ESTONIAN APPAREL RETAIL MARKET
Positioning the Brand Madonna

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Abstract

RESEARCH OBJECTIVE, QUESTION AND TASK
The aim of the study was to examine the Estonian clothing retail market from the perspective of positioning the brand Madonna, i.e. the current economic situation, consumers, competitors and possibilities of successful business in the market. The study was a background study for opening a store selling Madonna clothes and part of the business plan and market research.

IMPLEMENTATION AND RESEARCH METHODS
The research is an observation study carried out personally in shopping centres. The competitors' stores similar to the price segment of the Madonna brand price segment were the observation objects. The background information of the market was collected with a secondary data research method, and was explored and analysed to illustrate the background of the Estonian apparel retail market.

RESULTS AND CONCLUSIONS
The study resulted in an assessment of the position and segment of the brand Madonna in the Estonian clothing business. The results also include suggestions for the location, size and strategies for the stores. As there are few competitors on low-price level in Estonian market, and as almost half of these stores have opened their first brand stores in the last 3 years, the market ready for this kind of a products – trendy but wallet-friendly products with medium level quality targeted to younger consumers. The biggest minus is that H&M will open their first store in Riga and in the Baltic countries in autumn 2012, which means H&M has a strategy to expand to all the Baltic countries as the Baltic's market is quite similar and therefore it is rational to expand to all the Baltic countries. Therefore, H&M will be the biggest competitor. For this reason, a Madonna's store opening has to take place before H&M opens their first store in Estonia as it is possible for Madonna to build the necessary brand awareness.

Keywords Marketing research, brand positioning, competition survey, apparel, clothing, observation, Estonian retail market, apparel retailing.
Miscellaneous …

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1 INTRODUCTION

As the Estonian apparel retail market has been long suffering from quite a high price level due to the small size of Estonian market, which makes it unattractive to many businesses, it is not the best place for earning profits. Therefore, several well-known brands all around Europe will enter the Estonian market with a delay, for example Estonia is still lacking H&M stores, and Zara opened their first brand store in Estonia in 2004. However, the first Zara store was opened in Spain already in 1975 and later expanded the stores network to a worldwide chain in the beginning of the 1990s. This is a perfect example showing how far behind the Estonian market is.

The past years have shown a rapid increase in the lower-priced brands opening their stores in the Estonian clothing market. 50% of the brands of this segment that are currently operating in the Estonian market opened their first stores in 2009 to 2011. So the tendency is growing. That shows that a market need for these kinds of goods exists and it is tremendous especially in the consumer group aged 14 to 25, who especially appreciate the wallet-friendliness and trendiness.

The main purpose of this thesis is to examine the Estonian clothing retail market from the perspective of positioning the brand Madonna. The market research was done for the brand Madonna to enter into the market. In order to successfully enter, the answers to the following questions needed to be found: Is there a market for the brand Madonna, and what would be the market opportunities.

There is no public analysis of Estonian clothing market available on the Internet or libraries, but there are some pieces of information available about the strategies of the competitors, behaviour of consumers, economic and financial data. The main idea is to collect information from secondary data sources like sensory data, and through observation, all the methods are used to compose a larger picture of the Estonian clothing retail market.

2 THEORETICAL BASIS

2.1 Market Research

According to McQuarrie, Market research is an organized effort to gather information about markets or their customers. This is a very important component of business strategy. The process of researching marketing and marketing itself is very similar; therefore these processes are commonly interchanged with the term marketing research. However marketing research is targeted to invest in marketing processes and market research is aimed to provide important information to identify and analyse the market needs, market size and competition. (McQuarrie, 2006)

The market research process can be divided into 6 steps (see Figure 1. p. 7.). The first step is to define the problem; well-defined problems allow concentration on the acquisition of narrower, but more specific information. This can also be interpreted as current situation clarification. A logical starting point is very important to conduct valuable research. (Kurtz, 2008, p. 251)

The second step is to conduct exploratory research, which involves reviewing all the information that already exists, discussing problems and examining information from secondary sources. (Kurtz, 2008, p. 252) The purpose of exploratory research is to look in-depth at the nature of the problem, in order to formulate suppositions and discuss them further. The result of this process is to determine the priorities and direction of this research; also it is needed for clearer understanding of the soon to be studied topic. (McQuarrie, 2006)
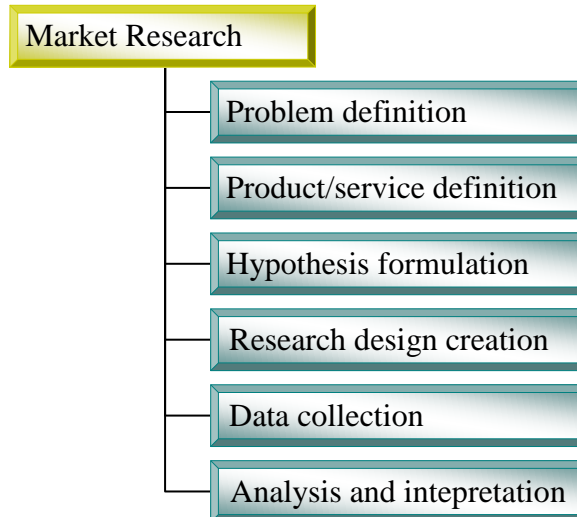
FIGURE 1: 6 steps in market research process (Kurtz, 2008)

After conducting exploratory research, the next stage is to formulate a hypothesis. In terms of market research this is to state the objectives of the research. The third step will help to answer to question: What do you need to find out? And the forth step is about designingthe reasearch. (Ag Strategies, 2003).

According to Kurtz (2008, p. 253) the fifth step is the data collection. There are possible to gather two different kinds of data: secondary data and primary data. Secondary data is information from previously published or compiled sources, for example census data. (Kurtz, 2008, p.253). Primary data can be collected only one time, the next it is already secondary data, because the data already exists (McQuarrie, 2006). The last step in the process is the data analysis and interpretation. It is very important step, because in that step collected facts get some kind of meaning. This is also complex and critical process, because the end results are dependent of that step. Interpretation means the conclusion making out of the analysed data. It changes collected data and facts suitable for research targets and hypothesis. Analysis and interpretation are different actions, but they are closely connected and influencing each other. Even the most thorough analysis procedure is useless if suitable interpretation is not manageable to conduct and vice-versa interpretation can be as good as analysis procedures enable it to be. (McQuarrie, 2006)

Secondary data is pre-existing data gathered by another source and it is always gathered before the primary data because reviewing the secondary data helps to find out what kind of primary data needs to be collected. Secondary data has two major advantages: it is always less expensive to gather than primary data and it also takes less time to locate and use secondary data. (Kurtz, 2008) The importance of secondary data is growing due to the better availability of data. Secondary data is possible to obtain from various databases, the Internet, articles and other public sources. An analysis of the secondary data is an important basis for collecting the primary data. There are also some problems with using and collecting secondary data: availability, relevance, accuracy and sufficiency, data might not be available because the problem is too new, data exist but it is not possible to reach it, for example competitor holds that data, some of the data is also reachable for a fee, e.g. companies' financial reports. Another problem is that data is not relevant because it will expire. Secondary data comes from various sources and due the abundance of that data it is always a challenge to select the essential data only for a current topic. Data accuracy is also a problem. The last problem with secondary data is the sufficiency of that data, which means that the data will satisfy the need only partially and therefore it will be necessary to collect primary data. (McQuarrie, 2006)

Secondary data can be divided into two types: internal and external data. Internal data is generated inside the company: accounting, sales reports, etc. (McQuarrie, 2006). External data comes from a variety of sources: Internet, libraries, government records, research services, and industrial publications. Nowadays, the data is mostly computerised, which means it is quite easy and comfortable to obtain it. The Governmental data is the nation's most important source of market data. The Census data provides the most frequently used government statistics. (Kurtz, 2008, p. 254). A census of a population is conducted approximately every ten years, and it is available free on the Statistics Estonia Internet webpage (Statistics Estonia, 2012). It is very valuable information because it breaks down the population into small geographic groups, and it also divides people into age-groups, households, etc. Besides population' it is also possible to obtain information about financial reports of companies, the statistics about employment and other special reports. (McQuarrie, 2006).

Primary data is the original data that is collected or observed in the course of the current process. The advantages are that the information gained is richer and detailed than secondary data information because the results are designed for a specific topic, and the disadvantages are that collecting this data is more expensive and time consuming. (Kurtz, 2008, p. 253)

Primary data types (Asrani, 2008):

➢ Demographic and socioeconomic – age, marital status, income

➢ Psychological and lifestyle – activities and interest

➢ Attitudes and opinions – preferences, views and inclinations

➢ Awareness and knowledge – facts about product, price and features

➢ Intentions – planned or anticipated behaviour

➢ Motivation – need, wishes

➢ Behaviour – purchase, timing

There are three opportunities to gather primary data for research: observation, surveys and controlled experiments (Kurtz, 2008, p. 258). As several authors (Hill, 2003; Lindstrom 2008; Underhill, 2006) are indicating in their books then in contemporary market or marketing research and analysis they do not believe and rely on what consumers has to say about their preferences. Underhill and Hill are even indicating that consumer behaviour observation gives more accurate data than questionnaires, because people tend to lie (Underhill, 2006; Hill, 2003). Hill is even more into scientific approach to investigate consumer's preferences with the help of sensor measuring techniques, and Underhill is more into practical observation how consumers interact with shopping environment. Underhill goes even further with his observation techniques turning this into real science of shopping. In this study the main Underhill technique – practical on-site observation is used and all conclusions are thrown from the results. (Underhill, 2006)

Sampling is the process of selecting survey respondents or research participants (Kurtz, 2008, p. 257). The advantage of designating sample is the time saving factor, because choosing samples from general population and making conclusions based on the samples and extending conclusions to all population helps to save time and costs.

The disadvantages are the generalisations made based on samples, it is known as the sampling error. (McQuarrie, 2006)

According to Kurtz (2008, p.267) sales forecast is an estimate of a firm's revenue for a specified future period. Sales forecasts play usually a major role in new product decisions, financial planning, distribution etc. This means the forecast has to be as accurate as possible otherwise it will lead to incorrect decisions. There are three types of forecasts: short-run (up to one-year period), intermediate (one to five years), and long-run (beyond 5 years) forecasts. Forecasting trends fall into two broad categories: qualitative and quantitative forecast. Qualitative techniques rely on subjective data, which means rather opinions, and quantitative technique relies on actual data gained from the past. Most organisations use the combination of both techniques, but in this study qualitative research methods are mostly used – the survey of consumers buying habits are taken into the basics. Survey helps to predict short run and intermediate sales. (Kurtz, 2008, p.267)

2.2 Market Segmentation and Brand Positioning

Market segmentation is the division of the total market into smaller, relatively homogeneous groups. (Kurtz, 2008, p.281) Consumer market is segmented into four major sections: geographic, demographic, psychographic and product-related segmentation. It is important to concentrate into ethnical segment because different ethnical origin means different preferences, lifestyle and even taste. (Kurtz, 2008) Psychographic segmentation means the division into groups by similar psychological characteristics, values and lifestyle. Lifestyle refers to person's mode of living on daily basis. Consumer lifestyle is a collection of consumer individual needs, motives, attitudes and also other influences such as family, job, social activities and culture. (Kurtz, 2008)

As market segmentation is basically done before from the initial brand creators, and therefore already created image has to be followed. According to Trout (Trout 1969):

"Effective Brand Positioning is contingent upon identifying and communicating a brand's uniqueness, differentiation and verifiable value. It is important to note that "me too" brand positioning contradicts the notion of differentiation and should be avoided at all costs. This type of copycat brand positioning only works if the business offers its solutions at a significant discount over the other competitor(s)."

Generally, the brand positioning process involves several processes, such as identifying direct competitors, and understanding how each competitor is positioned their business, for example the fastest or the number one provider. If not dealing with start-up business then it is important to document the provider's own positioning, compare the company's positioning to its competitors', to identify viable areas for differentiation, and develop a distinctive, differentiating and value-based positioning concept. The last step is creating a positioning statement with the key messages and customer value propositions to be used for communications such as advertising, media, PR, website, etc. (Trout 1969)

2.3 Implementation

As for the exploratory research the secondary data were collected. Due to the topic of this thesis is the research of Estonian apparel retail market, then no internal data exist. In this report, all the secondary data collected is external secondary data. And the external data is gathered from all kind of ready made researches and articles.

Based on the authors like Underhill, Hill and Lindström this research is also primarily modelled in the observation-based. How people act with the environment, what attract their attention in given stores and also how many people purchase from the stores observed. Therefore the main primary data observed is from the type of lifestyle and behaviour e.g. which stores people do prefer and actually visit, and where the purchases are made.

The idea of using observation as a part of research came from various authors as already mentioned. Observation is more adequate than questionnaires because the actions take place in real time and this kind of answers and interpretations are the most

authentic. Observation is the personal or mechanical monitoring and registering of the chosen activities while they are attempted. There are several levels of complexity: the lowest and the easiest technique is for example just counting the numbers of consumers entering to the shop, and the most complex techniques include sensors to measure consumers psychological reaction (McQuarrie, 2006). The observation methods used for current research are as follows: the observed environment is natural – shopping centres and apparel stores; the research is concealed, so the observed consumers do not know that they are observed. Like McQuarrie referred this is useful for authentic information, because the actions are more natural when consumers do not know that they are observed. The observation is also personally conducted and direct, because the consumer is observed in the shopping environment and conclusions are interpreted accordingly. The observation technique used is more simple than complex – counting the enterers and purchasers. (McQuarrie, 2006)

One the most used method in current report is interpretative research that is an observation research method that is developed by social anthropologist in which consumers are observed in their natural setting and their behaviour is interpreted based on an understanding of social and cultural characteristics. According to Kurtz this is a method that explains the behaviour that operates below the level of conscious, so this method can provide insights into consumer's behaviour either internationally or domestically. Interpretative research focuses on understanding the meaning of a product or the consumption experience in a consumer's life. Through that method it is possible to see consumers interact with the product in their environment. Mostly the interaction is filmed, but in this case the personal observation was used with a little help of a pen and a paper (Kurtz, 2008). The downside of interpretative research is that it takes a lot of time and money.

McQuarrie defines that the process of observation includes 3 different parts: what, where and how. (McQuarrie, 2006) The first part is to make a decision what and where to observe. As the market research is done for Madonna then all the possible competitors were mapped and then some of them were observed, besides this the enterers and purchasers of the different price level stores were observed also, just to see the advantage of bringing low-price level brand onto Estonian market. Next question

is how to register the outcome. In this research the outcome was registered manually after it was formatted and inserted into Excel, analysed and interpreted. The choosing the necessary figures to minimise the subjectivity of observer.

In this study the field research was used and it was conducted in Tallinn. Tallinn was token account as the launching market for Madonna's first brand store in Estonia, because of the size and the bigger financial abilities. The shopping centres were selected as convenience sampling – the samples were chosen randomly. Viru centre was chosen, because it is the most popular centre in Tallinn, situated in the city centre, Kristiine centre was chosen because the location is just on edge of the centre of Tallinn and Rocca Al Mare was chosen, because it is the biggest centre in Tallinn and it is located on the suburb area. In this study the research participants – brand stores, were selected according to stratified sample method – all the possible samples are divided into strata from the price level objective, and further on random selection is applied from every strata. So the price level is divided into three levels: low, medium and high. From each price level are randomly chosen one brand to match the enterers and purchasers, which means that from the three shopping centres three different stores were observed (see Appendix 8). The observation took place from the end of October 2011 til the end of November 2011, and the entrers and purchasers were counted. The outcomes of low price level enterers and purchaser rate is taken into account in calculating turnover and assessing opportunities (see Appendices 8 and 9).

Madonna offers goods for personal use – consumer products, so the segmentation of consumer market is looked more closely. In Madonna's case the geographic segmentation is used, and it means the division of an overall market into homogenous group based on the group location: in this study broadly Estonia, and narrower Tallinn population. The second is demographic segmentation and it is a division of the market into smaller groups based on variables such as gender, age, income, occupation, etc. As Madonna is already created brand and the brand image is done then the prescribed factors are considered. Ethnic segmentation belongs also into the demographic group and this is very important factor in this study, because there are 30% of Russians living in Estonia.

3 INTRODUCTION TO THE BRAND MADONNA

3.1 Background

Madonna is German fast-fashion brand that is targeted for young females who are keen in fashion with low prices. Madonna launches a collection every month. See Figure 2 for Madonna logo and see the visualisations of the brand Madonna in Appendix 1. The history of Madonna brand dates back to 1988, when the founder of the company Juergen Hoch had a vision about current trends with fair prices. The home of the brand is one of the biggest city in German – Düsseldorf, where Topaz Textilhandels GmbH operates the Madonna brand (Madonna, 2012). According to Wer-zu-wem, the turnover of the company was 102 million Euros in 2009, and the company has approximately 700 employees in Germany alone. (Wer-zu-wem, 2012).

FIGURE 2: The logo of the brand Madonna (Madonna, 2012)

In 20 years, Madonna managed to establish herself to become an internationally successful young fashion brand with a monthly changing complete collection. Madonna can be found in over 15 countries. Madonna's label started with outerwear, but now the collection includes everything: tops, skirts, jeans, etc. Madonna covers all the categories of girl's clothing and includes a varied assortment of accessories. It provides a basic and trendy line and, as mentioned before, the new collection appears monthly. For making the brand more diverse the Madonna jewellery line was launched at 2003. The line "Madonna Juwel" was created to support the idea of getting everything at one

place at a low price. In addition to modern jewellery and watches, Madonna offers bags, flip-flops, belts, caps and hair accessories. Besides clothing and accessories, it is also possible to buy Madonna lingerie. The lingerie line "Little Secret" is also providing a basic and trend range on a monthly basis as Madonna clothing line. (Madonna, 2011)

3.2 Technology and Quality

Madonna's product sewing technology and quality are quite similar to all the other fast-fashion and good-priced brands. Most of the articles are made from cheaper fabrics and materials, like stretch jersey, cotton mixed with spandex, cotton or acrylic knits (77onlineshop, 2012). In general the sewing technology is as simple as possible and the fabrics used are as cheap as possible to obtain a good total cost of ownership (TCO). Therefore, some of the problems with fabric pilling and colour fastness will appear. Fabric pilling occurs when wearing and cleaning the product causes the fibres to unravel and the loose ends ball up on the fabric surface. Fabrics containing fibres such as acrylic, nylon, or polyester have a tendency to pill. Natural fibres like cotton, linen, or wool may also pill, but the balls of fibres are usually removed during laundering (Missouri Families, 2012). Madonna uses a lot of acrylic knits and polyester mixed fabrics for tops and sweatshirts. These kinds of fabrics have tendency to pill. Colour fastness is an other aspect of the quality. It means the resistance of colours to fading, so it refers to the notion of an object having a colour that retains its original hue without fading (Merriam, 2012). The fastness problem occurs especially with multicoloured fabrics that include contrast colours, like black and white or any colour combined with white– after some washing the white turn's greyish or stains.

In conclusion, the biggest quality problem is pilling, due to the cheaper materials used to obtain low TCO. Colour fastness is only problematic with multicoloured products or products where the white colour is combined with other bright colours. The quality of the technology and the product is quite acceptable especially when to take the low-price level into account.

3.3 Price Level

Madonna's price level is quite low and customer friendly. It has competitive price level in comparison to several other fast-fashion brands. To draw parallel with the biggest and the most successful fast-fashion brand H&M (See Appendix 2) then the price level is quite similar. Retail Prices (RP) only vary about 10 %. The variations in prices in different product groups are the result of different usage of materials and technologies. So the main price influencers are the cost of materials and the complexity of technology. In general it is possible to see that Madonna offers the same product with the same price as H&M. (77onlineshop, 2012; H&M, 2012; Bershka, 2012; New Look, 2012)

As Seen on Appendix 2 Madonna's prices are 7% higher than the prices of H&M. On the other hand Madonna prices are 7% lower than Bershka's prices, and almost similar to New Look's prices, with the difference of 0, 07%.Also the major difference between Madonna's and Bershka's price level comes from the T-shirt product group which leads to a conclusion that Bershka is more into producing fashionable T-shirts instead of more basic ones. As more prints and accessories are included and added to the tee the more expensive the product becomes and that makes a difference in prices between Madonna's and Bershka's T-shirts. Excluding T-shirts then the price levels of Bershka, Madonna and also New Look are quite similar, not to say the same. Again the variation of prices comes from the different usage of materials, techniques and accessories. Madonna's brand operates at the same price level as New Look and Bershka (excl. tees), and H&M can provide lower prices mostly because of the internationality and enormous bulk quantities. Also the fabric prices in the case of H&M are more likely to be cheaper because H&M can afford purchasing big quantities of fabric to supply wide range of products to its 2500 stores around the world. H&M has larger manufacturing quantities than any other brand brought out in this report. (H&M, 2012)

3.4 Target Consumer

Madonna's brand is targeting youthful females who consume latest trends while look-
ing for bargain-price level. Madonna's main goal is to be close to the consumer.
Therefore they are rapidly expanding their stores and shop-in-shops. They have 89
company operated stores mostly in Germany and Madonna also supplies over 600
retailers which increases the number of shop-in-shops abroad. Besides Germany the
label is represented in Belgium, Bosnia, Italy, Estonia, Finland, France, Luxembourg,
The Netherlands, Norway, Austria, Poland, The Russian Federation, Sweden, Switzer-
land and Czech Republic. (Madonna, 2011)

Madonna's main target consumer profile (TAP) is a female between the ages 12-24
who live in cities and visits the stores or shop-in-shops 2-3 times per month. She is a
student or a pupil and because she is studying she is financially dependent on her par-
ents. Therefore prefers low-price brands such as Madonna, H&M, Primark etc., which
still offer latest trends. Madonna's primary audience is a young female with the sense
of fashion, purchasing trendy items and new collections as soon as they reach sales.
The consumer is also price sensitive and at the same time trend-conscious. But in this
case the decision-makers are parents who are providing money to the Madonna's tar-
get consumer. The influencers are friends, teenagers and coevals. Secondary TAP is
also female at any age living in the city or nearby from Madonna's point of sale visit-
ing a Madonna store once a month. Secondary audience is female consumer who is
keen to buy low-price basic products. She is working and she is trend-conscious but at
the same time loves to mix expensive brands with lower priced high-fashion brands.
In this case the decision-maker is the target consumer and the influencer is also friend
or personal financial status. (Kennaugh, 2003)

3.5 Competitors Profile

The competitors are market-based because the selection is different in each country. Madonna's main market is Germany and below is given a brief overview about Madonna's competitors on the German market based on their prices (see Figure 3).
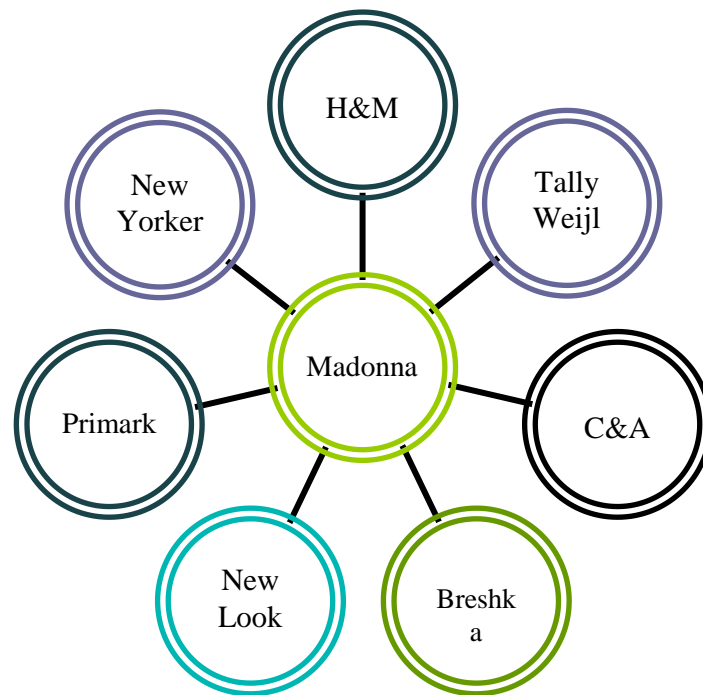

FIGURE 3: Madonna's main competitors on German Apparel market

Madonna's price level is quite low. Zara could also be the competitor, but on the Estonian market it is not, as Zara is considered to be in middle-priced brand groups in Estonia. For more information about Madonna's price level see chapter 3.3. and Appendix 2. for comparison of prices. In general can say that the price is quite a big factor in designating the competitors because this is the core value of Madonna's business - providing trendy clothes with friendly prices. Another core value and a huge factor of designing the competitors is the trendiness. The provided clothing has to be trendy and youthful because of the target audience purchases trendy and youthful items. Based on this theory we can assume that every brand that offers trendy goods to women from age 12 to 24 with budget prices are competitors to the brand Madonna.

4 OVERVIEW OF ESTONIAN CLOTHING MARKET

4.1 Brief History of Estonian Economy

The Estonian retail market started to develop with the beginning of the Estonian Republic in 1918, as a command economy. The shift from command economy to market economy took place in the end of the 80s when the Soviet Union collapsed. Estonia regained its independence on 20th of August in 1991. After becoming independent, several incidents have been influencing the Estonian economy: in 1995, a Free Trade Agreement was made with the European Union (EU), in 1999 Estonia joined with the World Trade Organisation (WTO), and Estonia started to use the EURO in the beginning of 2011. (Alasoo, 2006)

In 1994, Estonia became one of the first countries in the world to adopt a flat tax, with a uniform rate of 26% regardless of personal income (see Figure 4). Estonia has been fast catching up with the other EU countries, having grown its Gross Domestic Product (GDP) per capita from 34.8% of the EU-15 average in 1996 to 65% in 2007. (Laar, 2007)
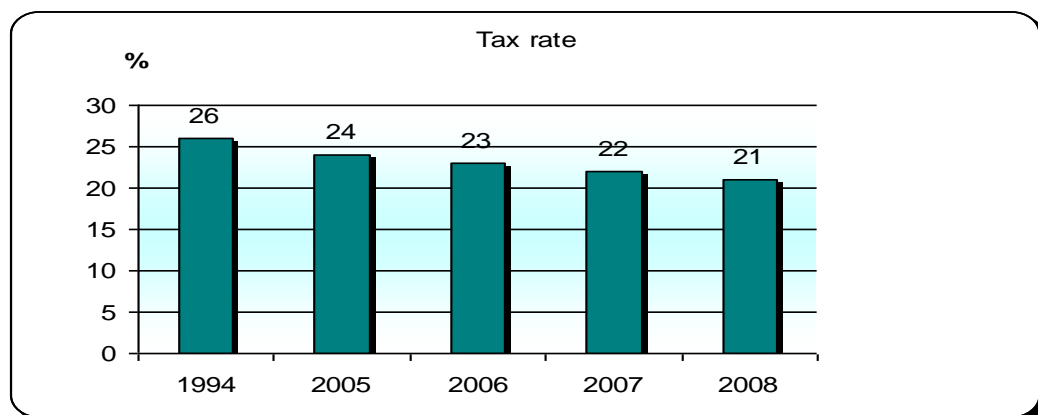

FIGURE 4: Tax rate changes in Estonia (Statistics Estonia, 2012)

In 2006 Estonian economy was one of the fastest growing in the world with the growth rate even 10%. The GDP – Gross Domestic Product - is often considered an indicator of a country's standard of living; but GDP is not used as a measure of personal income. See the data of Estonian GDP on Appendix 3. (The Guardian, 2009)

In July 2009, Estonian VAT (Value Added Tax) was increased from 18% to 20 %. The other downside of the crisis was the explosion of the rate of unemployment. Estonia has approximately 600 000 employees and in the first quarter of 2010 the unemployment rate reached to 19.8%. Which means that there were almost 120 000 people without a job. See Estonian unemployment rate changes on Figure 5. (Baltic Business News, 2009). According to Statistics Estonia, then unemployment rate in 2011 was 8.4%.

Unemployment rate in Estonia 1996-2010
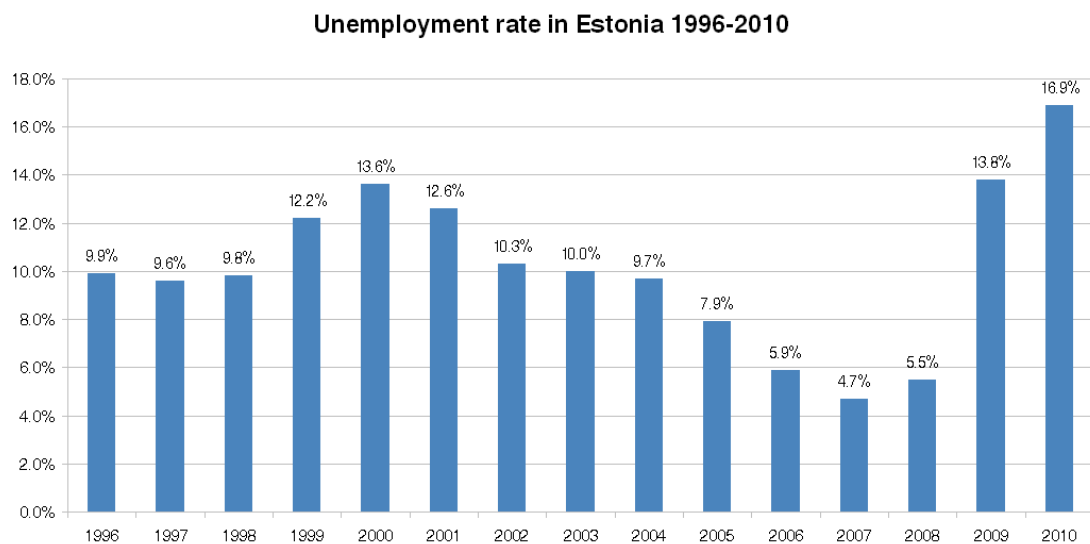
FIGURE 5: Unemployment rate in Estonia 1996-2010 (Statistics Estonia, 2012)

The crisis forced many employers to reduce wages and lay off employees in order to survive. The number of people entitled to employer insolvency benefit increased by almost six times between 2007 and 2009, rising from 1,141 to 6,709 people (Eurofund, 2010). According to Statistics Estonia the average monthly gross wage in Esto-

nia was 809€ in the third quarter of 2011, and the minimum monthly gross wage is 290€ from 1st January 2012. See Appendix 4 (Statistics Estonia, 2011)

4.2 Estonian Retail Market

The first time the Estonian retail market sales volumes declined compared to the previous year, was in March 2008. After March 2008, the decrease has been constant. In 2007 was the peak period in retail sales, when sales volumes were significantly higher than real growth of GDP. In the following years the retail sales followed the line of overall economy. (Kose and Leppik, 2009, p. 25) Retail businesses sales increased by 5% in December 2011 compared to the year before. From February 2011 on, retail sales were in stable growth. In December, they accumulated for an overall 389.1 million Euros. Although the biggest influence was the grocery segment, apparel businesses managed to grow their retail sales by 9% compared to December 2010. The sales profit in 2011 reached almost 3.9 billion Euros, to which product retail contributed 83%.(Statistics Estonia, 2011)

Business sales areas have been in rapid growth as well. In 2001, they accounted for less than 200 000 m^2 in Tallinn, whereas in 2005 the number already rose above 300 000 m^2 and in 2008 there was a total of over 430 000 m^2 of sales areas. That equals 1, 05 m^2 for each citizen. After 2008, the growth of sales areas slowed down. (Kose and Leppik, 2009. p. 25). As shown in the Statistics Estonia, the number of sales venues had increased from year to year, growing from nearly 2800 in 1992 to almost 7000 venues in the year 2008. The number of square meters of these venues also grew significantly. In 1992, a venue's average size was 100 m^2, while in 2008 it had already doubled. For the illustration see Appendix 5. (Statistics Estonia, 2011)

The amount of companies operating in the Estonian apparel retail market had been in constant growth, too. In 2005, there were 269 companies in comparison to 343 in 2009. Accordingly, the growth throughout the years had been constant but not significant. This means the recession years had a positive effect on the market of apparel brand retail stores, since it became more stable and optimized. See Appendix 5 for the growth of clothing retail companies operating in Estonia. (Statistics Estonia, 2011)

The amount of people working in this sector had developed quite similarly to the number of businesses. Meanwhile, the employee rate was clearly influenced by the economy– it dropped in recession years. Accounting for 2300 people in 2005 working in apparel retail. Whereas in 2009, they decreased again as the trend of maximising work efficiency and laying off (some) workforce became common, since work load and profits went down and overall cost saving measures were realized. See Figure 6 (Statistics Estonia, 2011).
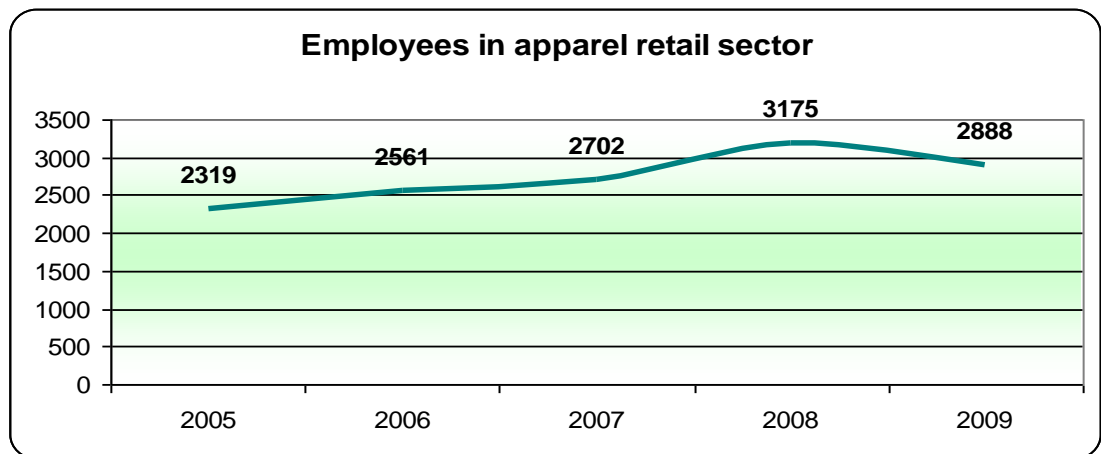
FIGURE 6: People working in the field of apparel retail in 2005 to 2009 (Statistics Estonia, 2011)

The trend of cost saving in recession years can also be seen in the expenses to work-force and average salary development. See Figure 7, for the average salary and work-force expenses in the field of apparel retail and Estonian overall average salary per month from 2005 to 2009, the currency is Euro. As shown in Figure 7, then the average salary in apparel sector is considerably smaller than the Estonian overall average. The average clothing retail gross wage in 2009 accounts for roughly 60% of overall Estonian average monthly gross salary. (Statistics Estonia, 2011)

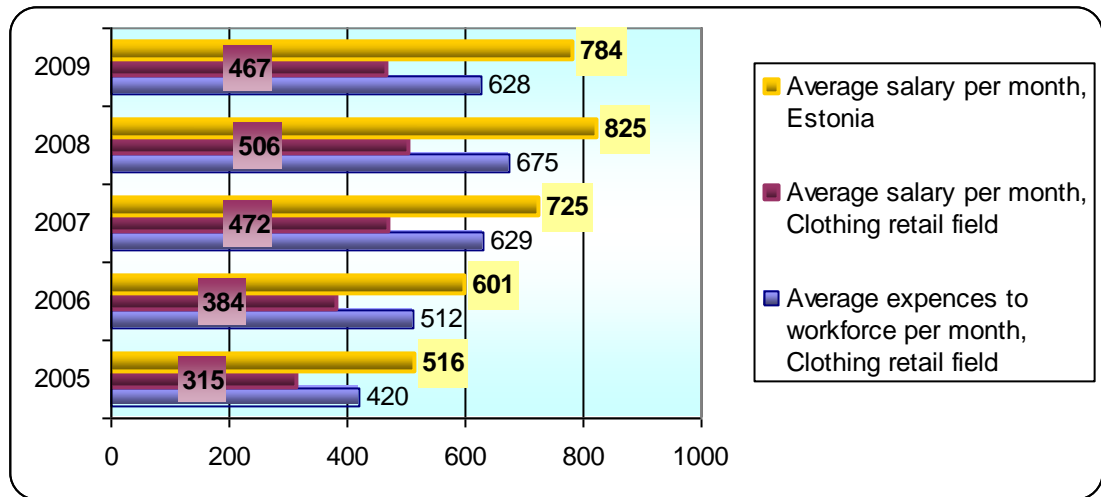FIGURE 7: Estonian average monthly gross salary compared with apparel retail sector average monthly gross salary and the monthly expenses to employees from 2005 to 2009, in Euros. (Statistics Estonia, 2011)

The next indices looked at are the profitability of the sector and the market demand by months. As indicated on Appendix 6, the profits follow the development of the overall economy, the rising lasted till 2008 and falling began in 2009 (Statistics Estonia, 2011). Currently, sales are in a recovery phase, with several companies stating the increase of retail sales at the end of 2011 and in the beginning of 2012. For example Baltika, the largest Estonian apparel manufacturer claimed 17% increase in retail sales in January 2012 compared to the same month a year ago. Baltika's growing sales trend started in November 2011 when they declared the rise in sales to be 13% (13% in November, 15% in December and 17% in January 2012). (Esse, 2012)

The demand for clothes is highest in the beginning of the season: March, April, August and September. See Appendix 6. These are the months when new merchandise is displayed. Also, high sales profits are realized, because many goods are bought at full-price and full margin. As can be seen in the trend, sales profits in January and February rose in 2008, which means people bought more clothes with discounted prices and the importance of the trend has shifted away. Today, the Estonian consumer is more price-sensitive. (Statistics Estonia, 2011)

Estonian consumers have become more price-sensitive because of the economic changes and imbalances happened in previous years: many have lost their jobs, the prices have increased and therefore the general quality of life has declined. This can also be seen in the duration of products' sales periods, which have increased. Longer sales periods have negative consequences on companies, because the shorter the period they require to sell their merchandise the higher their cash flows, profits, etc. will be (See Figure 8). Figure 9 refers to the change of sales margin in % throughout the years, which proofs that the margin had been quite stable in past years, with only a 10% drop in 2009. Comparing these two figures then 2009 were the hardest year in the apparel retail sector. (Statistics Estonia, 2011)
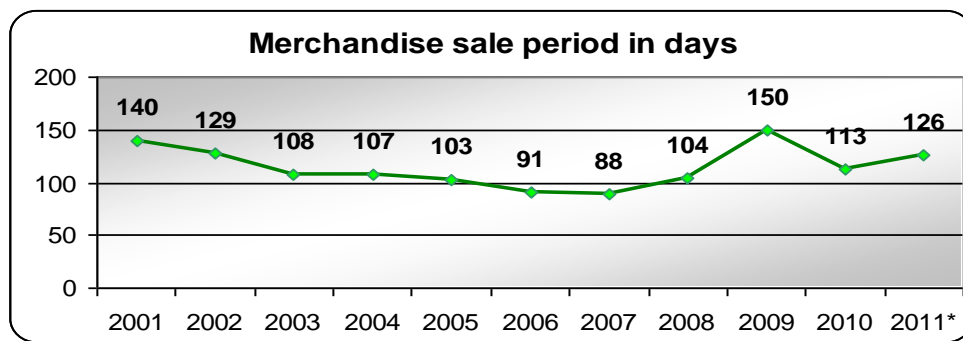
FIGURE 8: Apparel merchandise sales period in days from 2001 to 2011, *2011 information is average from 3 first quarters. (Statistics Estonia, 2011)
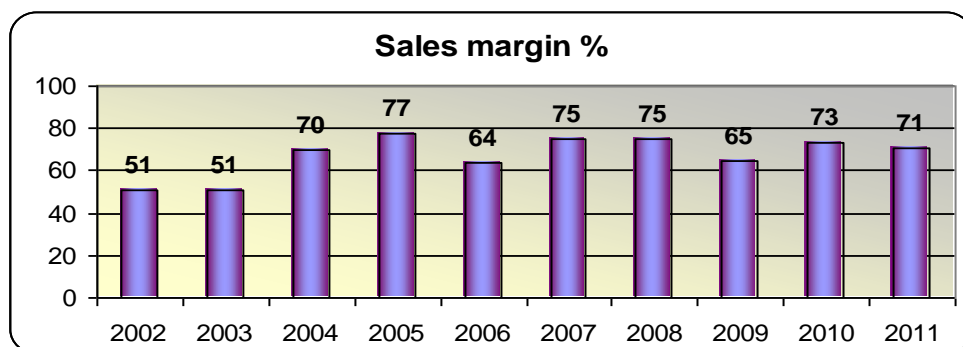
FIGURE 9: Sales margin % from 2002 to 2011* (*three first quarters) (Statistics Estonia, 2011)

5 RESULTS

5.1. Location

This report will focus on the Tallinn venues as the first Madonna brand store will be launched in Tallinn, as it is the biggest city and market in Estonia. As Tallinn will be the first launching market this chapter will specify into Tallinn's market perspectives and options. The main districts and options of store location are introduced and analysed. Tallinn's retail venues market mainly concentrates on 11 bigger shopping centres: Rocca Al Mare, Viru, Kristiine, Ülemiste, Sikupilli, Magistrali, Järve, Mustika, Norde, Lasnamäe Centrum and Solaris. See Appendix 7 for the map of the main locations of Tallinn's retail venues. There are also few retailers doing businesses in ground floor venues in the centre and Old town, but this is not a trend in Estonia and most clothing retailers do have stores in shopping centres. (Trubetskoi, 2011)

Viru Centre

Viru is located in the heart of Tallinn and it is the most visited centre with over 30 000 visitors per day, and there are approximately 100 stores and service places. The Viru Centre is trend oriented and there are mostly apparel and shoe stores, also perfumeries and pharmacies. One part of the Viru is also Tallinn department store, renting some venues in the cellar, on 1st and 2nd floor, which are also connected with the department store building. Tallinn's local transport bus terminal also lies beneath the Viru Centre that has increased the rate of the visitors of the centre. The Viru centre has only 26 300 m^2 of retail space. It was built in 2004, but it is the most important and expensive shopping centre in Tallinn and also in the whole Estonia. Viru has the highest rent prices per square meter as they also have the highest visitor rate. (Trubetskoi, 2011). The turnover of the Viru centre increased with 10% in 2011 reached to 117, 4 million Euros and there were 11 million visitors in the year 2011, which is 3, 4% more than in 2010. For 2012, they are expecting a 5-percent increase of the turnover. (Kald, 2012)

Rocca Al Mare Centre

The Rocca Al Mare centre is located in the West Tallinn in the Haabersti district, 7 km away from the centre of Tallinn. The Rocca Al Mare centre is reachable with public transportation. It is the biggest shopping centre in Tallinn with 53 300 m^2 of retail space and was first opened in 1998. The centre is family oriented and there is a wide range of stores – over 160 stores operating in this centre. Rocca Al Mare was renovated in 2008-2009, and after that it became the most logically built shopping centre in Estonia, because it is divided into specific areas: shoes, apparel, sport, hobby, electronics, books etc. The biggest advantages of Rocca Al Mare are the size of the centre and the convenient shopping environment; it is possible to easily and rapidly get everything what a consumer wants from one place. After the renovation, Rocca Al Mare raised the prices of the rental spaces with 41%; because the turnover of the sales in 2010 also rose with 14% and the vacancies of the retail areas are close to zero (Arco Vara, 2011). There is average of 17 600 persons visiting the centre per day (City24, 2012).

Kristiine Centre

The Kristiine Centre lies on the edge of the centre of Tallinn and it has a very good transportation connection between several Tallinn's districts. It was built in 1999 and was renovated twice - 2002 and 2010. After last renovation the centre has a total of 42 500 m^2 rental space and the average visitors per day 19 500. Kristiine is trend and family oriented with over 170 retailers operating mostly in the field of apparel, shoes and beauty, but also sport and electronic stores are present. The turnover increased with 41% in the year 2011 but this was mainly because of the extension and several new businesses started. The visitor rate also rose to 22, 3% in 2011 to 7, 12 million people a year (City24, 2012). The Kristiine centre is also one of the most popular shopping centres in Tallinn besides Viru, Rocca Al Mare and Ülemiste. Therefore there are no vacant rental spaces available and this is also one reason why the rate of the rental areas increased 8, 4% in 2011 (Arco Vara, 2011).

Ülemiste Centre

The Ülemiste centre was built in 2004. The centre has not been renovated nor extended due the economical instability of the past years. Ülemiste has 37 500 m^2 of rental

space and is family oriented. It is situated near the Tallinn airport. The most convenient way to visit the centre is by car because there are few bus connections between the centre and the city. There are approximately 20 000 persons visiting the centre per day and therefore it is quite popular among Estonians and Ülemiste also does not have vacant rental spaces (Trubetskoi, 2011). The turnover increased with 10, 5% in 2011, and for 2012, they are expecting a 5-percent increase of the turnover. Visitor's rate is expected to increase with 3, 5% in 2012 (Delfi Majandus, 2012).

Solaris

Solaris is the newest shopping centre in Tallinn - it was opened in autumn 2009. Solaris offers besides retail various means of entertainment: a movie theatre, a concert hall, dance studio, and several eating places. Solaris is quite small, it has 12 800 m^2 of retail space but it lies in the heart of Tallinn just near the Viru centre having 20 000 visitors per day (Trubetskoi, 2011). Solaris is an attractive place for Madonna's store, because of the younger age of Solaris visitors, although the rental prices are quite high because locating directly in the city centre.

Magistrali Centre

Before the renovation, Magistrali had only local importance, because it is situated in the district of Mustamäe and its main renter was grocery store Rimi. Before the renovation Magistrali had approximately 11 500 visitors per day. Magistrali is re-opened in May 2012. After the renovation the centre will have 2000m^2 of extra rental space. Owner of the centre, operator Citycon OY believe that in the future there will be 15 000 visitors per day. Magistrali was built in the year 2000 and it is also family concentrated offering goods from groceries to lingerie. (Trubetskoi, 2011)

Norde and Lasnamäe Centrum

These 2 shopping centres are with secondary importance because of the location and targeted audience. Norde Centrum is situated next to Tallinn Harbour and its main visitors are tourists buying food from Rimi. Lasnamäe Centrum is at the district of Lasnamäe – Tallinn's most populated district. This is the location for Russian targeted fashion, where the selection is more shiny and glamorous. Lasnamäe Centrum has 12 900 visitors per day and there is 19 600 m^2 of rental space. (Trubetskoi, 2011)

Järve, Mustika and Sikupilli Centre

The Järve and the Mustika Centre are concentrated to furnishing and home building so they would be out of focus for Madonna's store, and Sikupilli is more grocery oriented. Visitor rate of these centres are between 10 000 to 16 000. (Trubetskoi, 2011)

In general there are several shopping centres in Tallinn that would be suitable for brand Madonna to open its brand store. Viru would be the best choice because of the enormous visitor rate, but the down side of Viru is high rental price. The same is with Solaris, it has a huge amount of young visitors who are the exact target group for Madonna, but high rental price is also the downside. (See comparison of rental prices in Figure 10.) Rocca Al Mare, Kristiine and Ülemiste are very much known in the Estonians and the rental prices are lower than in Viru and Solaris, which means the profit could be quite the same as there are a lot of visitors too. See appendix 8 for the turnover calculation. Magistrali Centre and Lasnamäe Centrum would be the secondary choice, because they have a significantly smaller average visitor rate per day. So they would as an expansion option in the future. The overall problem with opening a store is the lack of vacant spaces in shopping centres.
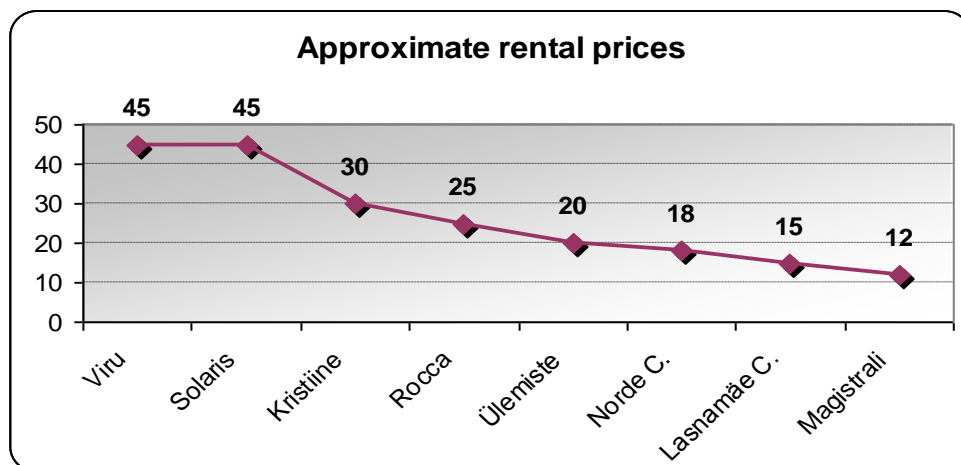

FIGURE 10: Approximate rental prices in Tallinn, stores 100-300m^2, price € per m^2 (Statistics Estonia, 2011)

5.2 Competitors

Madonna's competitors are the brands that have their own retail stores, trendy products with a similar price level and similar target consumer. See Table 1.

TABLE 1. Price classes by product groups, prices in Euros

Product group:	Low	Middle	Expensive
Dress	…- 29	30-79	80-...
Skirt	…- 24	25-49	50-…
Trousers	…- 29	30-59	60-…
T-shirt	…- 9	10-19	20-…
Ls. Blouse	…- 29	30-39	40-…
Knitwear	…- 29	30-59	60-….
Jacket	…- 49	50-119	120-…

In low-price range there are quite few competitors in Estonian market. As seen on Figure 11 there are only 7 well-known brands operating their stores in Estonia - Terranova, New Yorker, Bershka, Stradivarius, Pull&Bear, Reserved, and Tally Weijl. The trend of launching low-price brands in Estonia is quite new; in last 3 years 3 out of 7 brands launched their first brand store in Estonian market – Tally Weijl in 2011, Pull&Bear and Stradivarius in 2009 (Delfi, 2011; Pull&Bear, 2012; Femme.ee, 2009)
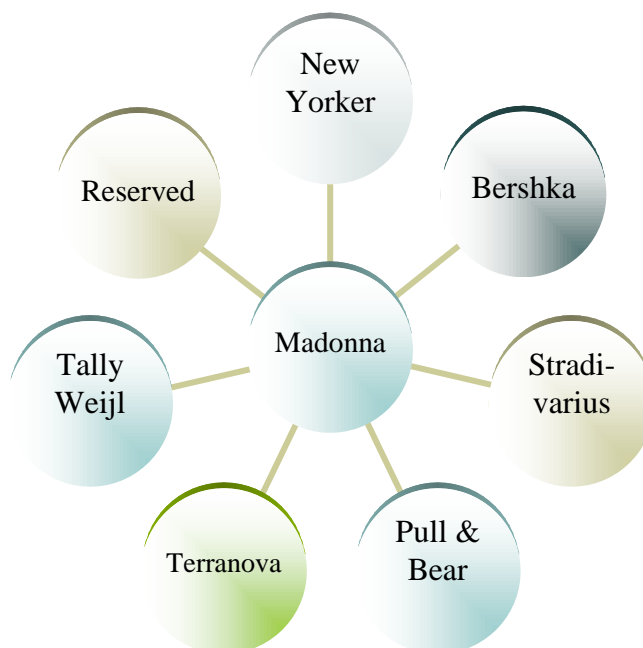
FIGURE 11: Madonna's competitors in Estonian market

The strengths of the competitors is that they have managed to strengthen the consumer awareness with a long existence in the market and their timing of entering to the market was very good – in the middle of recession years (2008-2010) when subsistence level was low and consumers started to consider more over price. Late bloom of lower-priced brands is a sign that the Estonian clothing market does have the need for this kind of segment. The strength is also the locations of these brand stores. Terranova has stores in Viru and Kristiine, New Yorker stores are in Kristiine, Rocca Al Mare and Ülemiste, and somewhat contrary are the location of Stradivarius, Pull&Bear and Bershka, locating only in Tallinn with only 1 store of each brand, and not even in shopping centres, but in the Tallinn centre, named Rotermanni Quarter.

The weaknesses of the competitors are mostly that several brands are owned by one company, for example Apranga and it is operating with different brands in the same segment. Apranga operates with brands Mango, Bershka, Zara, Pull&Bear and Stradivarius. All these brands are competitors in the segment for young fashion, so they are not supporting the sales of each other. (Apranga, 2012)

There are also some indirect competitors in Estonian market, like Lindex, Zara etc with higher price range but with youthful and trendy products. The main threat is that Madonna does not succeed to embrace a market share from these higher priced brands and they will become direct competitors as Estonian consumer is used with high apparel prices, then it is hard to change their buying behaviour. On 13th February 2012 H&M declared on their Facebook fan page that they are opening their first store in Riga in the autumn of 2012, soon they will probably open also stores in Tallinn too (in the perspective of 2-3 years). Believably H&M operates with Baltic States strategy to expand its business to all the countries of Baltic States. When this happens H&M will be the biggest competitor of Madonna and H&M's expansion to Estonian market is a big risk for Madonna's profit (H&M in Facebook, 2012). The other indirect competitor is Humana. Humana sells second hand clothes with quite high price range; the price level is same as Madonna's. Humana is extremely popular in Estonian retail market, because it allows people to buy cheaper clothes. It holds 4% of the overall market share and the turnover of Humana was 6, 6 million Euros in 2010 (E24, 2011).

5.3 Market Size and Share of Madonna

As the first Madonna brand store will be launched in Tallinn with the future plans of expanding to all the largest cities in Estonia, then geographically Madonna's market is segmented into Estonia, Tallinn. There were 1, 34 million people living in Estonia in 2011 with 397 829 persons of them in Tallinn in 2011. The number of Estonians is forecast to be constantly dropping, for example it is predicted that the citizen rate has dropped to 351 900 to the year 2050. (Statistics Estonia, 2012)

It is targeted to women and the targeted consumer age is from 12 to 24. The age designates that the target consumer is more likely to study than work, is single and with modest income. The secondary TAP is in the age group 25+ and is more basic product oriented with the consumers or mothers buying for their daughters. In Tallinn there are approximately 27 000 females aged 12 to 24, and 84 000 females aged 25-50. This means that the total number of females aged 12 to 50 is approximately 111 000.

When segmenting Madonna's target market by ethnic group, you have to keep in mind that Estonian and Russian consumer preferences differ – Russians do like more colourful and bright clothing and Estonians prefer more natural and somewhat modest apparel. These kinds of differences influence the purchase of a selection and the location of a store. There are more Russians in the Eastern regions of Estonia and also Eastern Tallinn, like in the Lasnamäe district. Therefore opening a store in Lasnamäe, where the Russian population is more numerous calls for a selection different from one available in a Madonna store situated in the centre of Tallinn, where the basic consumers are more likely Estonians or tourists. The last segmentation used is psychographic section – because the brand Madonna emphasizes that its customer is trendy and youthful. This means they are segmented by lifestyle and also this segmentation has already been made by thebrand creators. An importer only has to follow the basic lines that are already settled. The potential user range is much narrower than the proportion of females in the age group 12 to 50, because not everybody in the age 12 to 24 wants to look like a follower of the latest trend, but most of them do, and the situation is even worse in the age group 25-50, because older women have already shaped their style, therefore, Madonna's pieces would be uninteresting to them.

Madonna's competitors held 20% of the overall Estonian Clothing Retail market in 2010, with the turnover of 44 million Euros. The market share of the lower-price level brands is continuously growing as shown by Appendix 9. The growth of the lower-price level brands was almost 12, 5% in 2010. As known, several new low-priced brands opened their first stores in 2011 believing that the growth of the market share of these brands would also continue in 2011. The growth comes from the medium-price level brands, as several high-end brand retailers were also referring to the growth of the profits, i.e. Tallinna Kaubamaja declared that the 4th quarter of 2011 was the highest net income in their history. Tallinna Kaubamaja sells high-end brands. That allows to assume that high-end brands as niche brands do not lose market share and therefore the growth of lower-priced brands market share comes from medium-priced brands. The price sensitivity factor is also shown by the sales of Humana, the largest chain of second hand stores in Estonia, holding almost 4% of the market share. Humana is Madonna's indirect competitor. (Esse, 2012)

The potential market share of the brand Madonna with one operating brand store is approximately 0, 5%. In the calculation of Madonna's market share the chain store New Yorker has token for the basis. As New Yorker owns 5% of Estonian Apparel retail market share, operating with 6 stores in 4 major cities, and offering also boys' clothing. Madonna operating one store in one city offering only girls clothing would be reasonable share of 0, 5%. This means approximately a turnover of 0, 86 million Euros a year. See in more detail from appendices 8 to 10.

5.4 Estonian Consumer Behaviour

Estonian consumer falls into two separate categories by ethnicity: Estonians and Russians. The behavioural factors of these two nationalities differ a lot, but there are also huge differences in the nationalities varying by the income and economic well-being. In this chapter the non-Estonians and Estonians are introduced separately. Non-Estonians inhabit most of the East-Estonian regions such as Virumaa also there are a lot of them living in Tallinn in Lasnamäe, which is a part of East-Tallinn (Statistics

Estonia, 2012). Non- Estonian form 30% of Estonian consumer market and they like more to buy goods that are promoted than Estonians. They are more into trying and testing new products because Russian speaking minority is more opened by their nature. Because of the factor that Russians are more open for experiences they are keener into spending their free-time for shopping, because this entertains them. Russians are also watching and following more commercials than Estonians. The biggest group of consumer is a Russian women from age 15 to 49, but the other hand Russian men are buying new products when they like them thereby the price in some cases does not matter. (Kann, 2005)

The huge gap between Russian and Estonian consumer comes from the price factor, Estonians need the argument for purchaing the product. Although Russian speaking consumer is eagerly testing and experimenting with new products, they are also very loyal and principled. If they get disappointed with the brand then they usually stop buying these brand products. The same with stores, if Russian speaking consumer is used to shop in one store they would not easily change their shopping routine even if another store is offering better prices. Basically Russian speaking consumer is also more price sensitive than Estonian consumer, because the difference of the income. Several Russian speaking persons do not speak fluent Estonian and therefore they are working more in the filed where manual labour is needed, which means their income is way below the average of Estonian salary limit, for example their consumption expenditure is 12% smaller than Estonian consumers. (Kann, 2005)

Estonian consumer has also changed more price sensitive in the recession years, but Estonian consumer is more and more purchasing conventional and familiar products. Estonian consumer attitude has also changed more negative towards economy and future. This change has made consumers more careful and aware what they are buying. As mentioned before Estonian consumers are not so open to new products as are Russian consumers. One reason for this is the recession years and the change of spending money more practically than ever. The price sensitivity has also increased and Estonian consumer is looking for a better offer for similar product categories and prefers the store and the brand that has the lowest price. This means Estonian consumer is not as loyal as a Russian consumer. (Koppel, 2011).

5.5 Future Trends

After the recession years Estonian economy had a big growth in 2011, but Bank of Estonia prognoses a rapid slow down for 2012. A lot of the reasons is connected with intense times in Europe economy and even the second wave of recession is possible if the situation turns even worse. Analysts are optimistic about the year 2013. They believe 2012 allows again the economic situation to heal if the situations on macro level start to improve. 2011 showed that the growth of retail businesses will be continuous, but the figures of growth will be moderate. In several prognoses 2012 is considered to be a steady year with small or no growth at all. The good thing is the employment rate is expected to steadily increase, which means more liquid money in the market. The second positive thing is the growth in wages, the analysts predict that wages will resume to rise on the year 2013. (Bank of Estonia, 2011)

As the year 2011 showed that several low-price brands are interested from local market –Tally Weijl opened their first store in 2011, and H&M is opening their first Baltic store at Riga in the autumn 2012. The store opening in Riga is one step closer for H&M launching its brand stores in Tallinn and Estonia. This is an indicator that even gigantic clothing retailers are interested of this market. H&M entering is also one potential risk factor for Madonna, because H&M is able to offer lower prices than no other local business. H&M strength is wide product selection and a very known brand name. In the other hand H&M launch in Estonian market would change local market more flexible: makes corrections on businesses operating in the market; eliminates small and weak businesses that cannot compete with offering similar selection and price. It would be very welcome change for the Estonian consumer, as the selection range would get broader and prices would go down. H&M will take the market share from other low-priced brands and also from medium-priced brands. Believably H&M could take approximately 5 to 8 % of Estonian Apparel retail market and even up to 10% later on when anchoring its reputation on Estonian market. H&M launching to Estonian market will also decrease the prices of such medium price level brands such as Zara. As known that Zara's prices in Estonia are significantly higher than Zara's prices in Western Europe and one reason of this is the absence of competitors.

6. ANALYSIS OF THE RESULTS AND RECOMMENDA-TIONS

This study was conducted to examine the Estonian clothing retail market from the perspective of positioning the brand Madonna. Tallinn is the biggest city and the biggest market of Estonia which is observed more closely as the first store will be launched in Tallinn's market. The recommendations are based on the analysis.

The primary question was if there was a market for this kind of brand – a low-priced youngster brand following latest trends. The answer to the question is quite simple after analysing the latest year retailer behaviour and realising that almost 50% of the low-priced brands opened their first brand stores within the last 3 years. Obviously, there is a market for this kind of segment. The problem is that there are no vacant retail areas. All the popular shopping centres are 100% fully booked, so renting a good location is a matter of luck and existing popularity of your business, shopping centres decide upon a brand name either they want this brand into their centres or not. The waiting list for rental spaces is long, especially in the centre of Tallinn. Besides the long queue the centres have the right to choose the renter as they have the right to design the layout and concept of the centre and therefore several brands with higher popularity and bigger expected volumes of visitors are preferred. In general, an Estonian consumer is looking for the alternatives for medium price level brands as they have existed for quite long in the Estonian market.

The expected market share would be 0, 5% of the overall clothing retail market, which means approximately a 0, 86 million Euros turnover per year. The majority of the market share for Madonna comes from medium price level brands, and also from such brands as Vero Moda, Terranova and New Yorker as Madonna's closest price-wise competitors. The gain of the calculated market share will be based on a good location – a brand store operating in a popular shopping centre, and also a fresh selection as the Estonian consumer is looking for alternatives and a lower price. This conclusion is

drawn as the market share of the lower-priced brands in Estonian clothing market grew 12% in 2010, which is still considered the year of recovery from the recession which is why the growth is a significantly good sign. The consumer volumes depend on the location of the store. It is understandable that in the centre of Tallinn the volumes are higher and in the suburban areas the number of consumers and visitors are a bit lower, depending on the popularity of the shopping centre. As the Viru Centre, the most visited shopping centre in Estonia then Madonna store in Viru can expect up to 1 million visitors per year and approximately 150 000 purchases per year. Madonna's store in Rocca Al Mare, as the biggest shopping centre in Tallinn can expect 50% of Viru volumes, i.e. approximately 500 000 visitors and 75 000 purchases per year.

Following important topic is store location. There are several opportunities in Tallinn, as 11 big shopping centres are situated all over the city. The determination of the location is one of the most important steps in positioning and launching a new brand in such a small market as Estonia. As analysed priorly in the thesis then several shopping centres are excluded because of their image, like the Järve and Mustika centre as they are more targeted to interior. The Viru centre needs to be excluded also, even though the location is perfect then evaluating the possibilities to get a rental space at Viru is close to zero. Next interesting location would be Solaris centre, locating also in the heart of Tallinn just opposite the Estonian Opera Centre. Solaris is targeted to free-time and younger audience. This option is interesting because there is already a significant amount of Madonna's target audience spending their time in this centre. Launching would be much easier as the customer is already in the building. Negative side of Solaris is the rental prices are high what is driven by the good location of the centre. The prices of Solaris are approximately 50% higher than other popular shopping centres located in the suburban areas.

Centres like Kristiine, Rocca Al Mare and Ülemiste, which are the biggest and most known suburban shopping centres in Tallinn and where the rental prices are still high, but the potential consumer rate is also quite high reaching to approximately 18 000 to 20 000 visitors per day. As these shopping centres are well-known and locating out of the centre which means they can offer lower rental prices as in central Tallinn and through that minimise the risks as the expenses can be kept low. For this reason previ-

ously stated centres would be the potential locations where Madonna should open its first brand store. As there are no vacant spaces of any of these shopping centres, it is wise to already add a request for a space in all these centres which puts Madonna into the renters list and then just wait when the first suitable space becomes free. Secondary options are not so popular centres what are located in suburban areas, like Magistrali, Norde and Lasnamäe Centrum. Magistrali would be the most interesting option out of these three centres as it is currently being renovated and the image of the centre will be renewed - more trend-concentrated than it was before. Otherwise these 3 options are more grocery stores with some additional stores offering shoes and clothing and therefore the concept is not quite for Madonna. Lasnamäe Centre is quite interesting place to target to Russian speaking consumers.

There is one significant risk in the future – H&M is also entering to the market in coming years. H&M opens its first store in Riga in the autumn of 2012 and this means the first opening in Tallinn is not that far. H&M is the biggest competitor for Madonna as H&M price politics is at least 7-10% lower. As H&M could offer up to 10% lower prices than currently in the market, H&M will probably get a 2 digit market share, besides from medium priced brands, also from the existing low-price brands. It is important to anticipate H&M and open Madonna's first brand store 6 months to one year before H&M opening, because this is a minimum period to build audience awareness and strengthen the brand image in the market.

Currently, Madonna's competitors are Terranova, New Yorker, Tally Weijl, Reserved, Bershka, Pull&Bear, Stradivarius etc. Quantity of the low-priced brands is still quite low as compared with the amount of medium priced brands. Competitors are quite strong as they have managed to establish their brand names and build an audience, but Madonna has also been available earlier in Estonian market. Tallinna Kaubamaja was the biggest reseller of the brand Madonna, but as they closed their youth department lately which left Madonna out of the selection, because it did not fit among other Women's department clothing where the brand selection is more to high-end. Therefore there is already a history for Madonna in Estonian market, which makes it easier to launch and build consumer awareness. Believably this is a quite good strategy and

excellent starting point, as it can reduce money for presenting the brand and allows to concentrate more to marketing the brand and regain its main audience attention.

One part of this research is based on facts that have been gathered from the data of Staistics Estonia, such as sensus data, business data from businesses operating on current field etc. This data has been gathered and analysed so this is quite reliable. The facts have been suppored with the observation as this is the second method used in this research. The data gathered from observation is alligned with the facts and this shows that the methods used have been appropriate. Futher steps to continue the research would be designing the questionnaire and executing consumer poll, to support even more the outcomes. If to go even further and more scientific then the measure of actual human reactions with all kind of neuropsychological instruments would give some interesting answers to consumer preferences.

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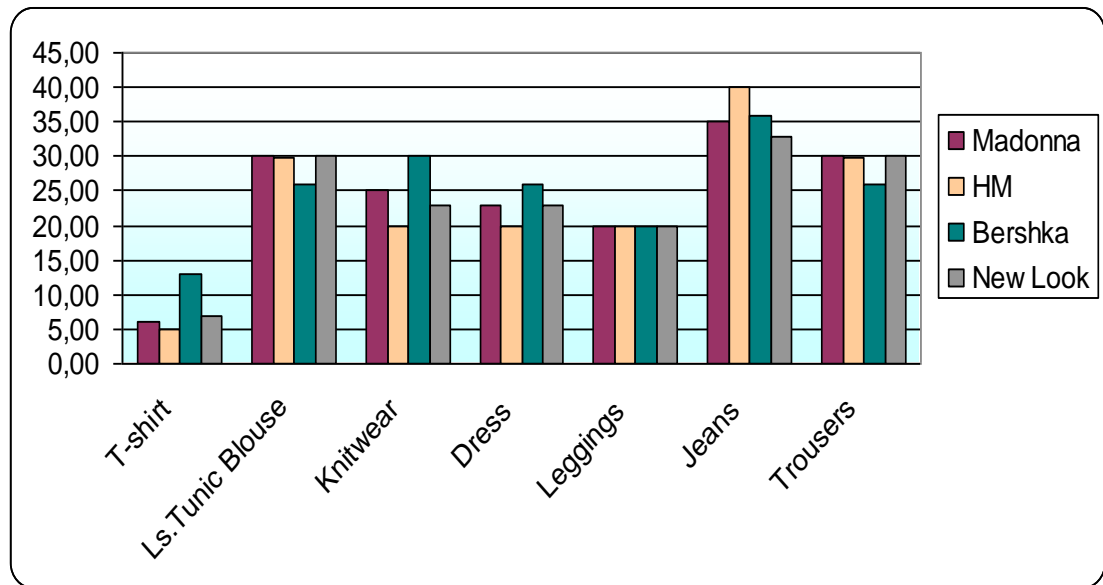Wer zu wem – Firmenverzeichnis, 2012, website. Accessed 6th January 2012
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APPENDICES

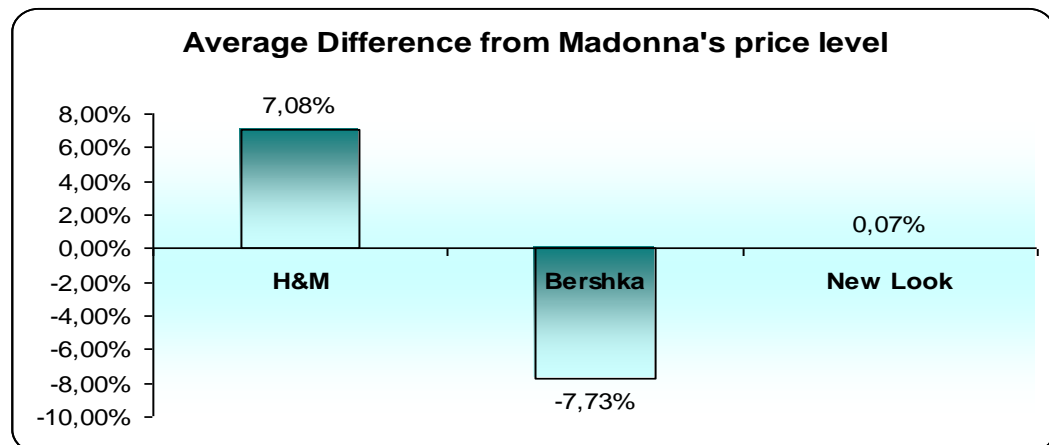*Appendix 1: Visualisation of Madonna FW 2011 Collection*

Appendix 2: Price comparison

Price comparison through product categories between Madonna and its competitors:
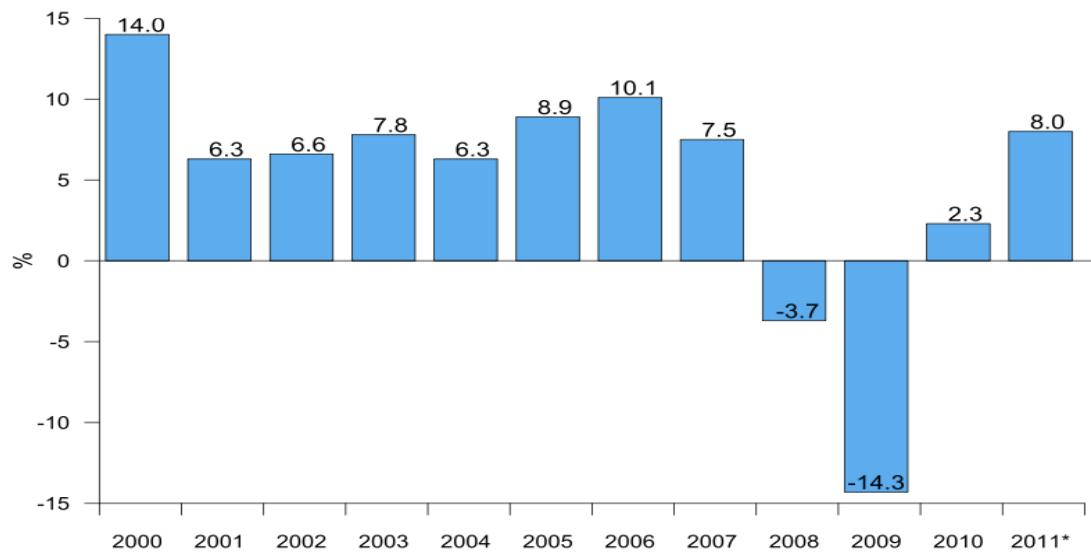
H&M, Bershka and New Look. Prices are displayed in Euros

(77onlineshop, 2012; H&M, 2012; Bershka, 2012; New Look, 2012)
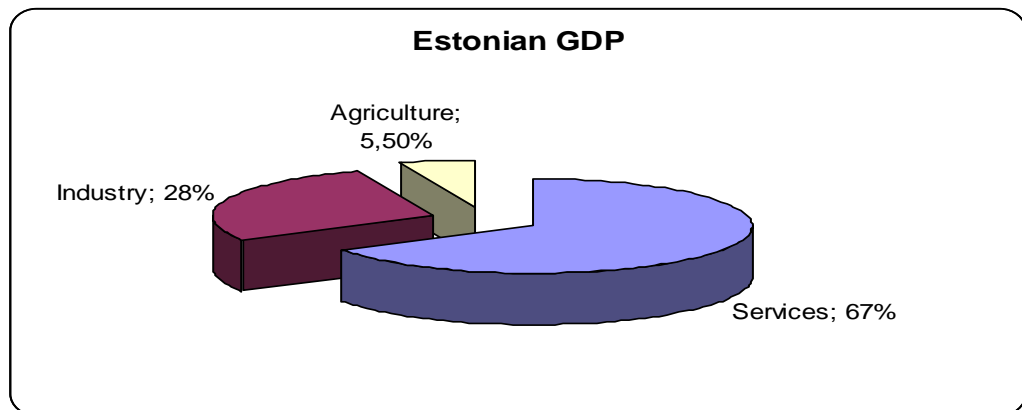

Average difference from Madonna's price level, average taken from the prices of

product groups on previous Figure. (77onlineshop, 2012; H&M, 2012; Bershka, 2012;

New Look, 2012)

Appendix 3: Estonian GDP

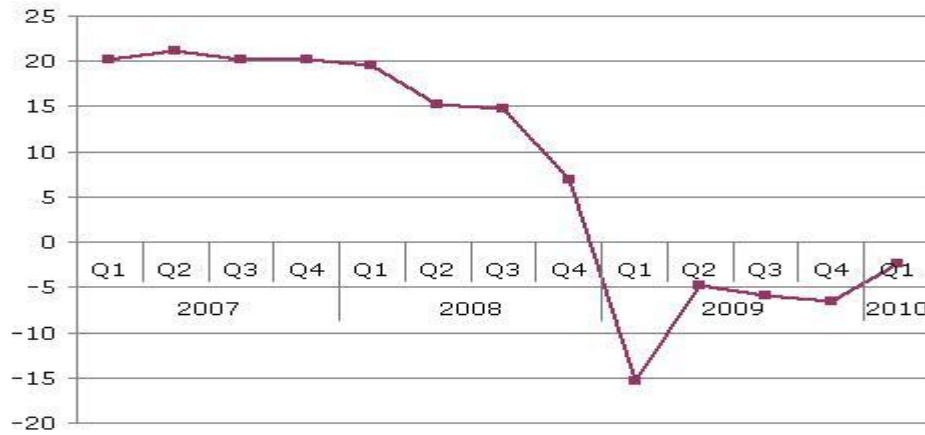The growth of Estonian GDP from 2000 to 2011* (2011 is prognosis) (Statistics Estonia, 2011)

The distribution of Estonian GDP (Statistics Estonia, 2011)

Appendix 4: Average gross wages

Percentage change in average monthly gross wages compared to the situation one year earlier, 2007–2010 (Statistics Estonia, 2011)
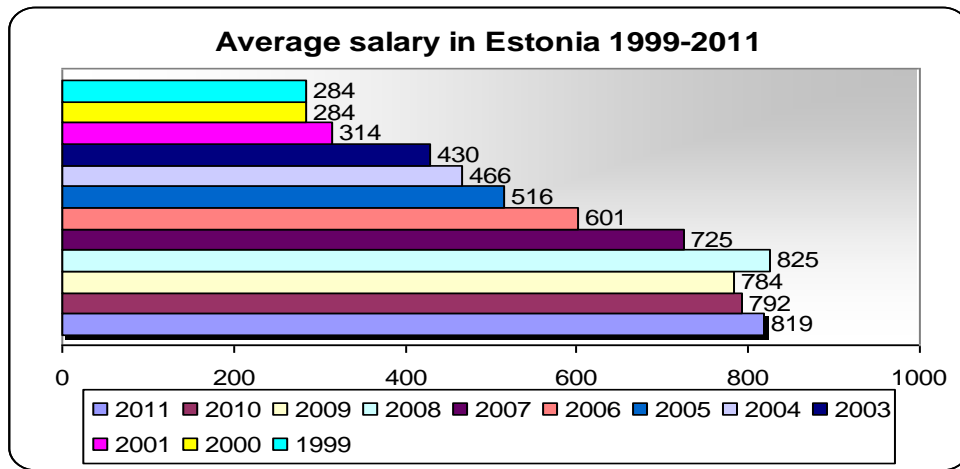
Monthly average salary from 1999 to 2011* (first 3 quarters) in Euros (Statistics Estonia, 2011)

Appendix 5: Retail venues
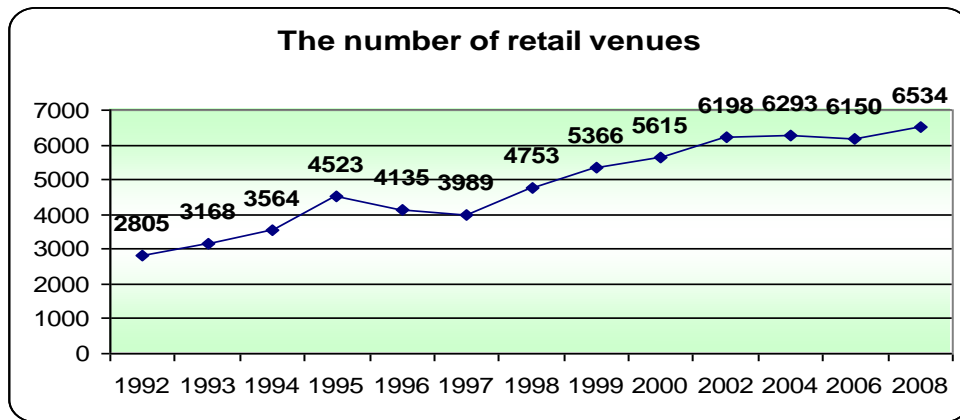
The growth of Estonian retail venues from 1992 to 2008 (Statistics Estonia, 2011)
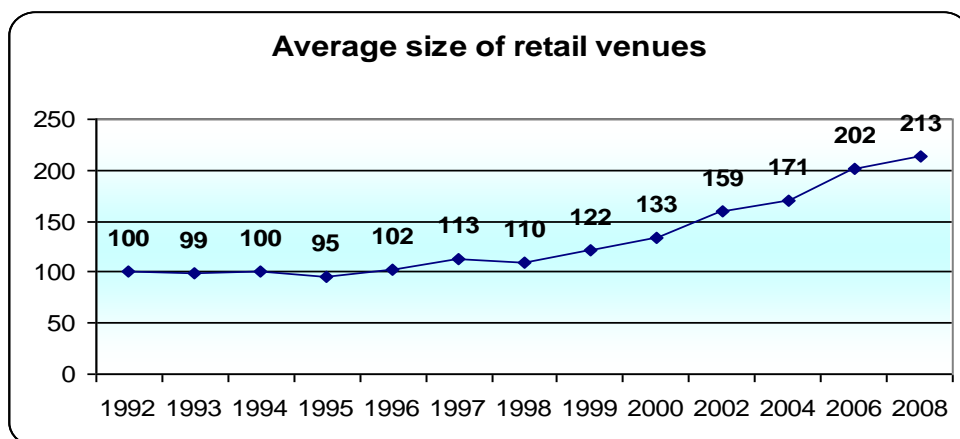
The growth of the average square meters per venue from 1992 to 2008 (Statistics Estonia, 2011)

Appendix 6: Sales profit
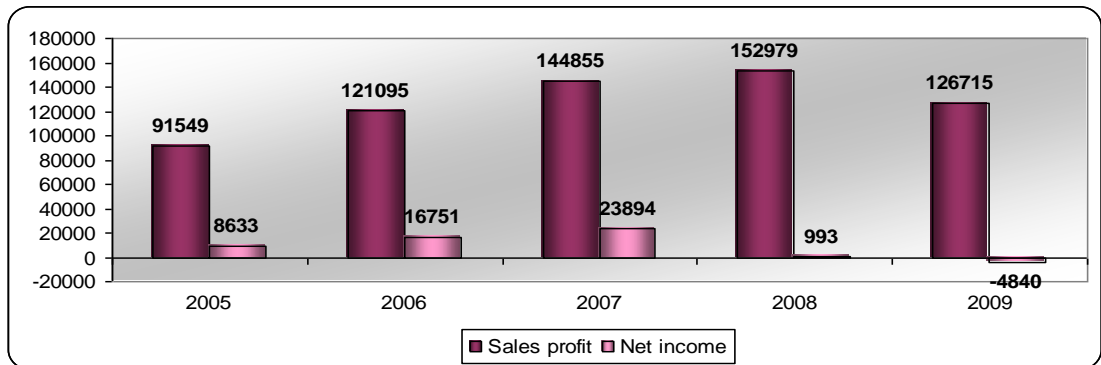
Sales profits compared to net profits from 2005 to 2009, thousand Euros (Statistics Estonia, 2011)
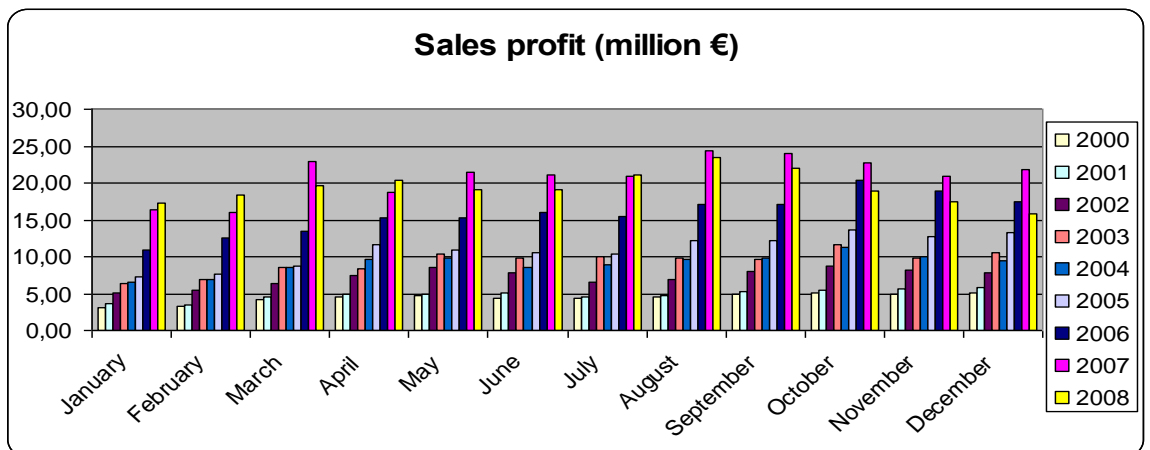
Sales profit through months from 2000 to 2008, million Euros. (Statistics Estonia, 2011)

Appendix 7: the Map of the Main Locations of Tallinn's Retail Venues

1 – Viru; 2 – Rocca Al Mare; 3 – Mustika; 4 – Magistrali; 5 – Järve; 6 – Kristiine; 7 – Norde Centrum; 8 – Sikupilli; 9 – Ülemiste; 10 – Vesse area (building and interior); 11 – Lasnamäe Centrum; 12 – Tähesaju City (Trubetskoi, 2011)

Appendix 8: Turnover Calculation Based on the Observation

Visitors of low-price brand stores

		Viru	**Kristiine**	**Rocca**
		Terranova	**Terranova**	**New Yorker**
Weekend	Date	Friday 25.11.11	Friday 18.11.11	Friday 4.11.11
	Time	14:45-15:45	13:26-14:26	12:28-13:28
	Enterers	201	141	109
	Buyers	37	16	19
Workday	Date	Thurs. 24.11.11	Wed. 9.11.11	Monday 14.11.11
	Time	14:19-15:19	16:04-17:04	12:49-13:49
	Enterers	149	129	75
	Buyers	21	13	13

Visitors of medium-price brand stores

		Viru	**Kristiine**	**Rocca**
		Mohito	**Vero Moda**	**Mango**
Weekend	Date	Friday 27.10.	Friday 18.11.	Friday 4.11.
	Time	15:13-16:13	11:32-12:32	11:25-12:25
	Enterers	165	40	73
	Buyers	11	1	16
Workday	Date	Tuesday 8.11.	Thursday 3.11.	Monday 14.11.
	Time	13:01-14:01	13:40-14:40	11:47-12:47
	Enterers	109	62	31
	Buyers	3	3	2

Visitors of high-price brand stores

		Viru	**Kristiine**	**Rocca**
		Pepe Jean	**Denim Dream**	**Vive Maria**
Weekend	Date	Friday 27.10.	Friday 18.11.	Friday 4.11.
	Time	14:09-15:09	13:26-14:26	12:28-13:28
	Enterers	44	47	17
	Buyers	1	1	0
Workday	Date	Tuesday 8.11.	Wed. 9.11	Monday 14.11.
	Time	14:05-15:05	16:04-17:04	12:49-13:49
	Enterers	31	41	9
	Buyers	0	2	0

Low-Priced Brands Turnover Calculation:

VIRU (based on Terranova sales):

Mon-Thu	21	buyers per hour
Fri-Sun	37	buyers per hour
Total	11 136	buyers per month
Average purchase*	20	Euros
Average turnover	222 720	Euros/month
Net turnover	**178 176**	**Euros/month**
Net turnover	**2 138 112**	**Euros/year**

ROCCA AL MARE (based on New Yorker sales):

Mon-Thu	13	buyers per hour
Fri-Sun	19	buyers per hour
Total	6 144	buyers per month
Average purchase*	20	Euros
Average turnover	122 880	Euros/month
Net turnover	**98 304**	**Euros/month**
Net turnover	**1 069 056**	**Euros/year**

KRISTIINE (based on Terranova sales):

Mon-Thu	13	buyers per hour
Fri-Sun	16	buyers per hour
Total	5 568	buyers per month
Average purchase*	20	Euros
Average turnover	111 360	Euros/month
Net turnover	**89 088**	**Euros/month**
Net turnover	**1 179 648**	**Euros/year**

*Average purchase is calculated on the example of Rocca Al Mare New Yorker store.

Company's 2010 Turnover	Company's Average monthly Turnover 2010	Stores in Estonia	Average monthly turnover per store	Average buyers per month
8 800 000	733 333	6	1 912 362	6 144

Average purchase = Average monthly turnover per store / Average buyers per month

Average purchase = 1 912 362 Euros/6 144 purchases = **20 Euros per purchase**

Appendix 9: Market Share Calculation of Low-Price Level Brands

Total Estonian Apparel Market turnover in 2009: 161 million Euros

Total Estonian Apparel Market turnover in 2010: 172 million Euros

		LPP*	NEW YORKER	APRANGA**	TERRANOVA	HUMANA
Turnover	2009	4,6	7,5	10,44	6,39	5,74
	2010	7,8	8,8	10,48	7,67	6,6
	GROWTH	**69,6%**	**17,3%**	**0,3%**	**20,0%**	**15,0%**
Market Share (MS)	2009	2,86	4,66	6,48	3,97	3,56
	2010	4,53	5,12	6,09	4,46	3,84
	GROWTH	**58,6%**	**9,8%**	**-6,1%**	**12,3%**	**7,6%**
MS exp Humana	2009	17,97				
	2010	20,20				
	GROWTH	12,4%				

*LPP Retail Estonia operates with brands Reserved, Croppdown, House

**Apranga Group operates with brands Zara, Stradivarius, Pull&Bear, Bershka and Mango

*Appendix 10: Efficiency Calculations on the Example of New York-
er*

New Yorker 2010			
Stores	6		
Average store m2	767	m2	
	Year	Month	Hour
Turnover	8 800 000,0	733 333	2 037
Turnover per store	1 466 667	122 222	340
Average purchase	20	€	
Purchases	73 333	6 111	17
Average m2 productivity/€	1 913	159	0,44

Madonna			
Stores	1		
Average store m2	400	m2	
	Year	Month	Hour
Turnover	860 000,0	71 667	199
Turnover per store	860 000,0	71 667	199
Average purchase	20	€	
Purchases	43 000	3 583	10
Average m2 productivity/€	2 150	179	0,50