another study which focused on adaptation strategy said about cultural differences, "To prevent this erosion in their competitive advantage, managers of

Western multinationals in Asia will need to learn to go beyond adapting a global business formula locally and begin to think local and act global as well” (Williamson; 2004).

Swedish brand IKEA faced the problems (like pricing, self-service strategy, self-assembling) in China initially and then they adopted their strategies according to the market needs and it gave them success and this knowledge can helped them in their future expansions (Valerie Chu, Alka Girdhar and Rajal Sood ; 2013). Ikea faced problems in adjusting their prices as there prices were high compared with local furniture manufacturers. Ikea also faced problems about the concept ‘do it yourself’ as Chinese consumer don’t take it as positive step initially. (Dr Li-Qun, Dr Xi, 2007). They can also take the help of local production which is a good strategy in a developing country like Pakistan as the labor costs are low. Establishing in Pakistan could be easier if local manufacturers are used for production.

5.2.2. Production Strategies

Production in Pakistan could be advantageous for international brands as Pakistan is already making apparel products for many well-known brands; it can give them opportunity to establish direct contact with manufacturers as well. “Pakistan has a sound textile industry, as it is one of the major producers of cotton in the world. Textiles and apparel manufacturing contributes 51.4 percent of the country's total exports. The textile industry also employs 40 percent of the industrial workforce” (Economy Watch, 2010). According to Kazim Alam (2011) a reporter of The Express Tribune, *“The cost differentials can be as high as 25%, substantial in an industry that generally operates on low margins for exporters. For example, a hooded sweatshirt, which is made at the rate of \$12 a piece in China, is manufactured in Pakistan for \$9 to \$10. Similarly, a pair of jeans, whose manufacturing cost is \$10 in China, costs \$8 to \$8.50 in Pakistan.”*

International companies are trying to achieve economies of scales, which is better in terms of saving costs. The need of this particular strategy arose as they are manufacturing their products from some Asian countries including Pakistan where the labor cost is cheap. In an interview with Hertzman (director of business development at Synergies Worldwide) conducted by Kazim Alam (2011), “The cost of labour in Pakistan is less than China, India and Vietnam,”. Therefore, large volume is produced at low cost.

If companies use Pakistani manufacturers, they can have two problems solved. One is that they can make products by using economies of scale and the other is that they can have a complete control over the quality check of the production by physical presence of their brand in the country.

5.2.3. Entry points

Karachi in Pakistan is the first city to enter. Existing international brands made Karachi as their entry point to Pakistani retail market. According to Jones R. (2012), “The British retail chain Debenhams has opened its first department store in Pakistan as part of a major expansion of its brand worldwide.... The store in Pakistan opened in Dolmen Mall, Karachi”. Next Stores are already successfully doing their businesses in Karachi and Lahore. This suggests that Karachi and Lahore are the best entry points for International brands in Pakistani market.

CHAPTER 6

Conclusion

The major concern of the study was to investigate the feasibility of international apparel and footwear retailers to expand their business in Pakistan. The results and discussions have shown that Pakistan is a suitable option for business expansion in future. Current scenario is that Pakistan has a lot of growth potential and demand factor is high because of huge population and their rising purchase power. But at the same time the market has certain risk factors which can cause hurdles like energy crisis, political scenarios, and local competition for international retailers. International brands which are financially strong can tackle these risks, but for smaller companies it is not feasible to go in the new market within 5 years. As Pakistan's GDP, purchase power, population and economy is constantly increasing from last ten years therefore in next five years there is a good chance that potential for retail will also increase. The big and financially strong companies can enter in the market as they can own small power-plants which can save them from energy crises; they can also afford generators for electric supply for their retail outlets as this is a major problem for retailers in running operations in Pakistan. According to the results and findings of this study, energy crisis/power failure is quite serious problem in Pakistan. To tackle such issues companies need financial stability and then they can explore the potential properly. There are number of advantages for international retailers in expanding their brand in the new market as this market offers tremendous growth opportunity for them due to large population and developing economy. International brands which decide to manufacture in Pakistan, they could have a better quality control over their production value chain.

The results of the current study for apparel and footwear retail brands are particularly supporting for their prospects of launching international retail brands in Pakistan in near future. Western wear brands with good experience of internationalization and which are focusing on mass market strategy can have favorable opportunities in Pakistan. Strategies are required in order to attract wider target audience as local companies are targeting to different societal classes, International brands should also have to cater them properly in order to be successful. Sustainability is a strategy which can give international brands uniqueness in that market as the competitors in Pakistan are not focusing on sustainability issue and as the awareness about sustainability

increases, the consumers are becoming interested in it. Some international brands have already started to spread this concept. In FMCG sector, Unilever has started working towards sustainable issues and creates awareness about them. Unilever's (2014) mission is *".....This green commitment is at the heart of our Sustainable Living Plan, which sets out how we will help one billion people improve their health and wellbeing, halve the environmental impact of our products and source 100% of our agricultural raw materials sustainably."* In apparel and footwear industry this issue is not addressed by companies. The overall literacy rate in Pakistan is increasing; thus, awareness about global issues and trends is also increasing among people. Respondents of the research also supports that people are becoming brand conscious and they aspire to wear international brands. But there are also some cultural differences (e.g. modesty in clothing and not using backless or short skirts) which have an effect on the demand of the consumer and international brands have to understand this demand. Managing diversity could also be a challenge for international retailers. Retail sector does not require highly skilled professionals, semi-skilled and unskilled workers are available in the local market but due to so many societal classes in Pakistan, understanding needs of these people is a bit hard. With the help of highly skilled local HR manager this particular problem can be handled. Now with the opening of standard universities, highly skilled professionals are also available in the human resource pool of the country.

This study also contributes to society and knowledge for business managers.



Fig.13, Contributions (Author, 2014)

This study shows the picture of apparel retailers in current scenario and also highlights the factors from Michael Porter's Diamond Model. Market strengths and factors of doing business give an idea about how the basic market structure runs for apparel retailers in Pakistan. This study also shows practical implications for business managers to develop their business in highly populated country. PEST analysis shows them weaknesses and strengths for expanding abroad.

This study also shows the way to business companies to contribute in developing society by giving them more business and help them to improve their economy and at the same time earn large profits from them. By expanding business in Pakistan they could help economy by providing employment opportunities. The companies can do CSR activities which could increase goodwill of the company and it also helps in establishing new brands in a better way.

Implications

Managers can gain valuable knowledge about Pakistan's apparel sector and they also can think of appropriate strategies to expand their business in Pakistan or similar markets. Managers can make right blend of global and local strategies in order to get success in the new market. The empirical data collected in this study is from a small sample therefore, the results cannot be generalized. On the whole this research clarifies the opportunities in Pakistan apparel sector and helps international brands to plan to enter in this market with suitable strategies. The research methods used in this research are not new but the author uses them in a combination to find different dimensions of the new market. Two models are mainly used in the study which identifies success factors as well as cultural diversity. Both dimensions are crucial in the success of any business. It is recommended that companies conduct their own research about these elements before entering in Pakistan's apparel industry.

Future Research

For further research there are some areas which need more explanations in the successful expansion of retail brands into new markets. The behavioral study of customer has a great scope for future study as well as understanding the needs of customers with limitations of cultural boundaries. Understanding diversity and managing diversity in a developing country is another area in which future research can be conducted. Moreover, the main concern for gathering more factors for companies who want to establish complete value chain in such a country, i.e. from manufacturing to retail. Product related research and development can also have potential due to the country's manufacturing capacities.

This study uses interview as the method, it would be interesting if quantitative analysis is used and a questionnaire is sent to large number of professionals and then analyzed with the help of frequency analysis. This method has its own limitations but can gather information from a larger sample.

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Appendix: Questionnaire for Pakistani Professionals

Market:

- ✓ What is the current potential of growth of businesses in apparel & lifestyle brands in Pakistan?
- ✓ How do you see the potential for international brands in Pakistan? Are they profitable in Pakistan?
- ✓ In apparel sector which product category (kids wear, women wear, etc.) has the most potential in Pakistan's market?
- ✓ Do local people attract to adaption or global strategies?
- ✓ What factors are important in achieving success in local market?
- ✓ How much people follow global trends?
- ✓ What are the chances of success in local market for western wear brands in Pakistan?
- ✓ What kinds of clothes are used by Pakistani people on daily basis?

Brand related:

- ✓ How do you see performance of your company in the past few years? Is there any growth in your organization's retail scenario?
- ✓ How do you expand in different cities of Pakistan? (Franchising, brand operated outlets etc.)
- ✓ Who controls the whole supply chain to all stores in different cities?
- ✓ What are distribution channels and sales channels in your organization?
- ✓ Is your brand taking help from marketing and PR firms locally available, also name few marketing firms available locally?
- ✓ Are you producing locally or outsourcing your products as well? What is the production facility situation in Pakistan?
- ✓ Is raw material for local production available in your local market?
- ✓ How do you attract your target audience for your product?
- ✓ What is the Communication Infrastructure available for brands?
- ✓ How do you arrange for Energy resources? Do you have alternate arrangements in case of energy crisis?

- ✓ Is it easy for you find human skilled and semi- skilled workforce?
- ✓ Do the universities provide workforce with standard required skillsets?
- ✓ Are government policies suitable for business growth in this sector?
- ✓ What kind of aftersales service is demanded by customer and is your brand capable of fulfilling these demands?
- ✓ Do you train your employees with the help of other organizations or universities?
- ✓ Are you taking help from any transportation and Logistics Company? If yes are you satisfied with their performance?
- ✓ How do you see the competitive elements in local market?
- ✓ How do you manage diversity in your organization? Is there any organization to support and check the rights of employees in Pakistan?
- ✓ What is the strength of your company?
- ✓ What do you think is the weakness for your company?