Extended Essay:

"To what extent are the luxury brands such as LV and mainstream brands such as Hennes & Mauritz affected by the ongoing economic crisis in London, England?"

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Abstract:

This essay seeks out to answer the question on the contentious topic of how the English clothing retail industry has been affected by the ongoing recession. The essay investigates the research question of:

"To what extent are luxury brands such as Louis Vuitton (LV) and mainstream brands such as Hennes & Mauritz (H&M) affected by the ongoing economic crisis in London, England?"

For this investigation an extensive research was carried out on the strategy and financial performance of LV and H&M through secondary sources including annual reports and websites. Primary research helped deliver a broader perspective on the nature of the brand through an interview and personal observations in London. Furthermore, analysis of reports on this topic was carried out and newspaper articles online and printed were reviewed.

My findings show that the use of diverse but effective pricing and non-pricing strategies, can contribute to success. The high luxury segment has benefitted from Chinese consumers from abroad who were not impacted by the recession. The mainstream segment benefitted from a shift in buying patterns to more affordable clothing. The concepts of the clothing retail market, market structure, pricing strategies, non-pricing strategies, economies of scale and elasticity were analysed to come to a supported and justifiable conclusion of how LV and H&M have survived the recession.

The conclusion highlights that the recession has made aspects far more competitive and critical. Employers are recruiting far more overseas workers and paying them lower wages, additionally stores are staying open longer in

order to attract more shoppers. LV and H&M performance throughout the past years have shown a rise in profit and market shares demonstrating that the retail businesses can be successful despite the recession.

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Introduction to Essay:

"Business confidence in the euro zone fell"[1] again in July 2012 demonstrating the continuation of the wider global recession in England. A recession is a period between a peak and a trough on the business cycle. During a recession there is a significant slowdown in economic activity, economic indicators such as the Gross Domestic Product, employment, and business profits will fall while bankruptcies and unemployment rates will rise.

The global economic downfall that started in December 2009 has throughout the years affected many businesses including mainstream and luxury retail, causing them to change brand strategies in order to stay profitable. A significant increase in advertising amongst competing brands and a display of empty stores due to bankruptcy could be noticed during the recession.

The following research question is formulated to analyse impact of recession on a mainstream and luxury brand: "To what extent are the luxury brands of LV and mainstream brands of H&M affected by the ongoing economic crisis in London, England?"

In order to accurately and thoroughly investigate the research question, primary and secondary research was conducted. Primary research included interviews, a survey and personal observations in London. The information gathered was analysed against the microeconomic theories including demand and supply, market structure, theory of firm, and pricing strategies. Additionally, the macroeconomics concepts including circular flow of income model and the business cycle were analysed.

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[1] James Fontanella-Khan, "Eurozone business confidence falls," *Financial Times*, July 30, 2012.

Clothing Retail Market in England:

The English clothing retail market consists of women's, men's and children clothes as well as accessories. A **market** is a process through which potential buyers and sellers of a product interact. This process is directed by **demand** and **supply**. Demand is the quantity of a good or service that consumers are willing and able to purchase at a given price at a given time, and supply is a quantity of a commodity that a producer is willing and able to sell at a given price over a time period[2]. The recession and the slow recovery have influenced the clothing retailing industry in England[3].

Diagram 1: Business Cycle for English clothing retail market

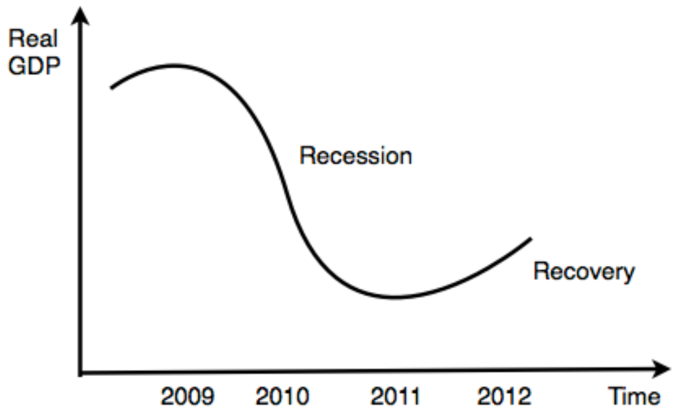


Diagram 1, demonstrating the **business cycle** for the British clothing retail market generating 8%[4] of the GDP shows how the economic conditions led to a decline in real GDP – meaning a decline in sales in 2009. Since then, the

[2] Jocelyn Blink and Ian Dorton, "Microeconomics," in *Economics* (Oxford: Oxford University Press, 2011) page 18 and 27

[3] "Clothing Retailing Update." Report Buyers . Last modified February 2012. http://www.reportbuyer.com/consumer_goods_retail/clothing/clothing_retailing_update.html.

[4] "Facts and Figures in the UK fashion industry," Fashion United , http://www.fashionunited.co.uk/facts-and-figures-in-the-uk-fashion-industry.

recovery has been very slow however growth has been achieved by a 3.3% increase in 2011[5]. The UK clothing retail market is divided between the luxury and mainstream brands.

Luxury Brands

A luxury brand is a good for which demand rise more than proportionally as income rises, and is a contrast to a "necessity good", for which demand is not related to income also known as **income inelastic**.

LV is a luxury brand, which is a division of the holding company Louis Vuitton Moet Hennessy (LVMH). LV has been named the most valuable luxury brand and continues to dominate the luxury retail industry. According to the chief executive of LV, Yves Carcelle, "Vuitton always gains market share in crisis"[6]. **Market share** is the percentage of an industry or market's total sales that is earned by a particular company over a specified time period. Their current gain in market shares can be explained by the impact of foreign visitors in London such as the Chinese (Appendix 2). It was estimated that in December 2011 that retail sales in London to Chinese consumers rose by 64%[7]. Additionally, at Harrods it grew by 12% last year[8], reflecting an increase in demand towards international designer wear. This resulted in an opposite trend than you would expect during a recession. A recession will under normal

5 "Clothing Retailing Update." Report Buyers . Last modified February 2012. http://www.reportbuyer.com/consumer_goods_retail/clothing/clothing_retailing_update.html.

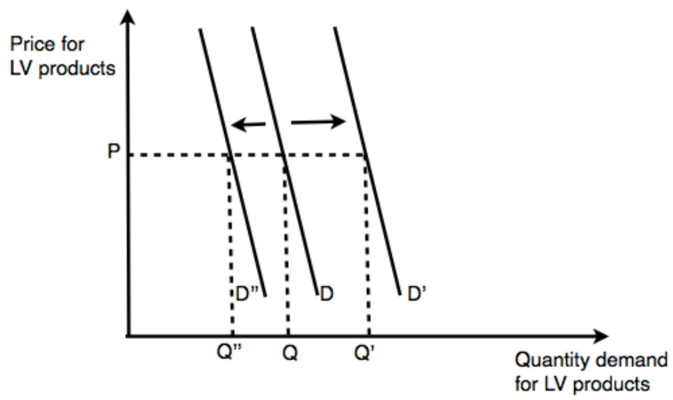
6 "LVMH in the recession: The substance of style," *Economist*, September 13, 2009, http://www.economist.com/node/14447276

7 Rani Singh, "Chinese Boosting Luxury Brand Sales in London," Asian Global Impact , http://www.agimag.co.uk/chinese-boosting-luxury-brand-sales-in-london/.

8 Rani Singh, "Chinese Boosting Luxury Brand Sales in London," Asian Global Impact , http://www.agimag.co.uk/chinese-boosting-luxury-brand-sales-in-london/.

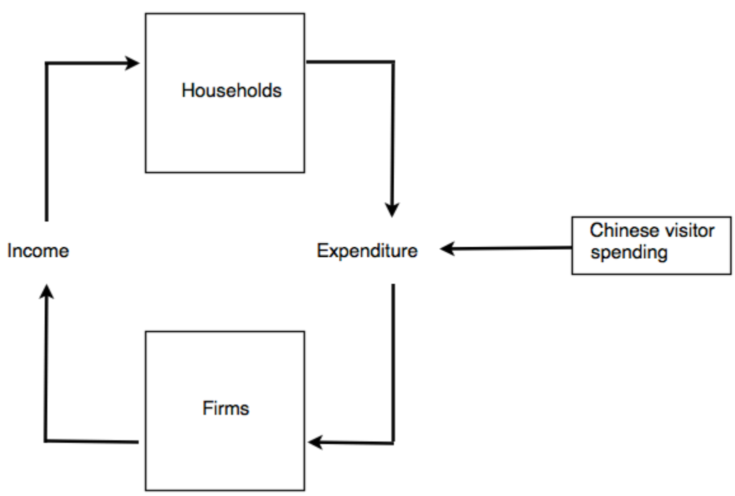
circumstances lead to a shift of the demand curve to position D'' as shown in Diagram 2. Due to the increase in Chinese consumers in London, LV was able to avoid this trend and extend its demand to level D', leading to an increase in quantities sold from Q to Q'.

Diagram 2: Demand for LV goods during recession



As shown in diagram 2, the demand curve is relatively steep, indicating a **inelastic demand** for LV products. The **rightward shift** for LV products is influenced by the expenditures of the Chinese in London (Appendix 2). This is an example of an injection in the **domestic circular flow of income** as shown in diagram 3.

Diagram 3: Injection in circular flow of income



The circular flow of income model is a simplified representation of how the basic decision-making unit of an economy interact. The Chinese visitor spending is an injection into the British economy because they are injecting into the circular flow because they represent a source of income not coming directly from households.

Consumers who buy LV products will receive **high amounts of utility** from owning such valuable products. The concept of utility can also be attributed with **conspicuous consumption**[9]; these type of products give the consumers a satisfaction of owning an expensive item as well as an extra psychological benefit including a high sense of status. This gives an indication that they belong to an exclusive group of individuals who can afford these valuable items especially since England is a country going through an economic decline. Conspicuous consumption can be explained through the snob curve as shown in diagram 4.

Diagram 4: The demand for LV goods

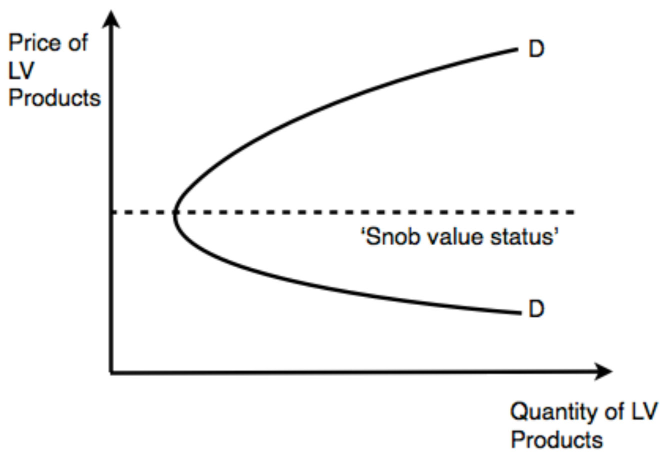


Diagram 4 shows that when the demand curve is above the 'snob value status', the demand increases as the price of high luxury goods such as LV

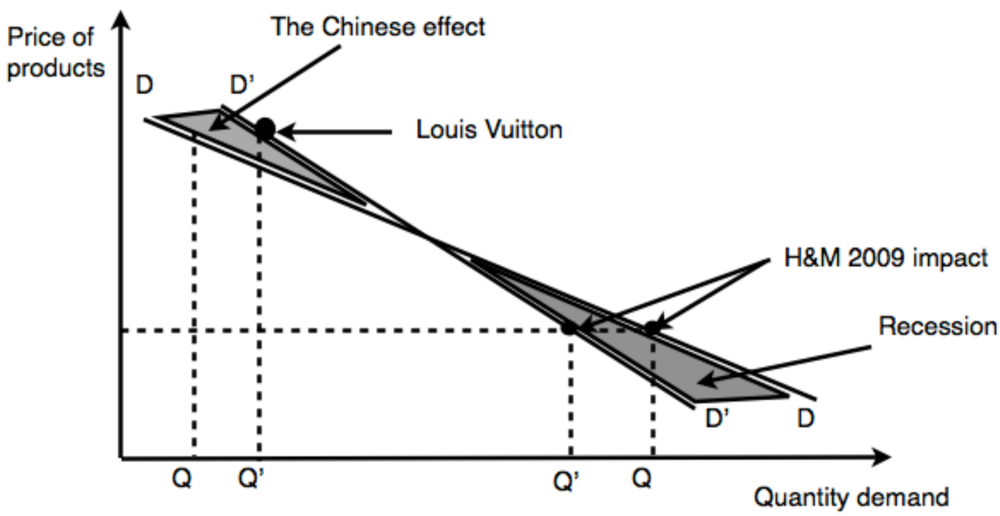
[9] Jocelyn Blink and Ian Dorton, "Microeconomics," in *Economics* (Oxford: Oxford University Press, 2011) page 23

increases as well. People with a higher income will purchase more of these goods because it has a snob value and can be described as a good of ostentation.[10]

Mainstream brands

A mainstream brand is any contemporary brand that is well known and generally accepted to be a popular choice amongst society. H&M is a mainstream brand that has been on the forefront of affordable retail. Its Swedish based with over "1500 outlets in 28 countries"[11] and is known to be the first brand to deliver fast fashion at low prices. During the economic uncertainty the **overall** demand for H&M products was negatively affected which caused the overall demand for mainstream products to make a **leftward shift** in 2009.

Diagram 5: Tilting of overall demand curve during 2009



In the first 4 months of 2009 the **overall** store sales fell by 10%[12] following reduced consumer spending. Diagram 5 illustrates how the demand curve for the

[10] Jocelyn Blink and Ian Dorton, "Microeconomics," in *Economics* (Oxford: Oxford University Press, 2011) page 23

[11] "H&M Company Profile," Innovation Leaders, http://innovationleaders.org/hm_company_profile.html.

[12] *Digital File*, s.v. "H&M Hennes & Mauritz AB Nine-Month Report ," by Karl-Johan Persson, last modified September 31, 2012.

British retail market slightly **tilted** in 2009 caused by a decrease in demand from D to D' for mainstream brands like H&M, and at the same time an unusual increase in demand from D to D' for luxury goods following the injection of Asian visitor spending. According to the **law of demand**, as the price of a product falls, the quantity demanded of the product will usually increase, ceteris paribus. Especially during recessions consumers are trying to purchase their needs for the lowest price (Appendix 1) while still meeting the need for "fashion, quality, quickness, and punctuality"[13].

In 2010 H&M started to benefit from this shift towards lower priced goods and sales increased significantly[14] for H&M in London. As shown in diagram 6 below the quantity demanded for H&M goods have increased during the last two years since consumers shifted their demand from higher priced segments to lower priced segments and due to the opening of 8 new stores in London[15]. H&M was able to give the consumers the same satisfaction at a lower price, taking market share away from higher priced brands such as French Connection UK.[16]

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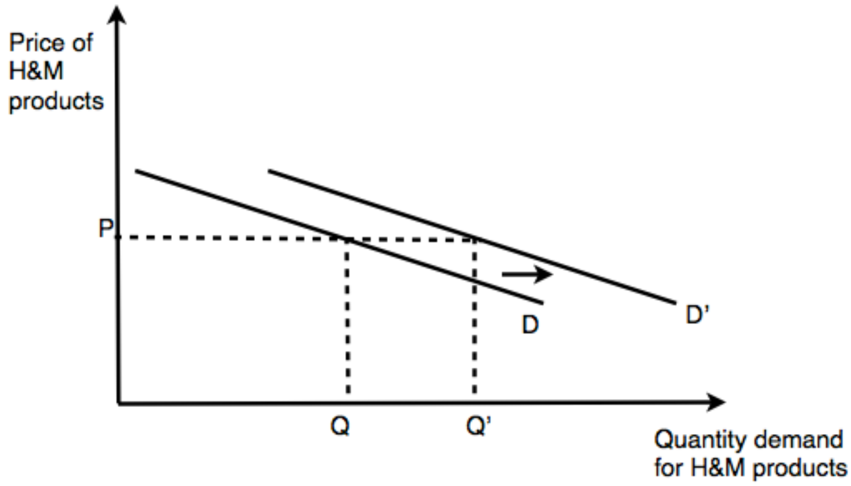
[13] *Digital File* (2007), s.v. "Extreme Business-Models in the Clothing Industry - A Case Study of H&M and ZARA," by Michaela Persson, Angelica Jönsson, and Susanne Göransson,

[14] *Digital File*, s.v. "H&M Hennes & Mauritz AB Nine-Month Report ," by Karl-Johan Persson, last modified September 31, 2012.

[15] *Digital File*, s.v. "H&M Hennes & Mauritz AB Nine-Month Report ," by Karl-Johan Persson, last modified September 31, 2012.

[16] Lauren Cochrane, "Fashion on the British high street: the winners and losers," The Guardian , last modified September 21, 2012, http://www.guardian.co.uk/fashion/fashion-blog/2012/sep/21/fashion-on-high-street-winners-losers.

Diagram 6: Demand for H&M goods in 2010-12



While the price is fixed, the demand has increased from Q to Q' demonstrating a **rightward shift** from D to D'. Consumers were attracted by the low price offering of H&M. Even **consumer confidence** hah slightly improved from -29 in August 2012 to -28 in September 2012[17]. Consumer confidence measures how optimistic people are about their economic future. Since, confidence has increased people are therefore more likely to spend more money on goods and services. The **non-price determinants** of demand will also have an influence on the demand for H&M goods. Including the prices of other products. If products are substitutes for each other, then a change in the price of one of the products will lead to a change in the demand for the other. GAP had to increase its prices due to an increase in price of cotton[18], causing consumers to find alternatives such as H&M.

[17] "United Kingdom Consumer Confidence," Trading Economics, http://www.tradingeconomics.com/united-kingdom/consumer-confidence

[18] Leslie Patton, "Cotton Record Price Lifts Costs for Gap Denim Supplier, Fun-Tees," Bloomberg, last modified November 4, 2010, http://www.bloomberg.com/news/2010-11-04/cotton-s-record-surge-boosts-costs-for-levi-gap-denim-supplier-fun-tees.html.

Market Structure of the Mainstream and Luxury brands in London, United Kingdom:

Both brands have connoted a rise in market shares and are dominating the English clothing retail industry during the recession. However, these two brands operate differently with their strategies due to differences in market structure.

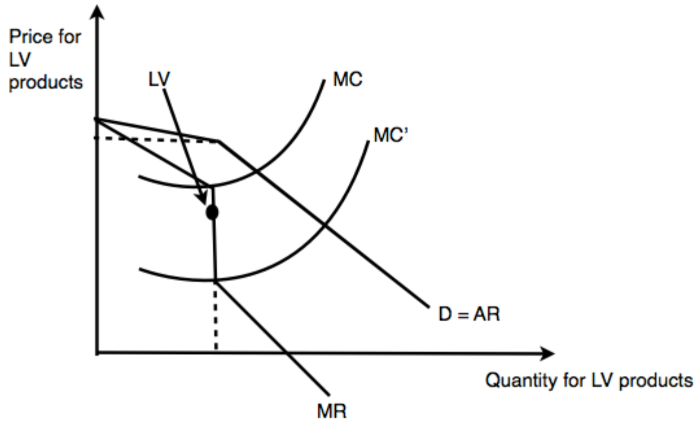
Luxury Market

LV aims to supply high-quality products, desire for authenticity and durability, and aim to treat their consumers as an "exceptional customer in an exceptional environment"[19]. Due to their domination in the market of luxury goods LV can be classified as a **non-collusive oligopoly**. A non-collusive oligopoly is a market condition in which sellers (who do not have a formal agreement between themselves) are so few that the actions of any one of them will materially affect price and have a measurable impact on competitors[20]. In an oligopoly environment, a **few firms** will dominate the industry; in this case LV, Hermes, Burberry and Ralph Lauren dominate the luxury retail industry in London. The key difference between these four brands is that LV is very unique and is almost dominating the entire luxury industry. This causes other brands to be influenced by LV's actions meaning they are **interdependent** on LV.

[19] *Digital File* , s.v. "LVMH Moet Hennessy Louis Vuitton SA Quarterly Report ," last modified June 30, 2012.

[20] Jocelyn Blink and Ian Dorton, "Microeconomics," in *Economics* (Oxford: Oxford University Press, 2011) page 131

Diagram 7: Non-Collusive Oligopoly



The behavioural assumption is presented in the **kinked demand curve** model, as shown in diagram 7. LV is located on the inelastic section of the non-collusive oligopoly. Based on strength the brand they can raise the price to some extend, with demand remaining unchanged, or even increasing as shown in diagram 4. The kink in the demand curve is responsible for the discontinuity in the Marginal Revenue (MR) curve, which has to be double the slope of each section of the kinked demand. Given that the working assumption of LV is **profit maximization**, it follows that the Marginal Cost (MC) curve must have intersected the MR curve right above the chosen Q as shown above. Currently, LV is more successful then Hermes due to not only their advertising strategy but also their price strategy since the prices that LV offers are more approved amongst consumers.

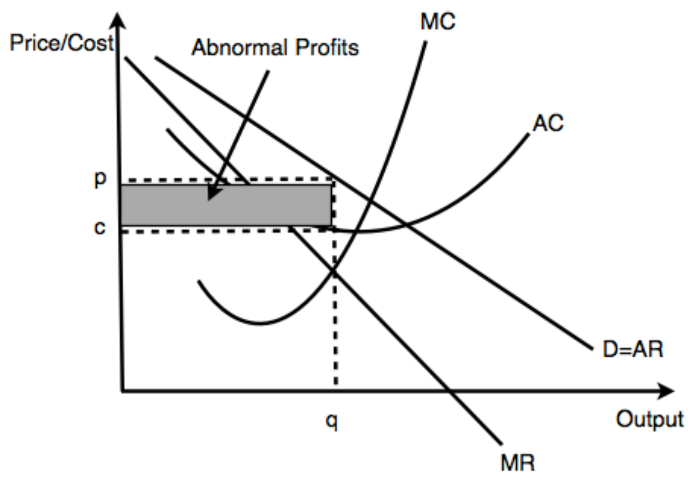
Mainstream Market

'Fashion and quality at the best price'[21] is the business concept that H&M lives by. Operating as a mainstream brand, H&M acts as a brand in a

[21] "H&M Company Profile," Innovation Leaders, http://innovationleaders.org/hm_company_profile.html.

monopolistic competition. A monopolistic competition is a market situation midway between the extremes of perfect competition and monopoly. In a monopolistic competition market, many competing brands exists where each brand has little market power; in this case Zara and Topshop are two of the main competing brands for H&M since they'll follow the same trend as H&M with a slight difference to their style. **Product differentiation** exists when a good or service is perceived to be different from other goods or services in some way. This will cause a certain extend of brand loyalty because consumers may be very loyal towards H&M and continue to buy from it even if the price were to go up. To a certain extent H&M can be classified as price makers, so their demand slope will be downward causing the demand to be relatively elastic since there will be many substitutes. With the marginal revenue curve placed below the demand curve[22], H&M is producing abnormal profits in the short run as shown on diagram 8.

Diagram 8: Abnormal Profits in Short Run for H&M



[22] Jocelyn Blink and Ian Dorton, "Microeconomics," in *Economics* (Oxford: Oxford University Press, 2011) page 122

H&M is producing where **MC = MR**[23], their meeting point is the most efficient for production. The shaded area between p and c is the **abnormal profits** that H&M makes. Producing at this point will ensure that H&M is receiving the highest amount of profit. As shown in previous reports and news articles H&M is currently making a "£647 million"[24] pre tax profit, including a UK sales rise of 13%[25] in 2010 and 17% in 2011[26]. Theoretically, H&M is maximizing profits by producing at the level of output where MR = MC, where the cost 'c' is at a lower price than the selling price 'p'. These abnormal profits made by H&M will induce entry, and entry is possible in this market structure since there is no barriers to assume exist.

In the long run as the entry of other monopolistic brands take place; the demand for H&M should be affected. The effects of the demand will demonstrate a decline and a shift to the left since more firms will be in the market, which implies a smaller market share between each brand. Consumers will also have a greater selection of slightly differentiated products to choose from, so the demand for H&M could become more prices elastic. Long run equilibrium will be achieved with H&M only making normal profits, which is zero economic profit as shown on diagram 9.

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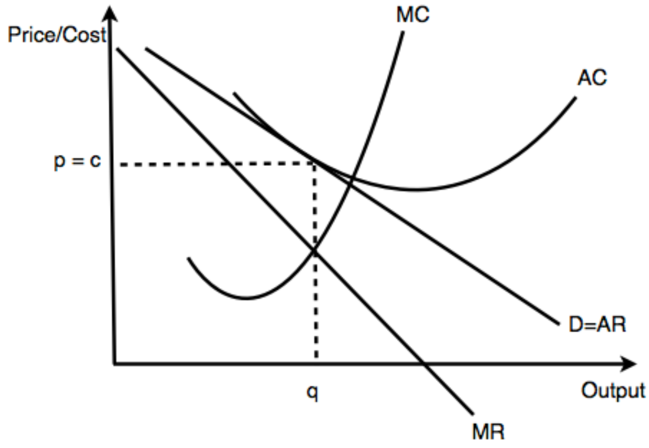
23 Jocelyn Blink and Ian Dorton, "Microeconomics," in *Economics* (Oxford: Oxford University Press, 2011) page 123

24 "H&M Remains on-trend With £647m Profits," *The Times*, June 20, 2012.

25 Mortino Donati, "H&M UK sales rise," *Retail Week*, September 29, 2010, http://www.retail-week.com/hm-uk-sales-rise/5017691.article

26 *Digital File*, s.v. "H&M Hennes & Mauritz AB Nine-Month Report ," by Karl-Johan Persson, last modified September 31, 2012.

Diagram 9: Normal Profits in Long Run for H&M



Normal profits are the minimum reward required by a firm to remain in business that compensates for the risk incurred by the entrepreneur[27]. Diagram 9, connotes the long run equilibrium at the chosen level of output Q, where MR equals MC (maximizing profits) and normal profits as AR and AC are tangent. Since the profits are normal, each firm is exactly covering its costs so there is no incentive for firms exit the industry as well as enter since they will be aware that their entrance will lead to losses for everyone.

[27] Jocelyn Blink and Ian Dorton, "Microeconomics," in *Economics* (Oxford: Oxford University Press, 2011) page 123

Price Strategies of Mainstream and Luxury brand during recession:

Price is a major consideration for brands. It is a major element of the marketing mix that is capable of generating income, and helping thereby to achieve profits. It also provides a guide to consumers who wish to benefit themselves of the benefit gained by owning and using products for which they have to make an exchange. Different brands will use different pricing strategies depending on which market structure they have and what type of target market they want to attract. There are three main strategies a brand could take to setting price; cost-based pricing, customer-based pricing and competitor-based pricing[28].

LV aims to fulfil high-quality products, and desires a high profile of the brand itself. Luxury brands know that if they were to increase the price too high that it would potentially alienate some customers, however lowering the price too low would cheapen the brand. LV currently has not once reduced the prices of its products for 154 years[29]. As a result of their policy to pricing strategies, the prices has been raised by 15%[30] at the start of the 2009 economic crisis which caused a significantly increase in their revenue[31], and was widely accepted by the costumers. This demonstrates that LV can raise prices while their demand

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28 "Marketing - Pricing approaches and strategies," Tutor2u, http://tutor2u.net/business/gcse/marketing_pricing_strategies.htm

29 *Digital File* (Tokyo, Japan), s.v. "Luxury Brand Strategy of Louis Vuitton," by Shin'ya Nagasawa,

30 Nina Sovich, "Faster, higher, stronger: luxury pricing goes for gold," *Reuters UK*, August 10, 2012, http://uk.reuters.com/article/2012/08/10/uk-luxury-pricing-idUKBRE8790BG20120810.

31 Louis Vuitton Maker LVMH Sees Sharp Rise in Profits," *Telegraph* , July 26, 2012, http://www.telegraph.co.uk/finance/newsbysector/retailandconsumer/9430229/Louis-Vuitton-maker-LVMH-sees-sharp-rise-in-profits.html#

will not be impacted, as indicated in diagram 7. The image below makes references of the queues outside the LV shop during the weekend in London. In image 1 it is even noticeable that the majority of people queuing to go into the store are Chinese women.

Image 1: LV queue on New Bond Street [32]

LV focuses on customer-based pricing; which is a strategy where the company will investigate a price, which the consumer is willing to pay[33]. Additionally, LV is a luxury brand with a high-income elasticity of demand. Income elasticity of demand (YED) is a measure of how much the demand for a product changes when there is a change in the consumer's income[34]. This indicates that as people become wealthier they will buy more of the product.

H&M is known to be the first brand to deliver fast fashion at low prices, they are price-competitive through very careful management of production. This gives already an indication that even if the company were to be struggling, it

[32] "Queue - Louis Vuitton," November 22, 2009, Flick River, http://flickriver.com/photos/avlxyz/4127968388/.

[33] "Marketing - Pricing approaches and strategies," Tutor2u, http://tutor2u.net/business/gcse/marketing_pricing_strategies.htm

[34] Jocelyn Blink and Ian Dorton, "Microeconomics," in *Economics* (Oxford: Oxford University Press, 2011) page 55

would not want to increase the price due to competitors and the potential loss of consumers. Analyst Nicolaj Jeppesen even states that “H&M’s strategy of keeping prices low is gaining momentum, and people are clearly shopping at H&M rather than at their competitors”[35]. If H&M were to increase its price, consumers wouldn’t purchase as much at this store because it’s **price elastic**. Price elastic means that a change in price of a certain product will lead to a greater than proportionate change in the quantity demanded of it. In 2010, the cost of production for H&M had significantly increased; for example cotton prices had almost doubled[36]. Obviously, the company knew that they would need to think about changing some condition while always keeping in mind their business concept of offering the customers high fashion and best quality at the best possible price. They decided to keep the price low and not raise the price in order to avoid a decline in demand from customers. The company should try and hold off increasing their prices as long as they can, if they were experiencing losses in the short run then they should start increasing the price.

Through focusing on low pricing strategies, H&M has created its value by striving to achieve **economies of scales** by mainly using **bulk buying** – resulting in a lower price unit. Additionally, LV’s market power has been achieved through the means of the developed of economies of scales including media buying aiding the continuation of their pricing strategy.

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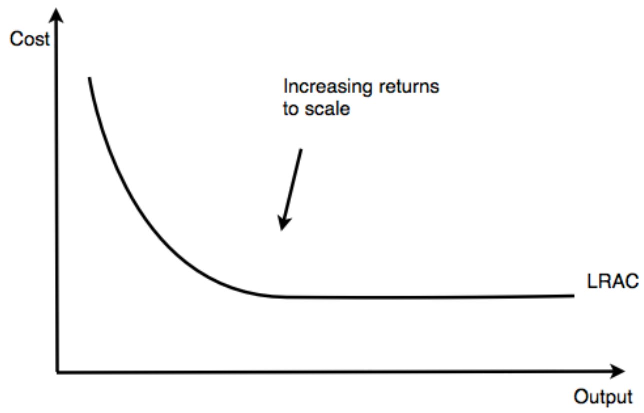
[35] "H&M Sales Rise As Expansion Continues," Capital, last modified March 15, 2012, http://english.capital.gr/dj/news.asp?details=1441394

[36] "H&M Full Year Report ," Case Competition, last modified January 26, 2012, http://www.casecompetition.com/files/hmfullyearreport.pdf.

Diagram 10: Economies of scale



Economies of scale exist if average costs decreases as the size of the firm expands, where it experiences bulk buying as well as promotional economies. This can be seen on diagram 10 above as **increasing returns to scale**. This means that a given percentage increases in all factors of production will lead to a greater percentage increase in output. The returns to scale are demonstrated through the use of a **long run average cost** (LRAC) curve, which shows the minimum average cost of production at each output level. Both brands have been able to strive economies of scales helping their continuation of effective pricing strategies during the recession.

Non-price strategies of Luxury and Mainstream brand's during recession:

Depending on their **market structure**, brands will compete in a different manner due to their nature. During recession, buyers will try and find the best deals according to their budget while seller attempt to influence buyers through pricing as well as non-price strategies.

Brands in **oligopoly** such as LV tend to not compete in terms of price, the concept of **non-price competition** becomes more important especially during times of recession since a brand will need to get as much positive publicity as they can get. Each brand will engage in aggressive non-price strategies with the others, especially in advertising and presenting the new products. Celebrity support and seasonal "must have" handbags are becoming a norm strategy in the battle for ascendancy in luxury brands. LV manages celebrities in its marketing campaigns including Muhammad Ali (Appendix 2), Madonna, Jennifer Lopez[37] and Angelina Jolie. All of these non-price strategies factors will contribute in the increase of the **demand** curve for LV. Additionally, a recent strategy LV launched is a new leather goods line that can be personalized, so customers can create a unique LV bag reflecting their own personality. This creates high level of interest for consumers because they will be able to create their own LV bag, a bag that no one else has with a designer label on.

In a **monopolistic competition** product differentiation exists amongst the brands, causing them to be so competitive (Appendix 1). H&M mostly

[37] "Louis Vuitton Advertisement," BW Grey Scale, last modified October 13, 2012, http://www.bwgreyscale.com/ads/louis_vuitton.html.

differentiates its products from the others by collaborating with guest designers. To help gain consumers H&M has used Jimmy Choo, Stella McCartney, Versace and recently David Beckham (See Appendix 2) to launch a collection for their company that will effectively help increase sales. This attracts attention towards H&M is a very positive light since people who cannot afford designer clothing, will be able to purchase a clothing item designed by a famous designer at a low price. One of their current advertising strategies is by promoting their latest collection through a mobile marketing campaign[38]. Consumers will essentially receive SMS coupons, and banner ads placed on media sites. Their main goal by doing this strategy is to promote the latest seasonal trend – trying to increase their **demand** for the latest fashion line.

[38] *Digital File* (2007), s.v. "Extreme Business-Models in the Clothing Industry - A Case Study of H&M and ZARA," by Michaela Persson, Angelica Jönsson, and Susanne Göransson,

Conclusion:

Since the start of the recession in 2009 the economy has been slowing down, and consumers have cut back during tough times. Staffing numbers have fallen in many retail outlets only keeping a skeleton of staff, and fewer available retail staff to actually help customers on the shop floor (Appendix 1). The recession has made things far more competitive and critical, additionally employers are recruiting far more overseas workers and paying them lower wages.

Through this investigation it has been demonstrated that LV and H&M have operated against the declining demand trend of the economic recession. Both demonstrate that through pricing and behavioural tactics, market share can be gained during an economic recession in both the higher priced and lower priced segments. This is due to the increase in Chinese consumers for LV in London and the benefit of the price inelasticity of their strong luxury brand. H&M benefitted from substitution by British consumers of higher priced fashion with lower priced fashion. H&M was able to continue selling at low prices due to economies of scale in their production process, shifting their demand curve to higher demand with fixed prices in the period 2010-12.

As knowledge and insight was mainly collected through secondary sources, there may have been a bias in data, which could impact the validity of the conclusion. Additionally, with the use of more definitive facts and figures to back up the argument and interpretation presented, it would have made the successes of the brands more clear.

The case study on LV and H&M could have been extended through a deeper analysis of revenues per brand category and per store location. However this was not feasible due to the confidentiality of detailed store information. It could also be more focused on long term, analysis in order to observe more trends.

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Appendix 1: Interview with Ruth Thompson

Throughout the development of my Extended Essay, I was able to get hold of Ruth Thompson who is familiar in the field of fashion and brands in London, UK. Thompson is mainly familiar with mainstream brands but also with popular luxury brands such as LV (LV) and has been able to give me some insight about the industry. In the form of emails Thompson and myself conducted the interview

Summary of Interview
<u>Question 1): In the past 2 to 3 years have you noticed any difference within stores and brands?</u>
Ruth Thompson answer: "I have noticed staffing numbers falling for example in many retail outlets keeping only a skeleton of staff, for some considerable time over the last 4 years. Additionally, there is fewer available retail staff to actually help customers on the shop floor, such as H&M, M&S, Peter Jones and John Lewis some mainstream concessions within their department stores out at Kingston, Oxford street and Sloane Square."

<u>Question 2) Why is there fewer available retail staff?</u>
Ruth Thompson answer: "Employers are recruiting far more overseas workers and paying them lower wages"

<u>Question 3) Do you think that the competition between brands especially mainstream brands have become more competitive?</u>
Ruth Thompson answer: "Yes of course, the recession has made things fare more competitive and very critical."

<u>Question 4) Are brands taking any desperate measures in order to stimulate the demand?</u>
Ruth Thompson answer: "Stores are staying open a bit longer in order to attract more shoppers whose footfall has declined tremendously and very noticeably"

<u>Question 5) Why do you think that H&M has an increase in market share?</u>
Ruth Thompson answer: "During the recession, people will try and find their needs at a lower price."

<u>Question 6) Do you think London 2012 had an influence in the revenues made by the brands?</u>
Ruth Thompson answer: "I do not know for sure, but it is surely possible and I would not be surprised if it did. I do remember reading in the paper that some stores had an increase in buyers. It could be that foreigners decided to buy their goods in London during the Olympics because those particular brands are more expensive in their own country"

Appendix 2: Personal Observations/Knowledge

Throughout the research stage of my Extended Essay (EE), I tried to remember if in the last months I had seen any advertising strategy, and other important information for both brands that I thought would bring relevance to my EE.

LV

- Advert featuring Muhammad Ali in *The Economist*, October 6th-12th 2012
- Advert featuring Madonna in *Vogue Magazine*
- Majority of Chinese costumers in the LV in Selfridges/Harrods
    - Known topic of discussion amongst society that in store like LV many Chinese tourist will always be present

H&M

- I saw a campaign and advert featuring David Beckham and his new underwear line at H&M
- Jimmy Choo designed a clothing line for H&M
- Versace also designed a clothing line for H&M