

Business Plan Youdside

Marie Van Rijckeghem

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Abstract:

Analysing secondary data using business marketing theory models such as the PESTLE, Porter's Five Forces, 4Ps and SWOT, this study presents a business plan for WHY YOU: a Belgian start-up sole proprietorship fashion company of Marie Van Rijckeghem that sells streetwear apparels, clothes and accessories. The main strength of WHY YOU is its drive to provide all-season products by adopting a highly flexible approach, based on continual innovation, to meet the needs of emerging niche segments. However, the start-up faces competition from companies such as the Belgian Company, Eddie Clothing and DYJCODE. WHY YOU targets the upper middle class consumer segment and will compete with rival firms through strategic pricing; its main product, sweaters, being priced at €100. The company will use two physical stores to launch the WHY YOU sweaters, in Ghent and Aalter, which are not as saturated as Belgium's fashion capital, Antwerp. WHY YOU will promote its products using flyers, posters and an E-commerce store, which will be launched in Q2 of 2018. The company targets profitability by Q1 2019 and a €50.000 funding from an angel investor(s) by the end of 2019; presently, WHY YOU has capital constraints. In the long-term, WHY YOU aims to enter Germany, The Netherlands and France. Financial analysis indicates that not all objectives will be obtained but the WHY YOU's profitability is projected to rise from €3.090 in 2018 to €16.640 by 2022. Based on the JEL Codes Guide of AEA (American-Economic-Association), this research falls under the marketing and accounting classification.

Keywords: Fashion, Market research, Budgeting, Promotion.

JEL Classification System:

M31- Marketing

M41 - Accounting

Resumo:

Analisando dados secundários e utilizando modelos teóricos de marketing empresarial como a análise PESTLE, as Cinco Forças de Porter, 4Ps e a análise SWOT, este estudo apresenta um plano de negócios para WHY YOU: uma *start-up* belga de moda, de propriedade exclusiva de Marie Van Rijckeghem, que comercializa

vestuário *streetwear*, roupas e acessórios. A principal força do WHY YOU é a sua iniciativa de fornecer produtos para todas as estações, adotando uma abordagem altamente flexível, baseada em inovação contínua, a fim de atender às necessidades dos segmentos de nicho emergentes. No entanto, a empresa enfrenta a concorrência de Belgian Company, a Eddie Clothing e a DYJCODE. WHY YOU tem como alvo o segmento de consumidores de classe média alta e competirá com seus rivais por meio de preços estratégicos; seu principal produto, *sweaters*, são precificados a € 100. Para lançar os *sweaters* WHY YOU, a empresa usará duas lojas físicas, em Gent e Aalter, mercados não tão saturados quanto a capital da moda da Bélgica, Antuérpia. WHY YOU promoverá seus produtos usando *flyers*, *posters* e uma loja de *e-commerce*, que será lançada no segundo trimestre de 2018. A empresa tem como meta lucratividade no primeiro trimestre de 2019 e financiamento de € 50.000 de um investidor-anjo até o final de 2019. Atualmente, WHY YOU tem restrições de capital. A longo prazo, WHY YOU pretende entrar na Alemanha, Holanda e França. A análise financeira indica que nem todos os objetivos serão obtidos, mas a lucratividade do WHY YOU deverá subir de € 3.090 em 2018 para € 16.640 em 2022. Com base nos Códigos de classificação JEL da AEA (American-Economic Association), esta pesquisa se enquadra a classificação de marketing e contabilidade.

Palavras-chave: moda, pesquisa de mercado, orçamento e promoção.

JEL Classification System:

M31- Marketing

M41 - Accounting

1 Executive Summary

The work details the external environment, the competitive landscape, the internal analysis, the marketing mix and the business plan relevant to the launch of the WHY YOU company. This is a streetwear label specialised for the Belgian market of streetwear apparels, clothes, and accessories. The company plans to expand to markets of adjacent countries, such as France, Germany and The Netherlands, while maintaining a competitive position on the Belgian market. WHY YOU will have a legal structure of sole proprietorship, with Marie Van Rijckeghem as sole proprietor. This legal entity will not have separation between corporate and private assets, except for tax purposes.

WHY YOU's vision is to build/set up a product line, allowing people to express their individuality, through an offer based on originality, service and quality.

The originality of the sweater product line can be found in its peculiar design and marketing, while the service will be based on the personal relationships the company will establish with its customers. The quality will reside in the type and choice of selected raw materials.

The customers WHY YOU are aiming at are the young consumers of major apparels, footwear, eyewear and watches, in the awareness that the Y-generation shows a growing fashion consciousness, with continuous changes in taste and a desire of becoming more involved, hence the need of customers personal relationships. The external analysis (PESTLE), Belgian fashion industry highlighted the strong economy of the country with healthy household savings and a potential disposable income that may be captured by the streetwear apparels, clothes, and accessories industry. Moreover, it highlighted the steep growth of e-commerce in Belgium. The analysis of the competition landscape showed the high power of buyers, with continuous taste changes, that can literally "cherry pick" through an extensive offer of fashion brands and lines, with relatively low brand loyalty. The competition rivalry is high, also from foreign brands. WHY YOU is planning to build its competitive advantage by catering for every season with its sweaters line, while it may have to face the reality of developing its business away from the main Belgian fashion hub, Antwerp, at least initially, due to other historical brands being well established there.

As mentioned before, WHY YOU intends to take the opportunity of international expansion. In the Belgian market however, careful marketing campaigns must take into

account the wide multi-cultural aspect of the Belgian society, to cater for different fashion tastes as expressions of different cultures.

In terms of positioning, WHY YOU intends to exploit a relatively undeveloped segment of the market, the ‘ergonomic’ one which includes sportswear and comfortable clothes designed for comfort and functionality. The ergonomic segment recorded a 22% increase in sales in 2016. WHY YOU is planning to outsource production to a garment-sourcing agency in Bangladesh, with the advantage of researching for the best prices while maintaining control on the security and reliability of the supply chain. WHY YOU will have short-term and long-term objectives as per **Table 1**. Note the launch of the e-commerce business, that will complement two brick- and-mortar locations in Ghent and Aalter.

WHY YOU

Shorth Term Objectives	1 Launch e-commerce by Q2 2018.
	2 Record a 100% minimum increase in sales, Quarter-on- Quarter, starting from the launch of the e-store and ending in two years.
	3 Record profitability by Q1 2019.
	4 Obtain \$50.000 funding from an angel investor(s) by the end of weglaten 2019.
Long Term Objectives	1 Start distribution in neighbouring countries by Q1 2021.

Table 1. WHY YOU. Short-term and long-term objectives.

In order to secure sustainable growth, WHY YOU plans a price strategy to undercut the high-end fashion retailers, while maintaining premium price conditions with respect to other companies.

Estimated sales for the business are as per **Table 2**.

Quarters	Q1	Q2	Q3	Q4
Sales in first year	20	30	40	50
Sales in second year	30	40	50	60
Sales in third year	40	50	60	70
Sales in fourth year	50	60	70	80
Sales in fifth year	60	70	80	90

Table 2. WHY YOU. Estimated sales.

The production cost of each sweater is expected to be 25 Euros, including

transportation.

General costs are predicted as per **Table 3**. First-years production costs will include one-time costs to build the brand, such as the brand logo and the company website. The marketing budget by year is in **Table 4**. The highest budget for 2018 reflects costs relevant to the launch of the company. Finally, **Table 5** shows the forecast of financial statements per year. WHY YOU is expected to be a profitable enterprise since its start-up in 2018.

Year	2018	2019	2020	2021	2022
General Costs (Euro)	2410	2200	2600	3770	3360

Table 3. WHY YOU. General costs per year.

Year	2018	2019	2020	2021	2022
in Euros	5000	2,500	2,500	2,500	2,500

Table 4. WHY YOU. Marketing budget per year.

Details / Year	2018	2019	2020	2021	2022
	(Euros)	(Euros)	(Euros)	(Euros)	(Euros)
Sales Revenues	14,000	18,000	22,000	26,000	30,000
Production costs	3,500	4,500	5,500	6,500	7,500
Gross Profits	10,500	13,500	16,500	19,500	22,500
Marketing Costs	5000	2,500	2,500	2,500	2,500
General Costs	2,410	2,200	2,600	3,770	3,360
Total Costs	7,410	4,700	5,100	6,270	5,860
Profits	3,090	8,800	11,400	13,230	16,640

Table 5. WHY YOU. Financial statements forecast.

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2 Literature Review

Entrepreneurship

Fashion is a type of mutual behaviour socially accepted for a specific amount of time, however, anticipated to transform over a given period. The consumption of streetwear apparels, clothes, and accessories as well as services goes back a long way. The use of streetwear apparels has been on the increase because it brings some social status among consumers in the society. The fashion industry is dynamic which asks for a continuous innovation and invention to meet the growing demand for Generation Y apparels and accessories (Lion et al. 2016). One remarkable feature of the sector is that it has been growing and expanding faster than any other over the last few years.

The fashion industry divides its dynamic entrepreneurs into different stages of a business' evolution, from launch to early traction stage. These evolutionary aspects of the industry have been the driving force of fashion and design companies. Chen, Zhou, and Yu (2016) revealed that under the same circumstance, various people would display different levels of requirement for uniqueness. Therefore, unique needs of an individual will influence their buying power and decisions.

The research showed that consumers would often pursue a distinctive feature because they want to establish and improve their self-image and social image in the society. These two images have influenced the strength of the fashion industry over the decades. The research also exposed that individuals will always consume these apparels and commodities such as jackets, T-shirts, socks among others to show off their social status within the community. Chen, Zhou, and Yu (2016) also stated that materialism had been a major factor enhancing the consumption of expensive apparels and accessories. Buying these goods help most people to strengthen their identity and prestige gain in society. Consumers also use streetwear apparels to reveal their self-concept as well as to express their identity. Two major issues affect their consumption in the world today. These include consumer perception of price dynamics and ethical consumption behaviour (Andadari et al. 2016).

Start-up

Conscious control is one of the factors that have traditionally influenced the start-up of the fashion business in the world today. The accessories and clothes that individuals buy from the fashion stores reflect the transitory style that trends in the industry. In order for a fashion

business to grow and expand, there must be a balance of control in the industry. However, the balance of power has transformed over the years; as a result, fashion business should develop the best business strategies to grow and expand. There is also a shift in the fashion industry as the stakeholders are moving their operations and services towards mass customization.

Mass customization refers to the empowering of customers to modify the products they want to buy from the fashion stores. For instance, Mon Purse is one of the world's start-up fashion stores and applies mass customization to help them build a global brand. Any entrepreneur who wants to start up a business must have a capital to enable it and run most of its operations and achieve its objectives. For an individual to start up a fashion business, he needs to create a website and a logo, build a workstation, hire staff, manufacture, search for an opening to buy, calculate a marketing budget and hire models. The start-up capital can be raised from banks, personal savings, family investments and loans from societies as well as from crowd-funding. Starting a business is not a great challenge, but the problem is the ability of the organization to handle the growth of consumers and expand to achieve its long- term goals. With a well-organized business strategy, fashion market plan and strong brand, the business will grow tremendously and attain its objectives within the specified time.

Objectives

- 1 To exploit the potential consumers of streetwear apparels, clothes, and accessories in Belgium.
- 2 To meet the ever-growing demand of streetwear apparels, such as clothes, sweaters, socks, T-shirts and jackets, in Belgium.
- 3 To have a business plan.
- 4 To determine the demand for streetwear apparels, clothes, and accessories among the Belgian population.
- 5 To compare the general consumption of streetwear apparels among adults and teenagers.
- 6 To come up with a conclusion regarding the results obtained from this study.

Motivation

I have always had a passion for streetwear apparels, accessories, and clothes. The firm love for these goods prompted me to consider a profession in fashion and design more specifically streetwear apparels. Besides, I want to be my own boss and earn a living after completing my

masters. I have always dreamt of creating fashion for the youth in my city, and this will give me the opportunity to pay back to society.

Business Description

The fashion business supplies accessories and clothes. The company will mainly offer unisex accessories and clothes to tap the vast number of consumers of streetwear apparels, clothes and accessories in the region. These products will include, sweaters, T-shirts, socks, and boutique clothing. Legal form of business, Limited Company.

A limited liability company is a business established as an entity with a distinct legal identity. Under the Companies Act 2006, the local authorities require the limited companies to have two constitutional documents including memorandum and article of association (Cody et al. 2007; Degenhardt, 2010)

A limited liability company has benefits such as increased credibility, huge take-home pay, lower personal risks as well as business being a distinct legal entity separate from its owners (Mancuso 2015).

Market Analysis and Plan

Full comprehension of the market share is a capital element in determining the ability of the possible competitors in the industry. The driving forces within the fashion industry have dramatically changed over the last few years. Therefore, for any business to survive these dynamic forces on the market, brands ought to establish strong marketing competencies, every time they are obsolete for the industry stakeholders. Some studies have revealed young consumers as target customers of major apparels, footwear, eyewear and watches. The growth in fashion awareness is a significant trend among the Y-generation, which has led to change in taste and consumer behaviour by selecting brands becoming more involved. An analysis of the fashion market trend, shows that footwear and apparel control the largest share of the global fashion industry.

The company aims at demonstrating its interest in the fashion industry through the design of accessories and clothes by establishing a strategic management to attain a competitive advantage over already established business within the region (Barbosa Pinto, and Yeda Swirski 2013). Designing should be an integral part of the business to help the company accomplish its objectives. The fashion industry includes the textile and clothing processing chain (de Souza Libânio and Fernando 2017). Therefore, to establish a successful organization in this particular

industry, the management should locate the enterprise close to the final consumers of the product.

Building strategic sales involves a company's management to set up sufficient and efficient sales strategies on the market. Dynamic forces are at work which influence the competitive nature of the industry (Piorunowska-Kokoszko 2016). Sales strategies entail a plan to place a company's product onto the market, so as to enable it and reach a competitive position over that of other company's (Malshe and Ravipreet 2009). Valid and sufficient sales policies will help the company to focus on the target consumers and reach them in a meaningful way. The company management will apply the below five steps to establish an efficient sales strategy:

- 1 Define the target consumer market
- 2 Determine the company outreach
- 3 Acknowledge the questions regarding consumer taste and product
- 4 Deliver and build a good relationship with its consumers
- 5 Monitor the sales strategies

Elements of a corporate Sales Strategy

Building an effective and efficient corporate sales strategy is a multifaceted process which requires thorough analysis of the market. Therefore, it essential for the management to consider the following components:

- 1 SWOT Analysis: This is an assessment of the company's strengths, weaknesses, opportunities and threats. The company will use the SWOT analysis to determine the best regions and target consumers allowing it to either pursue its business or fine-tune on weaknesses.
- 2 KPI's: This analysis will help the organization to understand the key performance indicators in the industry to screen the development and growth of the business as well as making the right adjustments.
- 3 Financial Projections: The company evaluates the possible outcomes of every business opportunity you consider tracking to help it have a competitive edge by plotting the goals through some suitable financial projections.

Conclusion

Fashion is a type of mutual behaviour that is socially accepted for a specific amount of time however anticipated to transform over a given period. The consumption of expensive apparels has a long history and the use of these products has been on the increase because it is a symbol of wealth and social status. The fashion industry is dynamic, which calls for continuous innovation and invention to meet the growing demand for streetwear apparels and other accessories used by teenagers. The company aims at establishing its interest in the fashion industry through designing accessories and clothes by establishing a strategic management to attain a competitive advantage over already established business within the region. Designing should be an integral part of the business to help the company accomplish its objectives. The fashion industry encompasses the textile and clothing processing chain. Therefore, to establish a successful organization in this particular industry, the management should locate the enterprise close to the final consumers of the product.

3 Introduction of the company

3.1 Mission

WHY YOU is a streetwear label specialised in sweaters, founded by Marie Van Rijckeghem. The label distinguishes itself from others by its design and colour pallet.

The brand is released regardless of season, as the goal is to provide customers with a basic product line exceeding seasons to make them feel comfortable and stylish at any time.

Our ambition is to have everyone fit in while standing out.

3.2 Vision

WHY YOU offers a product line that allows people to express their individuality. Originality, service and a quality are key elements for the brand.

Originality will be expressed in design, colour and marketing service will stand for the effort we put in creating personal relationships with our clients. Finally, quality will reflect from materials, service and production environment.

We would like to expand our product portfolio towards the future while remaining loyal to our brand image and keeping focussed on the Belgian market.

3.3 Legal Structure

WHY YOU is a sole proprietorship, Marie Van Rijckeghem being the sole owner of the company. A sole proprietorship is the Belgian equivalent of a private limited liability company and the most common form of a limited company in Belgium and The Netherlands.

This means that Marie is responsible and liable for all aspects on the impact of the enterprise. The sole proprietorship has no legal personality: meaning that for the owner of the company - from a legal point of view - no distinction is made between corporate and private assets. From a tax point of view, there is a distinction.

WHY YOU has chosen this legal structure as it is very easy to initiate (no contracts have to be made and no costs are involved). The only action required is to fill out a 'registering one-man business' form and go to the Chamber of Commerce. WHY YOU is registered in Belgium under number BE 1234567890.

4 Market Analysis

A strategic marketing plan is made through an internal and external environment analysis.

4.1 External Analysis

The reason for running this external analysis is to identify the opportunities and threats on the market. It can be very instructive, in this case for WHY YOU, in order to be able and anticipate.

Opportunities can turn into benefits if exploited and threats can be avoided or bent into opportunities. This analysis will be done based on the PESTLE framework, a competitor analysis, and the 5 forces of Michael Porter.

4.1.1 PESTLE

Political

There is high political uncertainty due to a 4-party coalition which often disagrees on key issues (Reuters, 2016). Belgium has also been the target of terrorist attacks, which have adversely affected public and business sentiment, particularly when combined with the ongoing refugee problem (Rabobank, 2016). Tensions between Dutch and French speaking parts of Belgium cause differential socio-economic development across the country, in addition to significant conflict at times (Financial Times, 2017).

Economic

Belgium's GDP growth rate in 2017 was 1.5%, significantly below the average of 2.25% in 1981 (Trading Economics, 2017). This reflects sluggish growth taken into account the brief

3.5% recovery from the financial crises in 2010. \$45,000 Purchasing Power Parity (PPP) per capita in 2016 puts Belgium's equivalent to 359% of the world's average (Trading Economics, 2017a). It is a small, yet prosperous private-enterprise-based economy that is currently one of the healthiest in Europe, due to very high household savings and low firm debt (Rabobank, 2016).

Social

A rapidly aging population and low participation rates amongst the older demographic will put an increasing strain on PPP (Rabobank, 2016). A high proportion of low-educated and non- EU immigrants without economic opportunities pose an increased threat of radicalisation and further social tension (Financial Times, 2016). The use of cash has declined rapidly as many individuals opt for digital transfers (Euromonitor, 2016).

Technology

Belgium has strong tech infrastructure and has seen a consistent increase in internet penetration; up to 88.5% in 2016 (ILS, 2017). E-commerce has grown rapidly to 9.1b EUR in 2016, reflecting an annual increase from 14% to 16% of total retail (Ecommerce News, 2017). Fashion has been impacted most of all by e-commerce and m-commerce (Nauwelaerts & Chakri, 2016). Advances in Internet of Things (IoT), blockchain, AI and data analytics are improving effectiveness in fashion, but require substantial initial investment (Huffpost, 2017).

Enviromental

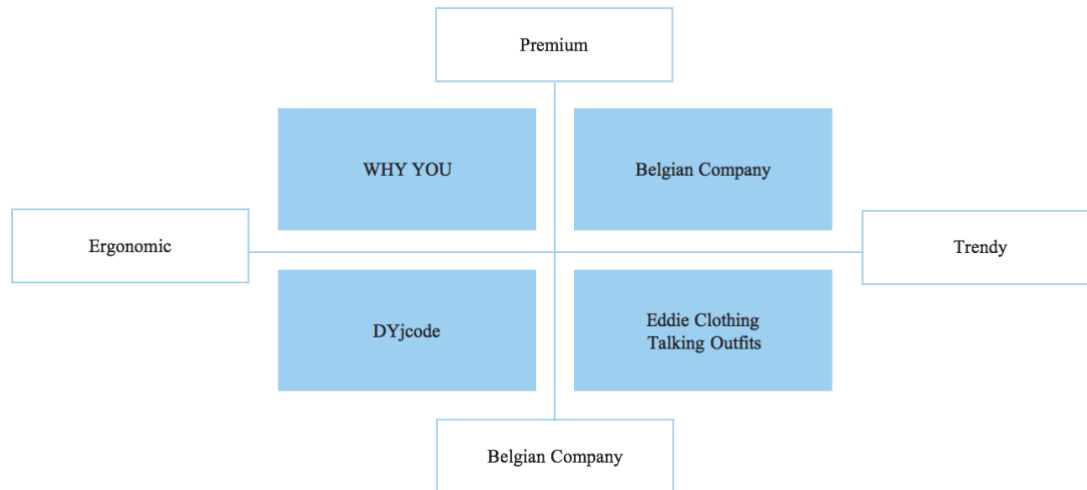
Despite the fact that Belgium has very few natural resources, its centralised geographic location has enabled them to prosper through ease of trading (Rabobank, 2016). The fashion industry is second only to oil as the worst environmental polluter; this means that companies face intense criticism from pressure groups (OGP, 2017). Raw material intensity also means increased costs; exemplified by the price of cotton spiking 2000% (BOF, 2017).

Legal

Strict labour market regulations, such as employment protection and automatic wage indexation, can be costly to businesses (Rabobank, 2016). However, favourable trading conditions with EU member states easily offsets this, particularly for the fashion industry where over 75% of supply

originates from (CW, 2016).

4.1.2 Competitor Analysis



EDDY CLOTHING

(www.eddy-clothing.com)

Eddie clothing was founded in 2011 by Patrice Martin. The brand is based in Ghent and offers a small collection consisting of basic pieces. The collection is unisex and is made for a trendy target.

Product:

The brand portfolio of Eddie Clothing consists of:

- Sweaters
- Hoodies
- T-Shirts

Price:

Product	Average Price
Sweaters	69 EUR
Hoodies	69 EUR

T-Shirts 30 EUR

Promotion:

Eddie organises events in collaboration with well-known clubs in Ghent so as to create more visibility. They have a blog on their web shop on which they announce upcoming festivities. Eddie also promotes itself through two major social media channels: Instagram & Facebook.

Place:

The distribution is done only through their own e-commerce store. In order to generate more traffic to their webstore, Eddie has expanded to a multibrand shop for brand clothing, streetwear and cool accessories.

DYJCODE

(www.dyjcode.com)

Product:

The brand portfolio of DYJCODE:

- Sweaters
- Hoodies
- T-shirts
- Dresses
- Shorts
- Trousers

Price:

Product	Average Price
Sweaters	60 EUR
Hoodies	60 EUR
T-shirts	70 EUR
Dresses	70 EUR
Shorts	40 EUR
Trousers	65 EUR

Promotion:

Most promotion is done through Belgian influencers whom wear the brand on events and post on social media. As the owner is a Belgian football star, most of the influencers are top athletes. DYJCODE also has a collaboration with a Belgian Photographer in order to create original campaign photos.

Place:

The brand organised a pop-up store in Leuven in the summer of 2017. They also sell through 4 ZEB stores. ZEB store is a big multibrand chain in Belgium that also has an online store. Finally they also have their own online webstore.

Talking Outfits

(www.talkinoutfits.be)

Talking Outfits sells affordable and sustainable T-shirt and sweaters.

Product:

The brand portfolio is very small as it holds only 2 units

- Sweaters
- T-Shirts

Price:

Product	Average Price
Sweaters	45 EUR
T-Shirts	25 EUR

Promotion:

The brand gets promoted through the traditional social media channels. They do a lot of exclusive pieces that can be won through contests organised through TV or magazines. For all special holidays, they create special codes that give you a discount on their website.

Place:

Talking outfits has only one distribution channel and that is their own E-commerce website.

4.1.3 Michael Porter 5 Forces Analysis

Threat of New Entry (High)

The increased uptake of digital channels means foreign companies now pose a greater threat to domestic Belgian retailers (Nauwelaerts & Charki, 2016). Moreover, there has been a trending increase in demand for niche fashion retailers, not only in Belgium, but globally (Childs & Jin, 2014). Therefore, the main restriction for smaller competitors is likely to be financing; securing enough capital to effectively scale and build awareness (McKinsey, 2016).

Buyer Power (High)

Increased internet penetration has meant faster fashion industry growth, but buyers also tend to spend longer comparing prices, which is a threat to non-premium fashion brands (CW, 2016). In the digital age, consumers are also growing more demanding and exhibit low brand loyalty; this has contributed to shorter fashion cycles thereby putting increased strain on business to keep up (McKinsey, 2016). There are also low / non-existent switching costs for customers.

Threat of Substitution (Low)

The fashion / apparel industry has very little threat of substitution given the fundamental products are essentials. However, one could argue that radical new trends pose a threat to particular fashion lines, but this is of little concern to a diversified retailer (McKinsey, 2016).

Supplier Power (Medium)

Fashion retailers hold strong bargaining power because there are only few mega-suppliers in the fashion industry, as raw materials are dependent on natural resources (EM, 2016). However, scarcity of natural resources in Belgium makes retailers more prone to opportunism from importers (Nauwelaerts & Charki, 2016).

Competitive Rivalry (High)

There have been many cross-border relationships formed with businesses like Poland and Romania, which have been a significant source of competitive advantage (EM, 2016). The market is going through a gradual transition from consolidation to fragmentation, whereby smaller competitors have been stealing market share from larger incumbents (Deloitte, 2016). However, there is still a large power imbalance, with larger fashion retailers entrenched in key strategic locations such as Antwerp (BOF, 2016). The main reason for this is that Belgian fashion retailers have not capitalised on the potential to expand abroad (Nauwelaerts & Charki, 2016).

4.2 Internal Analysis

The reason for running an internal analysis is to identify and evaluate the company's strengths, weaknesses, opportunities and threats; a swot analysis. This is needed in order to make good strategic decisions.

4.2.1 SWOT

Strengths

WHY YOU has a unique vision on catering to every season. This creates an immediate advantage over current businesses which are extremely vulnerable to seasonality; particularly larger ones which have more cumbersome production lines (McKinsey, 2016). This brings us to the next key strength which is flexibility; WHY YOU's emphasis on style caters to the emerging niche segments of the global apparel industry, whilst many established competitors do not have the underlying business model to compete with this (Deloitte, 2016).

Weaknesses

As a start-up WHY YOU faces an immediate capital constraint which will not enable it to take advantage of emerging technology, initially. It will not be able to capitalise on favourable international trading to the same extent that larger competitors do because a key element of this is bulk purchasing; which will not be achievable initially (CW, 2016). Competing with large brands in strategic fashion hubs such as Antwerp will be extremely difficult due to their historic presence there (BOF, 2016).

Opportunities

The strong PPP in Belgium likely means there will be less of an emphasis on pricing; therefore, the barriers to entry, associated with economies of scale, may be mitigated by effective product differentiation. Digital channels provide the potential for ambitious geographic expansion, including internationally, which would create an advantage over smaller businesses which have not yet done so.

Threats

If marketing is done incorrectly, it could alienate segments of the highly diverse socio-cultural market in Belgium. There needs to be a strong focus on adaptation in price and promotion elements of the marketing mix to mitigate this. Climate change, causing unexpected spiking in raw materials, poses a significant risk to the continuity of certain product lines, particularly given the emphasis on sweaters.

5 Strategy

5.1 Positioning

As illustrated in Figure 1, competitors already occupy brand positioning at most levels of the ‘trendy’ segment of the market, which is first and foremost concerned with appearance.

Conversely, there is an absence of competition in the ‘ergonomic’ segment of the market, which includes sportswear and comfortable clothes and is predominantly concerned with functionality.

Moreover, the trendy segment of the market lost 3.1% in value in 2016 alone, reflecting a long-term negative trend, particularly because it was 6 degrees hotter than normal thereby

dramatically influencing winter term apparel; the only strong segment was ergonomics, with products such as sports shoes increasing sales by 22% (GFK, 2016). In terms of targeting, there will be a range of sweaters which are designed to suit different age groups, based on research suggesting that all age demographics value ergonomics when it comes to apparel; and fewer are solely focused on fashion (Kuo et al., 2012). Leaning towards a more ergonomic product range also mitigates the impact of the cultural divide and tensions which are present in Belgium (Financial Times, 2015). This is because style and fashion are strongly influenced by culture, but the desirability for at least some items of apparel that have strong ergonomic qualities is ubiquitous (Gentina et al., 2016).

5.2 Production

The production is to be outsourced to Tex Sourcing (TS); an SME located in Bangladesh. TS are predominantly a garment-sourcing agency which select the factory of production, negotiate a competitive price, and monitor the timeline and quality standards of the project for their clients (Tex Sourcing, 2017). Although the addition of an intermediary such as TS will add fees if the current trend continues, the overall cost is likely to remain significantly lower compared to in-house production (International Trade Council, 2017). One of the main restrictions of outsourcing is that overreliance on a single partner that is geographically distant, creates high risk, because it does not allow for monitoring, and any unexpected event could jeopardise the ability to bring resupply to market (Mudambi & Venzin, 2010). Therefore, the use of an agency acting in the best interest of WHY YOU is likely to minimise this risk whilst freeing up more time for the owner to design products and gauge market trends. This is essential because the design of these products is the single most important source of competitive advantage. This is a strategy that has been effectively implemented by many other textile retailers, both large and small (Barrientos et al., 2011).

5.3 Short-Term Objectives

- Launch e-commerce by Q2 2018. This will require a fully operational e-store and payment processing system - designed, tested and marketed. Achieving this objective will require the first online sale to have been registered by this date too. The e-store will be developed alongside the other operations and is an integral element of WHY YOU's success because it is the only way through which products can obtain high exposure to the market, given the cost of leasing further property or paying high intermediary

distributor fees.

- Record a 100% minimum increase in sales, Quarter-on-Quarter, starting from the launch of the e-store and ending in two years. This may seem like a high figure, but taken in context it is likely to turn out relatively conservative given that initial sales will only be available through two physical stores. Moreover, achieving rapid growth during the early phase of a business venture is essential to pave the way for future continuity and success, and to demonstrate performance for any investors whom may have provided seed capital (Love & Roper, 2015).
- Record profitability by Q1 2019. This provides a time frame of approximately eight months in which to establish working practices and record the first profit. This is a particularly ambitious objective given that many start-ups must wait at least three years before they start running profits (Entrepreneur, 2013). If WHY YOU is launched successfully, it will allow for enough time to establish a supply and distribution routine, and accurately ascertain whether there is demand for certain products within the Belgian market.
- Obtain \$50,000 funding from an angel investor(s) by the end of 2019. This is not a critical objective like the others. However, if WHY YOU is successful, some form of funding will be required for the business to realise expansion ambitions both domestically and foreign. This is because most highly successful start-ups fully apply the working capital they have at any given time during the early phases (Love & Roper, 2015; Entrepreneur, 2013).

5.4 Long-Term Objectives

Start distribution in neighbouring countries by Q1 2021. Expansion is a cornerstone of WHY YOU's strategy because overreliance on the Belgian fashion market exposes the owner to great risk, particularly given the current performance of the overall market. Therefore, the objective will be achieved upon the first sale abroad. Neighbouring countries such as The Netherlands, Germany and France will be the first target markets; a sale in either of these countries will result in the objective being successful. In addition to being nearby geographically, the national cultural dimensions of these countries are very similar to those of Belgium. For example, high individualism can be observed across all of these countries; a key characteristic in the fashion industry (Geert Hofstede, 2017).

6 Management Mix

6.1 Production

WHY YOU intends to leverage flexibility as its key strength to continuously innovate and bring new, trendy products to market. Due to growing consumer demand, the product lifecycle of most items in the fashion industry has been rapidly decreasing (Bhardwaj & Fairhurst, 2010). Moreover, the centralised management structure of large fashion retailers means that key product decisions tend to take longer than they would at an SME (Dangelico et al., 2013). Therefore, the success of WHY YOU will be highly dependent on the skill of the owner, in terms of being able to accurately predict and gauge various fashion trends. Given that WHY YOU is targeted at the upper middle market, desirable differentiation will be extremely important, as WHY YOU cannot effectively compete with DYJCODE, Eddie Clothing or Talking Outfits on price (Porter, 1990). If profitability is achieved by Q1 2019, the founder will consider hiring assistance in the form of market research staff, because it is naive to assume one person can cover all bases optimally.

6.2 Price

Although WHY YOU will be launching additional product ranges further down the line, the main emphasis is on sweaters. Therefore, the pricing strategy will be initially focused around this product, which is to be priced at around 100 euros. This price was set because it undercuts higher-end fashion retailer Belgian Company (2017) by around 25%, and exceeds the Eddy-Clothing price by 50%. Furthermore, this price setting has the advantage of being under the ‘psychological level’ of 100 euros; research points out that the extra digit can have a significant deterrent effect on intent-to-purchase (Somervuori & Ravaja, 2013). Therefore, the overall pricing strategy can be described as ‘psychological pricing’. This strategy does not apply to any arbitrary price level though; it is a way for WHY YOU to establish brand equity by setting a price in relation to competitors. This is because customers often associate brand equity with price, irrespective of product / service quality (Villarejo- Ramos & Sanchez-Franco, 2005). This process will be applied to other product ranges once expansion commences, because consistency is essential to maintain a strong brand identity (Da Silveira et al., 2013). This is likely to be one of the key success factors for WHY YOU because it will not be able to compete with established incumbents on an operational level, in the short- to-medium term.

6.3 Place

The launch of WHY YOU will take place across two stores in the cities of Ghent and Aalter, Belgium. Although Antwerp is considered to be the ‘fashion capital’ of Belgium, as expected the market is extremely saturated there and it would be very difficult to ensure WHY YOU products are placed in a noticeable position in the respective stores (Business of Fashion, 2016). Therefore, competing seriously in Antwerp is not on the agenda until the WHY YOU brand gains some recognition and generates the sales revenue necessary to drive this. It is anticipated that the most crucial ‘place’ success factor will be the e-store. Many traditional brick and mortar retailers have not done well when making the digital transition, because they have struggled to replicate their brand image online (Laudon & Traver, 2013). Therefore, the website will be a high quality one that is professionally designed; although this may incur a large initial cost, it is set to be the most important customer touchpoint for the brand. Moreover, a great deal of attention will go into designing the user interface so that it is extremely simple to use. This is because some of WHY YOU’s sweaters will be targeted at older demographics, and research has found that uncertainty often acts as a significant deterrent to e-commerce purchases for this demographic (Tsai et al., 2011).

6.4 Promotion

To kick off WHY YOU sales, there will be an opening party launched in Ghent. Many flyers and posters which detail the event, will be distributed in lively locations throughout the city. The owner will provide entertainment in the form of a live band, alcoholic drinks, and will also have a select handful of the new products on display. The purpose of this event is to establish WHY YOU as part of the community. This is due to research which revealed SME owners feel the most effective element of their CSR strategy is local community engagement, and that this can serve as a pivotal marketing point and differentiator to a brand (Murillo & Lozano, 2006). Therefore, there will be less focus on marketing the products during this party, but will instead seek to lay the foundation for the values of the brand. Another key differentiator of the WHY YOU brand will be based around the notion of contrast and doing things which might be considered unorthodox. This will allow WHY YOU to capture the growing demand for niche brands in Belgium, using a form of ‘memorable marketing’ (Ryan, 2016). One example of this will be an elderly couple wearing trendy sweaters on one of the opening pages of the e-commerce store. This creates a memorable visit for any customers browsing the store regardless of their age, because the majority of WHY YOU’s competitors use pictures of younger and ‘good- looking’ models to optimise perception of the clothing. This will also create a signal to attract the older e-commerce segment; an area many retailers have neglected (Ecommerce, 2016). Finally, advertising through

shop sales is going to be done through traditional methods, such as representation at community events, leaflets, posters and promotional deals with other distributors. There will also be an emphasis on social media marketing from the offset, which will be through Instagram, Twitter and Facebook. Here, updates will be frequent as this is something that businesses often neglect in terms of importance keeping customers loyal and engaged (Kaplan & Haenlein, 2010). However, the same research also indicates that posting too frequently tends to create a perception of inconvenience. Therefore, the objective will be to post five times a week across all social media platforms.

7 Financial Plan

- 1 The product launch will be hold on January 1, 2018, which will mark the start of business operations.
- 2 The product will be priced at 100 Euros; sweaters will be the only product for this plan.
- 3 Production will be outsourced to a supplier in Bangladesh; their asking price for each sweater will be 25 Euros.
- 4 It is estimated that sales in the first year will be as under

Quarters	Q1	Q2	Q3	Q4
Sales in first year	20	30	40	1120
Sales in second year	30	40	50	60
Sales in third year	40	50	60	70
Sales in fourth year	50	60	70	80
Sales in fifth year	60	70	80	90

- 5 E-commerce will be launched at the beginning of Q2, 2018.
- 6 Prices and costs will be the same and no adjustments will be made for inflation in both (Carcello, 2008).

- 7 Current liabilities will be calculated based on approximately 3 months of production costs.

7.1 Production Costs

The production cost of each sweater is expected to be 25 Euros, including transportation and other land and costs. The production costs for each order have been calculated in appendix 1.

7.2 Indirect Competitors Analysis

General costs have been calculated to be 2,410 Euros in the first year, 2,200 Euros in the second year, 2,600 Euros in the third year, 3,770 Euros in the fourth year, and 3,360 Euros in the fifth year.

One-time brand building costs have been made in the first year such as the creation of a logo and the construction of the website.

Both labels are being produced by ‘Market Textiel-Etiketten’ in The Netherlands. They offer 1000 woven labels for 240 Euros and 1000 cardboard labels for 320 Euros. The amount of labels ordered in the first year will be sufficient to label all sweaters for the upcoming 3 years. Packaging will be ordered per year, depending on the estimated production, round off upwards. Website maintenance costs for the first year are calculated at 600 Euros, uploading of all products on E-commerce inclusive. This cost will increase every year as the collection will expand.

Finally, the designer charges for the technical book amount up to 360 Euros per day. The collection will expand each year with one model and therefore an extra half a day shall be charged.

7.3 Marketing Budget

The marketing budget for each year has been calculated in appendix 3.

For the first year costs are calculated to be higher due to the launch event.

Year/	2018	2019	2020	2021	2022
in Euros	5000	2,500	2,500	2,500	2,500

7.4 Financial Statement

7.4.1 Profit and Loss Account

Details / Year	2018	2019	2020	2021	2022
	(Euros)	(Euros)	(Euros)	(Euros)	(Euros)
Sales Revenues	14,000	18,000	22,000	26,000	30,000
Production costs	3,500	4,500	5,500	6,500	7,500
Gross Profits	10,500	13,500	16,500	19,500	22,500
Marketing Costs	5000	2,500	2,500	2,500	2,500
General Costs	2,410	2,200	2,600	3,770	3,360
Total Costs	7,410	4,700	5,100	6,270	5,860
Profits	3,090	8,800	11,400	13,230	16,640

7.4.2 Balance Sheet

Details / Year	2018	2019	2020	2021	2022
	(Euros)	(Euros)	(Euros)	(Euros)	(Euros)
Assets					
Non-Current Assets	Nil	Nil	Nil	Nil	Nil
Current Assets	9,100	20,300	24,400	29,730	36,140
Total Assets	9,100	20,300	24,400	29,730	36,140
Liabilities					
Current Liabilities	1,000	2,000	2,500	3,500	4,000
Non-Current Liabilities	Nil	Nil	Nil	Nil	
Total Liabilities	1,000	2,000	2,500	3,500	4,000
Share Capital	5,000	5,000	5,000	5,000	5,000
Profit and Loss Account	3,100	13,300	16,900	21,230	27,140
Total Shareholder Equity	8,100	18,300	21,900	26,230	32,140
Total Liabilities + shareholder equity	9,100	20,300	24,400	29,730	36,140

7.5 Financial Conclusion

Analysing the financial statements, we can conclude that not all the short-term objectives have been reached. Sales did not have a 100% minimum increase Quarter-on-Quarter and no

funding of 50,000 Euros was obtained. However, WHY YOU accomplished to be profitable from the first quarter in 2018 and profits keep on increasing every year.

Appendices:

Appendix 1: Profit and Loss Projections

Quarters	Sales Volumes (Euros)	Sales Revenues (Euros) x 100	Production Costs (Euros)/4	Gross Profits (Euros) x3
2018				
Q1	20	2,000	500	1,500
Q2	30	3,000	750	2,250
Q3	40	4,000	1,000	3,000
Q4	50	5,000	1,250	3,750
Total	140	14,000	3,500	10,500
2019				
Q1	30	3,000	750	2,250
Q2	40	4,000	1,000	3,000
Q3	50	5,000	1,250	3,750
Q4	60	6,000	1,500	4,500
Total	180	18,000	4,500	13,500
2020				
Q1	40	4,000	1,000	3,000
Q2	50	5,000	1,250	3,750
Q3	60	6,000	1,500	4,500
Q4	70	7,000	1,750	5,250
Total	220	22,000	5,500	16,500
2021				
Q1	50	5,000	1,250	3,750
Q2	60	6,000	1,500	4,500
Q3	70	7,000	1,750	5,250
Q4	80	8,000	2,000	6,000
Total	260	26,000	6,500	19,500
2022				
Q1	60	6,000	2,750	8,250

Q2	70	7,000	3,250	9,750
Q3	80	8,000	3,750	11,250
Q4	90	9,000	4,250	12,750
Total	300	30,000	7,500	22,500

Appendix 2: General Costs

Details	Amount	Amount (Euros)
	2018	
Design Logo	One-time cost	50
Construction Website	One-time cost	100
Woven Labels	1000	240
Cardboard Labels	1000	320
Packaging	200	380
Maintenance website	One-time cost	600
Designer technical book	One-time cost	720
Total		2410
	2019	
Maintenance website	One-time cost	660
Packaging	320	640
Designer technical book	One-time cost	900
Total		2200
	2020	
Maintenance website	One-time cost	720
Packaging	400	800
Designer technical book	One-time cost	1080
Total		2600
	2021	
Maintenance website	One-time cost	720
Packaging	500	1000
Designer technical book	One-time cost	1260
Woven labels	1500	340
Cardboard labels	1500	450
Total		3770

	2022	
Maintenance website	One-time cost	720
Packaging	600	1200
Designer technical book	One-time cost	1440
Total		3360

Appendix 3: Marketing Costs

Details	Amount (Euros)
2018	
Location (event)	200
Staff (event)	300
DJ (event)	250
Decoration (event)	500
Food & Drinks (event)	1,585
Invites (event)	165
Photoshoot/ Campaign	2,000
Total	5,000
2019	
Photoshoot/ Campaign	2,500
Total	2,500
2020	
Photoshoot/ Campaign	2,500
Total	2,500
2021	
Photoshoot/ Campaign	2,500
Total	2,500
2022	
Photoshoot/ Campaign	2,500
Total	2,500

7.6 Business valuation

In order to undertake valuation of a standalone business, discounted cash flow (DCF) method is the most suitable approach since there is no data from similar business available to undertake relative valuation (Damodaran, 2016). Therefore, first of all, it is necessary to calculate expected

cash flows for the business for the next five years and then find the cash flow for terminal value. In order to calculate operating cash flows from the net profit, the typical method is to add back non-cash expenses such as depreciation, adjust for gains/ losses on sale of fixed assets and account for changes in working capital i.e. current assets and current liabilities (Kruschwitz and Löffler, 2006). Since there are no fixed assets in the business, depreciation and gains/ losses on sale of fixed assets are not adjusted and only the changes in working capital are accounted for. Also, since there are no separate current assets given in terms of cash and non- cash (inventories and debtors), it is assumed that all current assets are non-cash. Calculation of cash flows also require cash flows from financing and investing activities. However, there aren't any non-current assets or non-current liabilities and hence there are no cash flows from financing and investing activities. Therefore, expected cash flow is calculated by only adjusting current assets and current liabilities.

	2018	2019	2020	2021	2022
Profits	3,090	8,800	11,400	13,230	16,640
Increase in Current Assets	-9,100	-11,200	-4,100	-5,330	-6,410
Increase in Current Liabilities	1,000	1,000	500	1,000	500
Net Cashflow	-5,010	-1,400	7,800	8,900	10,730

8 Financial Valuation

Next, discounting rate needs to be determined since it is assumed that the value of an asset (business) is the present value of all the expected cash flows from an asset (business). Since discount rate should reflect the risk imbibed in cash flows, it is a cost of capital for the business. Cost of capital is a weighted average of cost of equity and cost of debt. Since there is no long-term debt in the business, only cost of equity would consist of a cost of capital and hence would be used as a discount rate (Damodaran, 2007).

Cost of equity is a return sought by investors for investing into the business. Cost of equity is quite difficult to estimate as it depends on the risk degree expected by the investors. Any investor may have his own perception with respect to the risk (Damodaran, 2016). Yet, unlike interest rate (cost) on debt, cost of equity cannot be observed directly. Cost of equity can be calculated either by using Capital Asset Pricing Model (CAPM) or Dividend Capitalisation Model (DCM). While CAPM is considered the most sophisticated method to calculate cost of equity, one needs risk free rate, beta and market risk premium and none of them available is

available. For DCM, one would need to have dividend and market price of the share. For this business, none of these components are available for CAPM and DCM. Therefore, an estimation for cost of equity (capital) is required. Damodaran (2018) values the cost of capital of each sector and for consumer goods (since it's a garment business in this case), at 8.35% in the US. Furthermore, this business is newly established and hence 50% of risk premium seems reasonable. Therefore, a required return (r) of approximately 12% (8.35×1.5) seems suitable according to the risk of the newly established business in the consumer goods sector.

Finally, all the expected cash flows need to be discounted using a 12% cost of capital. Also, it is necessary to find the final value of the business according to continuous stable growth rate of the business after five years (Friedl and Schwetzler, 2011). This is also called horizon value. In order to calculate stable growth rate after five years, the expected growth rate of the next five years needs to be determined. The projected figures clearly show that the cash flow is expected to grow in the range of 10% to 20% in the next five years. Therefore, a stable growth rate (g) of 5% may be considered, if looked upon things from a conservative angle.

The present value can be calculated by using the following standard formula.

Present Value (PV) = +

Terminal value can be calculated by using the following standard formula. Terminal value =

Where, $FCF_6 = FCF_5 (1+g)$

$= 10730 (1+0.05)$

$= 11267$

$r = 12\%$

$g = 5\%$

Terminal value =

$= 160,950 \text{ Euros}$

Hence,

PV =

$= -4473 - 1116 + 5552 + 5656 + 6089 + 91330$

$= 103,038 \text{ Euros}$

Therefore, the valuation of the business is 103,038 Euros.

9 Conclusion

This work highlights the opportunity, in the Belgian streetwear fashion industry, for the creation of a streetwear label specialised in sweaters. In short, WHY YOU will develop through the careful creation of a brand that seeks to capitalise on the modern demand for ergonomic and versatile clothes whilst still retaining the traditional fashion tenets of design, quality materials and style. On this basis, competitive advantage will be achieved not through means of scale economies, capital advantage or design spend, but through unique intellectual property implicit to the design and philosophy of the clothing lines produced. The focus on developing value according to the tastes of consumers, and the careful targeting and positioning to access a viable market, ensure that the company will be sustainable and will develop a loyal following.

The achieved differentiation will thus ensure that the brand is able to grow and to develop its own integral brand recognition, eventually leading to the fashion industry ideal - which is the consumer placing trust and value in the brand itself.

A pragmatic and reasoned growth strategy ensures that the business will be able to organically expand to attain its goals, without overstretching its resources or pursuing unrealistic targets.

The creation of such a brand, pursuing the indicated vision, will ensure that an existing demand for a niche fashion product is met. Europe, being a global centre of fashion, is a fertile ground for the creation and growth of such brands. Despite the fierce competition within the sector, a clear plan and passion for the creation of quality products and consumer value will ensure the brand is set apart.

The opportunity will be pursued along the following guidelines and with the following characteristics:

- Sole proprietorship legal configuration of the WHY YOU company;
- Vision: supplying a product line based on originality, service and quality;
- Competition: WHY YOU will compete by building a brick-and-mortar and an e-commerce business, to counter the threat of new entrants, especially foreign companies;
- Strengths: WHY YOU will capitalise and build competitive advantage by catering for

every season, i.e. having sweater fashion lines for every season;

- WHY YOU will build two brick-and-mortar locations in Ghent and Aalter, in the awareness that initial capital constraints will not allow it to establish itself in the main Belgian fashion hub, Antwerp;
- Brand positioning: the company will build product lines for the ergonomic segment, which has promising growth forecasts;
- Production: outsourced to a supplier in Bangladesh to ensure cost efficiency;
- Short term objectives: launch e-commerce by Q2 2018 and record profitability by Q1 2019;
- Long term objectives: develop business in neighbouring countries by Q1 2021;
- Price: set to undercut the higher-end Belgian fashion retailers, but at a premium price with respect to other competitors, to secure sustainable growth;
- Promotion: local community engagement, events, leaflets, posters and promotional deals with other distributors. Social media marketing through Instagram to engage the core demographic of young consumers;

Finally, the financial projections of the business plan demonstrate that the company will be profitable from the first year, in 2018.

10 Annex

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