Strategic proposal report for ALLSAINTS

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## Contents

### Executive Summary

<table>
<thead>
<tr>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
</tr>
</tbody>
</table>

### I Introduction

<table>
<thead>
<tr>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
</tr>
</tbody>
</table>

### II Background

<table>
<thead>
<tr>
<th>Subsection</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1 Overview of ALLSAINTS</td>
<td>4</td>
</tr>
<tr>
<td>2.2 Company Objectives and Vision</td>
<td>4</td>
</tr>
<tr>
<td>2.3 Brand Positioning</td>
<td>5</td>
</tr>
</tbody>
</table>

### III Market Analysis

<table>
<thead>
<tr>
<th>Subsection</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1 PESTEL Analysis</td>
<td>5</td>
</tr>
<tr>
<td>3.2 Porter’s five force Analysis</td>
<td>7</td>
</tr>
<tr>
<td>3.3 SWOT Analysis</td>
<td>11</td>
</tr>
</tbody>
</table>

### IV Strategic changes of ALLSAINTS

<table>
<thead>
<tr>
<th>Subsection</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1 Financial Difficulty and Adoption of digital strategies</td>
<td>12</td>
</tr>
<tr>
<td>4.2 Strategic changes in marketing, focusing on Asia market</td>
<td>13</td>
</tr>
</tbody>
</table>

### V Findings and Discussion

<table>
<thead>
<tr>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>15</td>
</tr>
</tbody>
</table>

### VI Recommendation

<table>
<thead>
<tr>
<th>Subsection</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.1 Market Penetration</td>
<td>16</td>
</tr>
<tr>
<td>6.2 Product Development</td>
<td>16</td>
</tr>
</tbody>
</table>

### VII Conclusion

<table>
<thead>
<tr>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>17</td>
</tr>
</tbody>
</table>

### VIII References

<table>
<thead>
<tr>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
</tr>
</tbody>
</table>
Executive Summary

This report is a framework about AllSaints apparel company in the UK market by analyzing several important factors including the introduction of a basic overview of AllSaints, conducting market analysis including PESTLE, SWOT, competitor analysis. There will be details of problems and changes that AllSaints had, and this paper also will include a recommendation at the end.

In the recent economic recession, it is necessary to find success factors through analyzing steadily growing companies. From successful strategic changes of AllSaints, it can be found that proper strategies are important and influential on one company. Therefore, this paper will mention several strategic changes in “AllSaints”. However, the fashion industry is fast-changing and non-predictable. While fashion retailers still follow the banal strategies like discounting and overbuying, and consumers become wise and smart shoppers, experts said that retailers need to change their strategies to survive (Daneshkhu, 2016). Therefore, this report will also examine appropriate marketing strategies and will give a recommendation.

1. Introduction

The fashion industry is valued at 3,000 billion dollars in all over the world, and accounts for 2 percent of the world’s Gross Domestic Product in 2016. Specifically, womenswear industry and menswear industry are valued at 621 billion dollars and 402 billion dollars respectively (Fashion united, 2016). From the UK fashion industry, about £26 billion directly contributed to the UK economy in 2015. Market size of the UK fashion industry was £57.7 billion in 2015 and forecasted to increase by 12.89% in 2020. Womenswear market sales were £27 billion in 2015 and forecasted to grow at a rate of 23% (to £32 billion) by 2020. Also, £14.1 billion were spent on menswear in 2015 which took part in 25% of the total apparel market in the UK and predicted to rise to £16.5 billion for 2019 (Trischi, 2016).

In order to survive in the huge and competitive fashion industry, companies need to analyse the current situation more clearly as well as pay attention and forecast the retail and marketing trends.

Therefore, there will be three main objectives of this report.
Firstly, this report will demonstrate marketing environment and current situation analysis. Secondly, the remarkable changes of AllSaints between 2012 to 2016 will be mentioned. Finally, the recommendation will be stated and suggested.

2. Background
2.1 Overview of AllSaints
“AllSaints” is a contemporary brand targeting males and females aged 18-35 who are looking for trendy, chic, high quality and leather-related products. They sell Menswear, Womenswear, Footwear, accessories and swimwear through 150 directly operated stores in 16 countries and e-commerce store and pursue High-End and High-Street fashion (Stylelogue, 2011).

It was founded in 1994 by Stuart Trevor, and Kait Bolongaro as a wholesale menswear brand. In 2011, because of the management aggravation, AllSaints was taken over by Lion Capital. In 2012, new CEO of “AllSaints”, Whilliam Kim changed and adopted appropriate management strategies. As results, now AllSaints accomplished £308millions sales in 4 years and become a global brand with 3,000 employees.

2.2 Company objectives and vision
According to AllSaints (2017), brand's obsession is to deliver an immersive experience to international customer base in a way that embraces each unique culture. They share a strong link to music, producing a potent formula of desirable clothing that expresses individuality and attitude.
2.3 Brand Positioning

AllSaints has been positioned in high-end market with “Massstige” and prestigious products for mass-market. They are highly fashion forward/trend setters with good quality products and high price (Armfield, 2014).

Figure 1. Positioning map of AllSaints

3. Market Analysis

In the global fashion industry, the environment including international trade agreements, exchange rates and changing global situations plays a crucial role. Therefore, this part will contain PESTLE, SWOT and Competitor analysis.

3.1 PESTLE Analysis

PESTLE Analysis is useful to analyse macro environment that company uses to organize external opportunities and threats before operating a new project (Keegan and Green, 2015).
3.1.1 Political & Legal

On March 29, Prime Minister Theresa May signed a letter to start the Brexit, and negotiations between Britain and the EU began in earnest. Once Brexit is implemented, the UK will have a tariff, quota and customs checks in trade with EU countries. With the EU having a strong argument to hard-Brexit, British is expected to be damaged in exports and imports (Hunt & Wheeler, 2017). However, as AllSaints has had strategies toward Asian and U.S market rather than EU, there will be less impacts. Also, it is expected that the UK will construct positive trade-agreements with Asia, so it can be an opportunity for AllSaints targeting the Asian market (MacLeod, 2017).

3.1.2 Economic

As the resent Conservative party’s approval ratings have surpassed more than 50%, the British pound surged following the announcement of Teresa May’s general election on 8 June. Also, high economic growth rate has stabilized recently beyond expectations (Trading economics, 2017). Also, consumer confidence and retail sales volumes quickly recovered with rapidly falling unemployment rate representing the major economic success in the UK.

Figure 2. UK GDP Growth Rate (2017)
Figure 3. UK Unemployment rate (% of adult workforce)

Source: ONS/Bloomberg, 12 Apr 2017

Figure 4. UK Retail sales volumes (Annual % change)

Source: ONS/Bloomberg, 21 Apr 2017

Figure 5. UK consumer confidence

Source: European Commission/Bloomberg, 27 Apr 2017

[Source: Jackson, Tetlow, Bernard & Pearson, 2017]
However, now that Brexit has become a reality, the value of GBP has plummeted compared to the past, and there is also concern about stagflation. However, with the declining value of GBP, it is beneficial to export from UK to overseas, which also applies to AllSaints having headquarter in London.

Figure 6. Currency charts: GBP to USD (2017)

However, there are still political risks that may shake up European financial markets like Italexit to come to firm view on export or business spending now (Giles, 2017).

3.1.3 Social & Environmental

According to Office for National Statistics (2012), females outnumbered males at older ages, and there will be a sharp increase in the number of people aged over 65 while the working aged population will remain similar. As AllSaints targets 18-35-year-olds, it has to strive to capture the changing generation as their customer and also take strategies to retain existing customers. With figure 8, the UK apparel market will have grown steadily until 2020, with menswear outperforming other categories (PwC Strategy, 2016). Also, with more attention to sustainable fashion with concerns of environment, ethical and environmental responsibility of apparel companies has become necessary (Green strategy, 2017).
Figure 7. Estimated and projected age structure of the United Kingdom population, mid-2012 and mid-2037

Figure 8. UK clothing, footwear and accessories market, 2005-2020 (nominal)

[Source: Office for National Statistics, 2012]

[Source: PwC Strategy, 2016]
3.1.4 Technological

Figure 9. UK clothing, footwear and accessories market channel mix, 2010-2020.

According to Trischi (2016), 68% of UK internet users buy apparel online and online fashion expenditure is forecasted to grow up to 29% by 2020 (figure 9). While customers’ purchasing patterns are moving to Internet and Mobile commerce, apparel companies need to adapt e-commerce strategies.

3.2 Porter’s Five Force Analysis

This framework will analyse the attractiveness of fashion industry where AllSaints belongs with five competitive forces.

3.2.1 Threat of Entry

As the apparel industry is a perfectly competitive market, threat of entry seems high. Because fashion and trends change rapidly, new apparel companies are more likely to enter the market than monopoly companies, especially with e-commerce platform. However, as multinational corporations have had aggressive strategies, the current state of the fashion industry is ‘high risk’.

3.2.2 The Bargaining Power of Buyers

According to Bush (2016), buyers power is relatively high in fashion industry. Consumers can easily find other apparel brands with best price through Internet and it requires low switching
cost. Especially with economic recession, buyers are seeking for unique and attractive apparel brands with good value.

### 3.2.3 The Bargaining Power of Suppliers
Suppliers’ power in apparel industry is quite small, as there are variety of apparel manufacturers globally. With lots of manufacturers in third world that most apparel companies outsource, suppliers have little control in fashion industry. However, as AllSaints stated and limited the vendors and suppliers where should be ethical in labour and materials, suppliers’ power seems become higher than before (Megan, 2016).

### 3.2.4 The Threat of Substitutes
The threat of substitute is high in fashion industry. First, consumers’ switching cost is relatively low, so brand switching is easily found in fashion industry (Grima, 2011). Also, there are numerous substitute fashion brands providing cheaper, similar or superior quality products. Therefore, consumers can find substitute products and keep looking for cheaper and better quality products.

### 3.2.5 Extent of Rivalry between Competitors
The Extent of rivalry is intense in fashion industry with large numbers of companies that sell similar products. Also with low customers’ brand loyalty, it is easy to lose one’s customers (Boston, 2015). Most apparel brands are trying to be competitive and differentiated with various marketing strategies to survive in this industry. Especially, growing number of fashion brands in various locations and even the internet makes the extent of rivalry higher than before (Grima, 2011).

### 3.3 SWOT Analysis of AllSaints
AllSaints is globally well-known brand with its strong brand identity related to music and high quality. It has been marketing through social media rather than TV advertisements making its short firm and having campaign. However, AllSaints still has problems like limits in price and product line ranges. Also, there has been limits in promotion ways, only using digital methods. Especially, there are possibilities in rising in VAT and unstable politics and economics because of Brexit. Moreover, ageing population has become already serious problem and fashion trends change rapidly. However, as AllSaints leading fashion trends, rapid changing fashion trends
can also be opportunities. Also, as E-commerce and online promotion become crucial factors in fashion industry, the fact that AllSaints already has built its directly managed digital systems is SO(Strengths-Opportunities). Moreover, Asia markets become essential, so expanding retail shops into new international markets is a huge opportunity. Moreover, AllSaints has operated digitally managed logistics and inventory systems to react instantly against unstable and fast-changing apparel industry that is ST(Strengths-Threats).

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<td>- Create fashion trends: Fashion leader</td>
<td>- Limited price and brand range</td>
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<td>- Strong brand identity</td>
<td>- Lack of physical stores in China</td>
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<tr>
<td>- High quality</td>
<td>- Low Marketing Strategies: no styling suggestion lead to low customer transaction</td>
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<tr>
<td>- Short films, All saints - YOUTUBE page link</td>
<td>- Financial difficulties in 2011</td>
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<td>- Digitally run brand: not focused on TV, Poster ads, focused on Social networking, Digitalized company systems.</td>
<td>- Only digital promotion limits audience</td>
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<th>Threats</th>
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<td>- E-commerce is growing</td>
<td>- Unstable Politics and economics: Brexit</td>
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<td>- Online promotion attracts consumers</td>
<td>- Possibility rise in VAT</td>
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<td>- Expanding into new international market (e.g Asia-China)</td>
<td>- Rise in product cost: possibility to lose customers</td>
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<td>- Rapid changing trends</td>
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<td>- Ageing population</td>
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4. Strategic changes of AllSaints

4.1 Financial Difficulty and Adoption of digital strategies

After having management aggravation, AllSaints was taken over by Lion Capital in 20011 for £105 millions (Stylelogue, 2011). This was because of not only the Icelandic banking collapse in 2010, but also inappropriate company management by a previous chief executive. Also, AllSaints had had a business model with too much stock and over-producing inventory. It had resulted that company to do mark down prices to shift stocks (Ebrahimi, 2013).

4.1.1 Improvement in logistics and stock systems

AllSaints has entered into a partnership with an influential distribution network in global business such as The Capital Collection. Moreover, they changed their supply chain in outbound logistics by combining technology development. A typical example is a system that integrates logistics information from stores around the world into a digital-mobile system. For instance, all staffs can connect to logistics system through their cell-phones and even customers
can easily use table PCs placed in stores to find inventory and product information. Therefore, it becomes a representative digitally-run-brand by digitalizing all systems – from headquarters, manufacturing, sales and logistics (Arden group, 2017). Therefore, gross margins increased 12 percentage points, from 85pc of stock to 53pc, and there were also 40pc less inventory being produced (Ebrahimi, 2013).

4.1.2 Introduction of digital strategies on e-commerce.
AllSaints recently introduced Amazon’s system for payment and delivery, allowing online customers to pay within 30 seconds, and automated the shipping logistics management system as for “stocking zero” (Retail Technology, 2014). As focusing on e-commerce strategies and improving systems, it sources more than 20% of global revenue now (World retail congress, 2017).

4.2 Strategic changes in marketing, focusing on Asia market
In 2009, AllSaints adopted global strategies and mainly targeted USA, opening its first store in New York, and had marketing strategies targeting for USA market. However, after 2013, AllSaints has started to expand its global strategies toward Asian markets. Especially, they launched the first Asia retail store with a department store concession in South Korea in August 2014, and expanded into Taiwan and Japan (Goldfingle, 2014). In the past, AllSaints ended up collaborating with various artists such as famous rock bands, making short films and focusing on social media like Youtube-Store pages (Stylelogue, 2011). However, they are shifting their marketing strategy from being music-focused to focusing on their actual products through SNS (Instagram, Facebook, Weibo, WeChat) recently. Since AllSaints has already built a strong brand image in relation to music, they now spotlight their products and retail more than before (Mortimer, 2016). While diversifying products design for Asian buyers, they are actively using marketing strategies by utilizing Instagram to attract more overseas customers. Especially,
AllSaints carried out a campaign under the hashtag #itsuptoyou and already made a platform offering shoppable Instagram pages which become trend in the US and is exploring other platforms like Snapchat, Weibo and WeChat aiming for global markets (Caffyn, 2016).

Consequently, AllSaints full-year profits increased 18% to £28.5m, while retailers’ sales jumping 9% to £252.5m in 2016. In detail, while its UK sales grew by 7.4% to £144.3m, international sales surged 12% £108.2m. As Asia markets driven AllSaints’ growth, Chief executive said that Asia continues to be massive chances for AllSaints and predicted that non-American international markets will account for a third of its profits by 2020 (Tugby, 2016).

Figure 11. AllSaints Store Distribution maps [Source : AllSaints store finder]

- Europe Market: 104 retail stores (UK: 85, France: 8, Germany: 6)
- America Market: 65 retail stores (USA: 57, Canada: 5)
- Asia Market: 43 retail stores (South Korea: 18, Japan: 14, Taiwan: 11)
5. Findings and Discussion
After Brexit, the UK market seemed to be unstable for a while. However, politics and economics are forecasted to improve with strong attitudes of Teresa May after general election (Trading economics, 2017). In terms of fashion industry, apparel market value will have increased up to £65.2 billion in 2020. Especially, menswear market is predicted to grow a lot in 2019, taking part in 25% of the total fashion market in the UK (Trischi, 2016). Although fashion industry has suffered recession for the past decade, AllSaints total sales have achieved strong growth with strategies particularly aiming at the global market. Moreover, the change of systematic logistics and inventory management systems has become a great advantage for AllSaints. However, there is high competition in fashion industry and customers are eager to find better quality and low-cost products online. Therefore, fashion brands should analyse trends and appropriate strategies are needed.

6. Recommendation
Ansoff matrix is a core business strategy tool for companies to make decisions about which strategies to choose for their products and markets to continue to grow (Oxford College of Marketing, 2017). In case of AllSaints, market penetration and product development will be recommended.

Figure 12. Ansoff Matrix

[Source : Oxford College of Marketing, 2017]
6.1 Market Penetration

6.1.1 Increase customer transaction
After analysing AllSaints stores and online-stores, it was found that lack of coordination advice and coordination display that can be easily found in other brands. Therefore, it is necessary to increase customer transaction by paying attention to sales of related product through sales pitch, coordination advice with current products.

6.1.2 Distribution Channels
In terms of retail stores, the absence of a direct retail store in China, which is currently making huge sales in Asian market, can be unattractive to Chinese consumers, who are particularly sensitive to fashion and purchasing desires. It seems desirable to open the stores in Shanghai, Beijing and Hong Kong to satisfy consumers’ needs directly, not just only through online-stores.

6.2 Product Development

6.2.1 Second label
AllSaints’ price is relatively high, targeting aged 18-35. Rather than lowering the price, it is recommended that creating a second label to attract teens and early 20s and make these customers have a steady brand loyalty even after getting older. For example, purple, black and blue label of Ralph Lauren (Singer, 2015): Strategies to attract and retain customers by offering a variety of price ranges in a way not debasing brand images.

6.2.2 Lifestyle product category
Although there has already been a strong brand image in AllSaints, they played passive strategies in broadening product categories. Even they expanded categories having swimwear and accessories, the products are limited to only a few numbers. However, customers are increasingly expecting brands to provide a sense of brand affinity and belonging with a particular theme and buying products from multiple categories (PwC, 2016). In other words, the lifestyle market value keeps growing and many brands like ZARA, French Connection, Ted Baker and Vince already broaden their product categories into lifestyle selling home related products. Therefore, providing singular and coherent brand image through lifestyle products like Home can make positive results.
7. Conclusion

This report has analysed the marketing environment, industry value, company overview and strategic changes of AllSaints. AllSaints have managed their internal company management well, especially changes in controlling logistics and inventory management. Also, with the importance of e-commerce, they have concreated on the platform and it provides convenient service to customers.

At the end of the report, market penetration and product development strategies were given as recommendations. To capture the current customers, market penetration strategy is highly recommended. Although product development requires high risks, expanding product categories into lifestyle and home related products with coherent brand image is necessary to capture new customers and concrete brand loyalty.

Similarly, fashion brands have to analyse the circumstances and adopt appropriate strategies to compete and survive in highly competitive apparel industry.
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