Sources of equity in fashion markets

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Abstract
Purpose – The aim of this research is to identify sources of differentiation in the fashion market as well as finding out sources of brand equity to distinguish the offer, enabling a better competitive position to be achieved.
Design/methodology/approach – To reach this objective, qualitative research was first carried out with 36 sector executives. Based on the results from the initial stage, 250 surveys were then carried out with potential consumers in order to analyze sources of brand equity.
Findings – In the fashion industry, the variables that show great potential for differentiation are excellence in the delivered finished product, brand image and design. In addition, loyalty and brand associations, in which image and design stand out, have been shown to be the most outstanding sources of brand equity.
Practical implications – The allocation of financial resources to the intangible assets of brand image and design should be profitable for the company. The creation of networks of designers and stylists would allow first-hand information on market evolution. This input would be the basis for identifying new opportunities (e.g. fashionable colours, etc.) and also for anticipating new trends in clothing.
Originality/value – Discovering the sources of equity and their contribution to differentiating and developing high added-value products for the consumer represents an original contribution in research into fashion markets and brand equity.

Keywords Brand equity, Fashion, Differentiation, Value chain, Brand loyalty, Fashion design

1. Introduction and aim of the paper

The growing process of globalization of the economy, coupled with the regulation of foreign trade of clothing products, has changed the environment in which firms from the textile-clothing sector operate. These facts have led, firstly, to an excellent opportunity for growth in foreign markets as well as the possibility of sourcing raw materials and labor at a lower cost. In fact, as Fung et al. (2008) point out, geography is not an obstacle for manufacturing companies and the dispersion of the supply chain creates tremendous opportunities to change the design and running of companies. Second, it also represents a threat in light of increased competition. Indeed, in a highly competitive and globalized environment, fashion companies should strengthen their competitive position. For the Spanish market, this fact still carries more relevance because it is showing signs of maturity. Additionally, the Inditex group, particularly through its brand ZARA, shows great competitiveness and is gaining greater recognition among consumers. In fact, this brand has been renowned for their ability to react immediately to current fashion trends (Hayes and Jones, 2006). Thus, ZARA has become a world-leading brand in the fast fashion market. Similarly, the Inditex group is gaining more market share and addressing other segments such as fashion complements (Uterque) or clothes for teenagers (Bershka). Among these Spanish fashion companies, in addition to the aforementioned Inditex group, we highlight a small group of medium and large firms focused on the fine fashion market, which are located in Galicia. This cluster is formed by the following firms: Adolfo Dominguez, Sociedad Textil Lonia (Purificacion Garcia and Carolina Herrera), Verino, Florentino, Kina Fernández, Antonio Pernas and Caramelo. These firms have great notoriety and prestige in the Spanish fashion market (Cerviño, 1998) and are facing a growing process of internationalization. Finally, if we add the fact that the boundaries between fast and fine fashion are blurring progressively, competition is still much higher. To deal with this competitive market, these firms should advance to greater international scope but, above all, to improve the differentiation of supply and to face an ever-increasing competition in price factor. For all these reasons, it is necessary to investigate those factors that would further differentiate the supply of these brands and improve their brand equity, which would be a good starting point to face, in the medium term, the internationalization of these companies.

Prior research has shown that intangible assets are of huge importance and relevance in contributing to greater competitiveness (Lu and Beamish, 2001, Delgado-Gómez et al., 2004). More specifically the brand, patents, human resources and know-how are assets that the competition find difficult to copy. The brand stands out from among these resources, as it is presented as a sign or indicator that not only favours recognition by the consumer but also sets the offer apart from the competition. The brand therefore enables value to be added to the product, also known as brand equity (Aaker, Verino, Florentino, Kina Fernández, Antonio Pernas and Caramelo. These firms have great notoriety and prestige in the Spanish fashion market (Cerviño, 1998) and are facing a growing process of internationalization. Finally, if we add the fact that the boundaries between fast and fine fashion are blurring progressively, competition is still much higher. To deal with this competitive market, these firms should advance to greater international scope but, above all, to improve the differentiation of supply and to face an ever-increasing competition in price factor. For all these reasons, it is necessary to investigate those factors that would further differentiate the supply of these brands and improve their brand equity, which would be a good starting point to face, in the medium term, the internationalization of these companies.

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1991; Keller, 1993). Moreover, the appearance of this construct has accentuated even more the importance of the brand role in organization and marketing strategy in recent years (Keller, 2007). The conclusion has therefore been drawn that the brand is a strategic asset for the company. In other words, the brand is profiled as one of the biggest corporate assets, because of its capacity to provide sustainable competitive advantages that are difficult to copy (Keller, 2007).

Elsewhere, identification of the activities of the value-generating chain, which from the consumer's point-of-view reveal a high potential value of differentiation, would enable the company to establish and set the foundation on which to create that differential advantage. So, capitalization of those activities that generate equity for the brand is a crucial aspect in improving competitiveness. By achieving this, the brand would strengthen the competitive position of the company in the market. By the same token, a review of literature has shown that research carried out on brand equity of the textile-clothing sector is fairly small scale (Jung and Sung, 2008; Tong and Hawley, 2009; Kim et al., 2009).

Research objectives

Discovering the sources of brand equity and their contribution to differentiate the products represents a contribution in research into fashion markets and the brand. More specifically, the aim of this paper is to address two issues. First, we aim to analyze the sources of differentiation. Second, we need to find out what variables and factors have the biggest impact in the creation of brand equity. An empirical application has been provided for fashion retailers – medium and large-sized companies – from the Galician textile-clothing sector. To achieve these aims, we start with a review of the literature that covers the main concepts of strategy and brand equity in fashion markets. The methodology is explained below, followed by the results. Lastly, we highlight the main conclusions resulting from the study.

2. Literature review

2.1 Value chain of textile-clothing sector, competitive advantage and strategy

2.1.1 Value chain and fashion industry

The value chain of the textile-clothing sector comprises three levels:

1. fibres and textiles;
2. apparel or clothing, and
3. distribution (Dicken, 2003).

In turn, two very different activities can be clearly distinguished: textile and clothing. First, the textile sector is capital intensive, and there are barriers to access in the form of investments in technology, innovation and development of new materials (synthetic, chemical or artificial fibres) or in new manufacturing techniques or fabric production. Elsewhere, the clothing sector is labor-intensive and easy to access. The countries where these jobs are carried out have reduced labor costs, such as the case of Southeast Asian countries (China, India, Bangladesh, Singapore, etc.) or Eastern Europe, mainly the former. These countries have a clear advantage in terms of cost and have developed labor-intensive tasks, while more developed countries have focused on capital intensive tasks. Industrialised countries, such as the EU-25, have excellent prospects in value-added textile and clothing products, as there is qualified and relatively low-cost labor – e.g. Poland, Czechoslovakia and Rumania- (Kilduff, 2005). This workforce is used to manufacture quality products. However, recent literature has shown that countries from East Asia, mainly China, have developed a powerful export sector based on low labor costs and increased quality and capacity/speed of delivery (Ge, 1999). This factor means that the Chinese export sector is becoming very competitive and is rivalling countries from the East and from the Mediterranean region in the production of high value-added garments (Abernathy et al., 2006).

As the basis for defining the competitive strategy, the choice of the cost factor or differentiation factor reveals the importance of creating a competitive advantage as well as identification of those vital activities of the chain that provide the end product with high value from the consumer's point-of-view strategy. We will delve into this in the next section.

2.1.2 Competitive strategy and fashion industry: fast fashion versus differentiation

In the clothing market, the competitive strategy of retailers is commonly based on price and product differentiation (Bridson and Evans, 2004). Indeed, there is a notable and significant difference between consumers concerned about the product and/or the brand and those more interested in the price (Birtwistle and Freathy, 1998). Thus, it is possible to differentiate between fast fashion market and a market oriented towards brand or product differentiation. Among the factors that characterize the consumer behavior for fast fashion we highlight, in addition to price, timing (Birtwistle et al., 2003). In fast fashion, the firms have the objective of getting clothing into store within the shortest time possible (Bruce and Daly, 2006). One example that synthesises these variables is the ZARA case in which the flexible production and just-in-time systems not only enable stock to be reduced to the absolute minimum but also provide the market with any new item or fashion concept in a very short space of time (López and Fan, 2009).

By the same token, clothing products, especially those with the highest value-added, must include a differentiation factor (Knight Dee and Kim, 2006). Differentiation is shown as a very interesting strategic option when there are attributes in the product or service that are highly valued by the consumer and for which the consumer is prepared to pay a higher price (Netemeyer et al., 2004). In effect, on numerous occasions the consumer is prepared to pay a price premium for a certain attribute (e.g. high-quality natural silk). Research into the sources of differentiation in the textile-clothing sector has focused on the brand (Wigley and Moore, 2007), although attention is currently being diverted to other variables such as product quality or service quality and design. Perceived quality in product is being researched as a variable that forms part of the brand equity, which is explained in detail in the next section. With regard to service quality, there are consumer segments that place a positive value on customer care and personalized treatment. Apart from being able to differentiate the supply properly, it is also necessary to be able to select and define the segment or niche at which the supply is targeted, especially in clothing and fashion markets (Parrish et al., 2004). Once the segment has been defined, the company needs to position itself in the segment. One of the variables that best complies with this function is the brand. The brand enables and facilitates recognition by the consumer and is also one of the key variables that have driven fashion
internationalization. It is therefore necessary to explain its importance and, above all, delve into the sources of equity that enable the company to reinforce its competitive position. This is explained in the next section.

2.2 Sources of equity and fashion markets
As shown, the brand is a key factor in internationalization in the fashion sector (Fernie et al., 1997; Moore et al., 2000). According to Aaker (1991) brand equity is conceptualized in a multidimensional way, based on five areas: brand awareness, perceived quality, associations, loyalty and other proprietary assets such as patents or copyright, etc. Since we are considering the consumer point-of-view, we will use the approach of consumer-based brand equity, instead of applying a financial approach. Let us briefly examine, from consumer behavior point-of-view, each of these dimensions.

Brand awareness includes the potential capacity of the consumer to recognize or remember the name of a brand within a certain category of product (Aaker, 1991). A further dimension is perceived quality. Perceived quality is defined as the technical superiority of a product or service that must be valued and perceived by the consumer (Zeithaml, 1988). As it has been explained, for fashion markets, this variable is tied to a superior differentiation of the brand (Tong and Hawley, 2009). Next are brand associations. Aaker (1991) defines brand associations as any item that remains in the consumer’s memory and which generates a positive association. Because brand associations include items such as brand image, this dimension is of great importance in the fashion market (Cheng et al., 2008). This variable contributes greatly to the creation of brand personality (Aaker, 1996; del Rio et al., 2001) as it accentuates its capacity to be distinguished from other alternatives that compete directly. This is the basis for creating an original and distinctive offer. We are referring to the unique value or original (Freling et al., 2011). Unique value is defined as the degree by which consumers feel that the brand is different and distinct from the remaining alternatives that exist in the market. This variable becomes even more relevant in fashion markets, especially if one is seeking an offer with a high level of differentiation. The fourth dimension we look at is loyalty. Loyalty refers to the link between the customer and the brand. Numerous studies and research are showing that this is the variable that has the biggest influence on brand equity (Atilgan et al., 2005; Mold et al., 2007). As far as fashion is concerned, Tong and Hawley (2009), who researched the importance of marketing variables on sources of brand equity, have emphasized that this variable has the biggest influence on the formation of brand equity. Thus, the brand equity components would therefore be defined.

Discovering the sources of equity and their contribution to differentiate products for the consumer represents a relevant contribution in research into fashion markets and the brand equity. To respond to these issues, we carried out both qualitative and quantitative research which is explained below.

3. Research methodology
We divided the fieldwork into two clearly different stages. First, qualitative research was carried out and this was followed by a quantitative stage. As Harrison and Reilly (2011) point out, the combination of different research methods can improve the range and accuracy of results. Thus, the choice of research methods was not casual. First, in the exploratory or qualitative phase, we tried to obtain information on aspects of the fashion industry in particular and others more directly related to the market such as direct competitors or variables of differentiation. As you can see in the next section, allowed us to discover the importance of design and its relationship with the brand. Subsequently, quantitative research was developed based on the results of the qualitative phase.

3.1 In-depth interview
3.1.1 Protocol
There was an in-depth interview with open questions and semi-structured questions. To prepare this, we first contacted by phone the executives pertaining to different companies and explained the objectives of the research, asking for their participation. We agreed on the day, time and place for the interview which lasted about 45 minutes. Apart from answering specific questions, surveys were let free to comment other relevant aspects of the company or sector. They were asked also to comment any detail they could add (doubt, suggestion, comment, etc.).

3.1.2 Selected companies
The research was carried out with the Galician companies pertaining to the same cluster. This cluster consists of fashion retailers from the Galician textile-clothing sector, medium and large firms which are facing a growing process of internationalization. This cluster includes firms like Adolfo Domínguez, Verino, Caramelo, STL-Sociedad Textil Lonia (Carolina Herrera and Purificación Garcia), Kina Fernández, Florentino and Antonio Pernas. The participants in the survey were responsible of different departments in the different companies. The aim was to interview managers from all areas and functions, having at least ten years of experience in the design, production, logistics, supply, finance, exports and product management departments. They were required to prove a considerable amount of experience to be included in our research. A convenience sampling was carried out. We were able to make interviews in all companies. Similarly, a number of executives were chosen from the company Inditex who, although they do not form part of the strategic group of these medium-sized and large firms, were included as those executives could provide very valuable information on sector dynamics and knowledge. Finally, 40 individual interviews were conducted, out of 50 possible ones. The interviews were confidential and each executive was interviewed at a time, without having relation among them. A total amount of 36 interviews out of 40 were carried out in the medium and large textile-clothing companies, while the remaining 4 were conducted in the Inditex multinational company. The 36 interviews were distributed in the following way: four interviews were done in Adolfo Domínguez, Verino, Caramelo, Kina Fernández, Florentino and Antonio Pernas; six interviews carried out in Carolina Herrera and Purificación Garcia.

3.1.3 Type of questions and structure
The in-depth interview was designed to research the competitive strategy, the organization of value-chain and its contribution to generate added-value for the company, the most obvious differentiation and competitiveness factors in each stage, strategic decisions (diversification, relocation,..), growing strategy and main competitors. In this study we have only analyzed the data related with the competitive strategy – manner to obtain competitive advantage and focus –, organization of value-chain and its contribution to create
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added-value for company and evaluation of sources of differentiation. We asked open questions, although those relating to obtain competitive advantage, contribution of different activities to added-value, evaluation of differentiation variables or growing strategy were semi-structured questions. We also asked for the factors of competitiveness, the degree of internationalization and growing strategy. Lastly, we included classification variables such as the size of the company, turnover, number of employees, and international competitiveness indicators. These questions were elaborated on the basis of our knowledge, literature review and executives’ answers. Each executive was asked for 9 questions. The variables and measurement scales are shown in the Appendix (Table AI).

3.2 Quantitative phase: questionnaire to consumers

As a complement to this research with executives from the sector, research was also carried out with consumers to measure the brand equity based on classic brand equity measurements.

3.2.1 Universe population selected brands

We proceeded to do a random sampling among potential consumers of fashion products of different brands of the cluster above. Because we wanted to investigate the domestic market, direct and significant competitors of these brands were included. These competitors were recognized by the managers in the qualitative phase. Among direct competitive brands that stood out were Emidio Tucci and Cortefiel. On the grounds of strategic interest two Spanish brands of fast fashion with a great international projection were included: Zara and Mango. Among the brands that belong to the Galician cluster, we selected the most relevant brands: AD, PG and CH.

3.2.2 Sample selection procedure

We selected a point of sale for each selected brand in different cities of Galicia (Coruña, Ourense and Vigo) and Department Stores (“El Corte Inglés”, Coruña). At the exit of the outlet respondents were asked if they wanted to make a brief survey of valuing brands and purchase of clothing and fashion products. Each survey lasted approximately 20 minutes. Before reaching the set of questions for assessing the dimensions of brand equity, the respondent was asked if it was consumer of any of these fashion retailers (CH, AD, PG, Cortefiel, Emidio Tucci) or fast fashion brands (Mango, Zara). Besides this, consumer was asked by the spontaneous knowledge of fashion brands and particular awareness about suggested brands, which included the brands mentioned. Depending on the responses to these questions, respondents were assigned randomly to evaluate any of the following brands: Zara, Mango, CH, AD, PG, Cortefiel, Emidio Tucci.

The value chain was analyzed. We proceeded to identify the stages of the value chain and, at the same time, to identify those salient variables with potential of equity. As it can be seen in Table II, two salient results were found. First, in an international context, companies can subcontract those most labor-intensive activities or tasks to countries with relatively low labor costs. More specifically, there are production stage activities – such as sewing, cutting or tailoring – which can be carried out in Asian countries or Eastern Europe. These resources would be released to focus on activities that generate added-value for the company. Second, the design is an asset of great value to the company, which, from the point-of-view of executives becomes even much more relevant if it is associated with the brand. In fact, we have identified a high percentage of observations in which the design is related to items which are associated with brand image (singular or characteristic style) and as a differentiation factor (unique offer) – see Table II. For this reason, when measuring brand equity, the respondent was asked if it was consumer of any of the following brands: Zara, Mango, CH, AD, PG, Cortefiel, Emidio Tucci. Then, the consumer valued the items of the following brands: Zara, Mango, CH, AD, PG, Cortefiel, Emidio Tucci. Among the brands that belong to the Galician cluster, we selected the most relevant brands: AD, PG and CH.

4. Results

To respond to the objectives laid down, we divided the section into two clearly different parts. First, we reveal the results of the qualitative research. Particularly, we wanted to know the strategy and sources of competitive advantage, the organization of value chain and variables with the greatest potential for differentiation. These results have been taken from the interview held with executives and compared with the prior research mentioned in section 2. Afterwards, we analyze the sources of brand equity. Let’s start with the first part.

4.1 Qualitative research

4.1.1 Strategy and source of competitive advantage

The executives were asked about the source of the competitive advantage on which the strategy should be built. In this case, there was a unanimous response. Executives from medium and large firms focused on the fine fashion market pointed to segment-focused differentiation (Table I). It is clear that the best strategic option for those companies who belong to the same cluster is segment-focused differentiation.

4.1.2 Organization of the value chain and added-value

The value chain was analyzed. We proceeded to identify the stages of the value chain and, at the same time, to identify those salient variables with potential of equity. As it can be seen in Table II, two salient results were found. First, in an international context, companies can subcontract those most labor-intensive activities or tasks to countries with relatively low labor costs. More specifically, there are production stage activities – such as sewing, cutting or tailoring – which can be carried out in Asian countries or Eastern Europe. These resources would be released to focus on activities that generate added-value for the company. Second, the design is an asset of great value to the company, which, from the point-of-view of executives becomes even much more relevant if it is associated with the brand. In fact, we have identified a high percentage of observations in which the design is related to items which are associated with brand image (singular or characteristic style) and as a differentiation factor (unique offer) – see Table II. For this reason, when measuring brand...
equity, these items have been introduced in the measurement of the construct of brand associations (see items to measure the Brand equity in the Appendix, Table AII). We can conclude that the design is a very important asset for the company as it enables contribute significant added value for the company. Also, since it is connected with the brand image, its inclusion in the construct of brand associations can improve the measurement of brand equity.

4.1.3 Sources of differentiation

Finally, identifying the variables with the greatest potential for differentiation could be used as the basis for the creation of the differential advantage on which the company should build the competitive strategy. Different variables were selected to measure the level of differentiation of the supply over competitors. Executives have emphasized the marketing variables, with eminence given to design of the point of sale (4.68), brand image (4.82), and brand-design (4.91) (Figure 1). Also, the most prominent production variable is control of the production process, especially the quality of the finishes (4.5). As can be seen, the biggest factors are intangible assets (e.g. design and brand image) on which the company should act to deliver a distinguished offer.

4.2 Sources of equity

As well as creating the differential advantage on which companies should build the competitive strategy, this advantage must be perceived by the consumer. Given that the brand is presented as a fundamental asset both for building the strategy of the firm (Malhotra et al., 1999), this requires an analysis, from the consumer’s standpoint, of what the sources of brand equity are. Discovering the weight or weighing of those sources in the formation of brand equity represents a crucial objective in strategically managing the brand in fashion markets. This is explained below.

4.2.1 Analysis of the measurement model

Prior to analyzing the relationships we will briefly examine the measurement model. This required a confirmatory factor analysis for the purpose of validating both reliability and statistical validity. The first analysis revealed the need to remove several items from the proposed scales in order to measure brand awareness (BrAw3) and others from the scale that measures brand associations (Image2 and Image3). Having removed these indicators, the results showed an appropriate specification of the proposed factorial structure. With regard to the analyses of internal consistency and reliability, Cronbach Alpha, composite reliability coefficients and analysis of the extracted variance exceeded the acceptable suggested values of 0.7, 0.6 and 0.5 (Table III), respectively (Anderson and Gerbing, 1988; Hair et al., 2006). We have also analyzed the validity of scales, checking the convergent and discriminant validity. In this regard, all of the indicators presented significant standardized lambda coefficients in excess of 0.50, which verifies the convergent validity of the scales (Steenkamp and Van Trijp, 1991). By the same token, the coefficients presented a good ratio with each of the underlying factors ($R^2 > 0.3$). Similarly, the discriminant validity of the measurement model was also ratified by checking that none of the confidence intervals of the estimated correlations between each pair of dimensions contained the value 1.

4.2.2 Analysis of invariance

We proceeded to see if the five subsamples could be pooled into one sample. In order to check this fact, we examined causal invariance. The fit was not satisfactory. Although the
comparative fit index (CFI = 0.929) and the root mean square error of approximation (RMSEA = 0.076) provide acceptable values, the probability is not higher than 0.05 ($X^2 = 307.86$, df = 125, $p = 0.000$). Therefore, we can say that differences between brands can be identified, that is, where rejecting the hypothesis of invariance. Therefore, we proceeded to analyze and compare the coefficients of different brands. This is analyzed in the next section.

### 4.2.3 Analysis of relationships between constructs
After the analysis and check of the measurement model, we analyzed the relationships between constructs, namely, the influence and importance of different variables or sources of brand equity. We wanted to research and analyze the possible differences between the constructs that define the overall brand equity. Comparing the coefficients, three results must be highlighted. Firstly, we find that most of companies tend to follow a similar pattern. Secondly, brand awareness is not significant in any case. Finally, for all the brands, the constructs that exert an influence on brand equity are loyalty and brand associations[1]. Let us briefly examine each dimension of brand equity.

- **Brand awareness and equity.** As Table IV shows, brand awareness has no influence on brand equity. This result can be confirmed for all brands. A priori, this result may be thought of as contradicting the theory. However, there is more empirical evidence that backs the findings of this research. This has been revealed in studies such as Agarwal and Rao (1996) or Atilgan et al. (2005) whereby brand awareness had no influence on brand equity. The interpretation given to this result is that although brand awareness is a necessary condition for brand equity, this component may acquire a secondary or irrelevant nature when it becomes very repetitive or when it is already known by consumers. Namely, there is a threshold of saturation beyond which consumers do not value that supposed brand awareness. Thus, the best advertising for a fashion brand would be word-of-mouth, while any marketing action targeted at creating awareness would lead to an effect of saturation. Analogously, a loose of exclusivity as a consequence of extending the same brand to other targets should have a negative effect for that brand.

- **Perceived quality brand equity.** Considering perceived quality, in some cases this dimension has been assessed – Carolina Herrera ($b_{25CH} = 0.33$) or Emidio Tucci ($b_{25EmidioTucci} = 0.24$), but not in other cases such as Cortefiel ($b_{25Cortefiel} = 0.41$), Adolfo Dominguez ($b_{25AD} = 0.12$) or Purificacion Garcia ($b_{25PG} = 0.18$). The interpretation we have given to this finding is that consumers tend to associate the brand with a certain image or style. On the other hand, as explained by managers in the qualitative phase, although consumers do not recognize the fabrics, their components or their intrinsic characteristics, they are able to recognize an overall image that reflects quality in the elaboration of clothes. Likewise, this activity would also require strict control of the production chain, especially when the preliminary activities are subcontracted, a required practice at Galician firms and one which, however, is not currently being performed. For a majority of brands, the remaining variables have had a significant influence on brand equity.

- **Brand associations and brand equity.** Specifically, brand associations greatly influences brand equity (Table III). This is a very important result. This result confirms, as explained in the section of literature review, the
### Sources of equity and its relationship with brand equity in fashion markets (standardized coefficients for different groups)

<table>
<thead>
<tr>
<th>Relationships between different sources and brand equity</th>
<th>One model (n = 250)</th>
<th>Group 1 (n = 50)</th>
<th>Group 2 (n = 50)</th>
<th>Group 3 (n = 50)</th>
<th>Group 4 (n = 50)</th>
<th>Group 5 (n = 49)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand awareness → Brand equity</td>
<td>β₃₁ = -0.03ns</td>
<td>β₃₁₇Cortefiel = 0.40ns</td>
<td>β₃₁₇EmidioTucci = -0.03ns</td>
<td>β₃₁₇AD = 0.008ns</td>
<td>β₃₁₇ = -0.58ns</td>
<td>β₃₁₇₅CH = -0.14ns</td>
</tr>
<tr>
<td>Perceived quality → Brand equity</td>
<td>β₃₂ = 0.18*</td>
<td>β₃₂₇Cortefiel = -0.36ns</td>
<td>β₃₂₇EmidioTucci = 0.24*</td>
<td>β₃₂₇AD = 0.12ns</td>
<td>β₃₂₇ = 0.18ns</td>
<td>β₃₂₇₅CH = 0.33*</td>
</tr>
<tr>
<td>Brand associations → Brand equity</td>
<td>β₃₃ = 0.33**</td>
<td>β₃₃₇Cortefiel = 0.41ns</td>
<td>β₃₃₇EmidioTucci = 0.03ns</td>
<td>β₃₃₇AD = 0.39*</td>
<td>β₃₃₇ = 0.33*</td>
<td>β₃₃₇₅CH = 0.37*</td>
</tr>
<tr>
<td>Loyalty → Brand equity</td>
<td>β₃₄ = 0.48**</td>
<td>β₃₄₇Cortefiel = 0.67**</td>
<td>β₃₄₇EmidioTucci = 0.58**</td>
<td>β₃₄₇AD = 0.45**</td>
<td>β₃₄₇₅PG = 0.71**</td>
<td>β₃₄₇₅CH = 0.45**</td>
</tr>
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</table>

**Notes:** χ² = 307.386, df = 125; p = 0.000; CFI = 0.929; TLI = 0.913; RMSEA = 0.076; RMR = 0.076; AIC = 399.386; R²(βE_allbrands) = 0.462

**Source:** Own compilation; ns = not * significant p < 0.1; ** significant p < 0.05
importance that the image of positive associations created in the minds of consumers has in these markets. In the case of fashion, these associations must be associated to an image of quality or to an image of fashion. A variable presented as new in our study would be directly connected to this factor: design. As we have explained previously, brand associations contribute greatly to the creation of brand personality (Freling et al., 2011) and accentuate its capacity to be distinguished from other alternatives that compete directly (Aaker, 1996). Since the design is an essential dimension of these brand associations, we can conclude that the design would allow companies in the fashion industry to create and develop high-added value products for the consumer.

- **Loyalty and brand equity.** Analogously, the results show that, for all brands, brand equity is significantly determined by loyalty (Table IV). This result ratifies previous research that showed the importance of this variable in the formation of brand equity (Atili et al., 2005; Jung and Sung, 2008) and in the creation of trust towards the brand (Delgado and Munuera, 2005; Wang et al., 2006).

### 5. Managerial implications

This research has contributed notably to defining the sources of differentiation as well as analyzing the role played by brands in defining the strategy and in creating greater equity for the company. The context has been restricted to a small group of companies which belong to cluster of fashion retailers which are immersed in a process of internationalization, medium and large-sized companies pertaining to the Galician textile-clothing sector. The main implications have been organised on the basis of the principal sections revealed in results section. Let’s start with the factors of differentiation and the value chain.

#### 5.1 Differentiation variables and the value chain

**5.1.1 Differentiation variables**

Executives have emphasized the role of marketing variables with eminence given to design, which shall have an essential role introducing a unique, differentiated and singular offer. Companies can differentiate their offer working on design – both on a product level and on a distribution or point of sales one. First, the creation of a product based on an original, authentic design would let the company differentiate the offer from that of the competitors; likewise, it would let consumers recognize the offer among the competitors’ wide and large product offer. This fact is even more relevant as regards international markets where competition is higher and more intense. Second, designing point of sales is another variable to differentiate the offer. Analogously, designing original, attractive, welcoming points of sales would give a distinctive image, and it would be noticed by consumers looking for something different. Another variable that has been highlighted as a source of differentiation is quality or excellence in the delivered finished product. Quality control is certainly a crucial variable to achieve the fact that the original, authentic product shall finally be assessed and easily recognized by the final consumer.

**5.1.2 Networking and intrinsic fashion design**

The creation of physical and virtual networks of designers, pattern designers and stylists would allow first-hand information on market evolution. This input would be the basis for identifying new opportunities (e.g. new trends, fashionable colors, styles, etc.) and also for anticipating new trends in clothing, inclusively new lifestyles. These agents should not only achieve an innovative, authentic and distinguishing design, but they should also continually examine the market to identify the latest trends for their inclusion in new collections. These networks can act on a local level or a global one. Thus, on a local level it would allow establishing the basis to redefine the role of intrinsic fashion and consequently rejuvenate small fashion manufacturers in industrialized economies (Azuma and Fernie, 2003). Analogously, it would allow and help identifying new lifestyles in society, the basis for new global market niches.

We have stressed the importance of brand associations that include both image (Cheng et al., 2008) and design. An important managerial implication would be to find a balance between both dimensions. On the one hand, as Davis (1985) pointed out, a person’s appearance announces his identity, shows his values, and proposes his attitude, while fashion means novelty. Even though fashion requires constant styling changes, this fact could be consistent with promoting a long-term brand image (Evans, 1993). This fact should be reached through a better understanding of self-concept research.

#### 5.2 Sources of brand equity

Loyalty and brand associations have been shown to be the most outstanding sources of brand equity. As we have already said, brand associations depend on a distinctive product design and brand image. The distinctive design is a source of differentiation that enables consumers to immediately recognize the products of one brand and bestow it with a winner effect (Caruana et al., 2009). Therefore, the allocation of resources to these variables of design (designers, pattern designers, stylists...) or image (e.g. celebrities, etc.) are strategic decisions that will increase brand equity for the company. The investment in these two intangible assets would enable the company not only to improve its differentiation but also obtain a stronger competitive position and even obtain higher prices or a greater predisposition on the part of end consumers to purchase the product. Lastly, the extension of the brand towards designer products (e.g. jewelry) could increase brand equity for the company.

### 6. Conclusions

The purpose of this paper was to research sources of brand equity and their contribution to differentiate the products in fashion markets. More specifically, it was to find out the sources of brand equity that have a huge potential for differentiation and enable the company to create a differential value. An empirical application has been made in the case of fashion retailers -medium and large companies- belonging to the Galician textile-clothing sector who are immersed in a process of internationalization.

#### 6.1 Competitive strategy and differentiation variables

In order to define the competitive strategy, fashion firms must create a competitive advantage based on the cost factor or differentiation. In the case of clothing products with high added-value, fashion retailers must focus on a differentiation factor. The identification of the variables with the greatest potential for differentiation could be used as the basis for the creation of the differential advantage on which companies
should build the competitive strategy. Specifically, executives from Galician companies have focused on the importance of segment-targeted or focused differentiation, which reinforces previous research (Parrish et al., 2006). This differentiation must be based on an offer of value tied to a very distinctive design. This variable would allow the definition not only of brand personality but also of the differentiating factor, that is, the basis on which a consumer can easily distinguish one product from another, and even an imitation from the authentic product. Besides, the design also allows the recognition by the end consumer of the value offered, namely improving the differentiation of the product over the alternatives that compete directly with this product.

6.2 Sources of equity and brand management

Loyalty and brand associations have been shown to be the most outstanding sources of brand equity. With regard to the brand associations, we have concluded that there are two variables of interest such as design and brand image. As noted above, the distinctive design is an intangible asset on the basis of which businesses can develop original, authentic and high-added-value products. The design is a constitutive element of the brand associations, and thus an essential element of the brand personality. Therefore, if the design is associated with the brand (e.g. Zara is associated with fashion’s last trends), the company can consolidate and strengthen its competitive position in fashion markets.

Another variable which influences the brand equity is loyalty. This finding is consistent with the studies of Jung and Sung (2008) and Tong and Hawley (2009), so that we can conclude the importance of the brand to retain consumers. If consumers perceive a clear level of differentiation, they tend to be loyal. The capitalization of sources of equity, design and image, through the brand would allow the company to strengthen and consolidate its competitive position and, at the same time, to attract and retain consumers.

7. Limitations and future research

The research carried out is not exempt from limitations. We must point out that the qualitative study has been limited to the cluster of fashion retailers from the Galician textile-clothing sector focused on fine fashion. With regard to the quantitative study, the number of observations per brand is reduced. Therefore, it will be advisable in future research to expand the sample size of each brand.

It would be interesting to extend the study of qualitative research to other firms, or clusters, which want to deal with a process of internationalization or currently, because of the internationalization of their activities, have to take decisions of production subcontracting or relocation. Thus, the qualitative research could be applied to other cases from Spain such as the Catalan one or other clusters or firms from other countries. This study would help to better guide those strategic decisions as well as guiding the internationalization strategy of firms. We could compare the industrialized countries (Spain, Italy, Germany, etc.) vs emerging countries (e.g. China), contrasting the results of productivity or the penetration of international markets. It would also be very interesting to apply the model for measuring brand equity in other countries/cultures and make a cross-nation/cross-cultural comparison. Lastly, progress should be made in the methodologies used for measuring brand equity. In this regard, progress should be made in examining the measurement scales of different constructs, and research the formative or reflective nature of different items used to measure the constructs.

Note

1 We have also analyzed the data considering the constructs to be measured with formative measurement scales and the results are practically the same (in the case of PLS, the t-student is higher and the coefficients are, therefore, more significant). Notoriety is not significant and loyalty and brand associations are the most relevant sources of brand equity.

References

Sources of equity in fashion markets
Domingo Calvo Dopico and Cristina Calvo Porral


Appendix

The general purposes of the qualitative research, selection of variables, items and measurement scales used in the in-depth interview can be seen in Table AI.

Table AI  Selection of variables, items and measurement scales used in the in-depth interview

<table>
<thead>
<tr>
<th>Strategic interest aspects</th>
<th>Items used/measurement scale</th>
<th>General purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.a) Competitive strategy</td>
<td>Open question</td>
<td>To analyse the way to build competitive advantage</td>
</tr>
<tr>
<td>1.b) Competitive advantage (cost versus differentiation) and focus</td>
<td>Semi-structured question 1. Cost 2. Differentiation 1. The entire market 2. Segment</td>
<td>To organise and prioritise the different stages of the chain based on their contribution or capacity to generate added-value (low/high) for company</td>
</tr>
<tr>
<td>2. Organisation of the value chain</td>
<td>Open questions to define the activities and/or stages of the value chain (production, distribution, …)</td>
<td>To identify competitiveness factors of the firm (and, if possible, in each of the phases identified before)</td>
</tr>
<tr>
<td>3. Competitiveness factors</td>
<td>Open question</td>
<td>To identify competitiveness factors of the firm (and, if possible, in each of the phases identified before)</td>
</tr>
<tr>
<td>4.a) Differentiation factors</td>
<td>Open question</td>
<td>To identify differentiation factors of the firm (and, if possible, in each of the phases identified before)</td>
</tr>
<tr>
<td>4.b) Evaluation of differentiation factors</td>
<td>Semi-structured question 1. The following items contribute to differentiation of its supply over competing rivals... (Measurement scale: 1. Totally disagree 5. Totally agree) Quality of the materials – Quality of the finishesa – Brand-designa – Design of the point of sale – Brand image – Service quality at point of sale</td>
<td></td>
</tr>
<tr>
<td>5. Degree of internationalisation and penetration and operating strategy</td>
<td>Open question</td>
<td>To evaluate the degree of internationalization</td>
</tr>
<tr>
<td>6. Identification of competitors</td>
<td>Open question</td>
<td>To identify main competitors in local/domestic market and international markets</td>
</tr>
<tr>
<td>7. Stages of subcontracting production</td>
<td>Open question</td>
<td>To identify the phases/stages of the value chain in which the firm subcontracts different activities</td>
</tr>
<tr>
<td>9. Size of the company, age, turnover, number of employees, and international competitiveness indicators</td>
<td>Open question</td>
<td>To characterize the sample of firmsb</td>
</tr>
</tbody>
</table>

Notes:  

a These items were included after the previous question. It was identified by the executives;  
b This question was made only once per firm

Source: Own compilation

Scales obtained from previous research and enriched with knowledge obtained from qualitative research, especially brand associations, were used to measure the different components of the brand equity. A synthesis of the latent variables and reflective indicators are given in Table AII.
Sources of equity in fashion markets
Domingo Calvo Dopico and Cristina Calvo Porral

Executive summary and implications for managers and executives

This summary has been provided to allow managers and executives a rapid appreciation of the content of this article. Those with a particular interest in the topic covered may then read the article in toto to take advantage of the more comprehensive description of the research undertaken and its results to get the full benefits of the material present.

Operating conditions for companies in the textile-clothing industry have altered due to increased globalization and foreign trade regulations. The scope to expand into foreign markets and obtain cheaper raw materials and labor are positive consequences of these changes. On the other hand, the removal of geographical boundaries serves to intensify competition and force fashion organizations into strengthening their industry position.

It has been noted in various studies that companies can increase their competitiveness by utilizing their intangible assets. Rivals find it difficult to imitate these assets, which include patents, human resources and knowledge. Many observers regard the brand itself as the most critical asset because it prompts consumer recognition and differentiates offerings from available alternatives. Organizations must therefore identify activities which best contribute added-value or equity to the brand. Doing so is likely to help achieve the competitive edge which differentiation can enable.

To date, research into brand equity within the textile-clothing industry is limited. This has inspired Dopico & Porral to conduct a study which aims to identify sources of equity and their impact on product differentiation.

Textiles and clothing are often considered distinct from each other. The "capital intensive" nature of the textile industry means that considerable entry barriers prevail. New entrants are faced with the prospect of investing heavily to develop technology, innovation and new materials or production methods. This contrasts with the labor-intensive clothing sector, which is regarded as much easier to penetrate. Work is typically performed in nations boasting a cost advantage, like in Southeast Asia and Eastern Europe. However, this distinction is becoming more blurred and countries such as China are now capable of manufacturing high quality clothing apparel.

Retailers in the clothing industry invariably aim to differentiate on price or product. Consequently, certain scholars now perceive the "fast fashion market" as different to one where brand or product differentiation is the norm. In addition to price, getting products on to store shelves swiftly is a core objective. Flexible production methods and just-in-time storage and distribution systems are essential components in this market.

For clothing products where value-added is greater, differentiation is vital. Factors which help achieve this can be product or service-oriented and are highly valued by the customer to an extent that he or she is often willing to pay a price premium. Top quality natural silk is an example of a product attribute, while offering personalized care provides a means to achieve service differentiation. Firms must, however, identify the consumer segment which values such distinctive provision.

Brand equity is regarded as "multidimensional" by many researchers who have defined four main components:

1. Brand awareness, which reflects consumer ability to recognize or recall the brand name within a certain product category.

Table AII  Latent variables and reflective indicators used to measure brand equity

<table>
<thead>
<tr>
<th>Latent variables</th>
<th>Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand awareness (Yoo et al., 2000)</td>
<td>BrAw1: I am able to recognize brand X easily from among others of the same category</td>
</tr>
<tr>
<td></td>
<td>BrAw2: Brand X comes immediately to mind when I think about fashion products</td>
</tr>
<tr>
<td></td>
<td>BrAw3: I am very familiar with brand X</td>
</tr>
<tr>
<td></td>
<td>BrAw4: It is easy for me to remember brand X</td>
</tr>
<tr>
<td>Perceived quality (Yoo et al., 2000); Pappu et al. (2005)</td>
<td>PerQual1: Brand X is of higher quality</td>
</tr>
<tr>
<td></td>
<td>PerQual2: The likelihood of brand X products being functional is high</td>
</tr>
<tr>
<td></td>
<td>PerQual3: Brand X products have excellent characteristics</td>
</tr>
<tr>
<td></td>
<td>PerQual4: Brand X offers reliable and trustworthy products</td>
</tr>
<tr>
<td>Brand associations (Own elaboration based on Netemeyer et al. (2004))</td>
<td>Dis1: Brand X has a very singular and characteristic style</td>
</tr>
<tr>
<td></td>
<td>Dis2: Brand X has a very characteristic design and style and is very different from other brands</td>
</tr>
<tr>
<td></td>
<td>Dis3: Brand X has a unique design and stands out from other brands</td>
</tr>
<tr>
<td></td>
<td>Image1: I associate some specific characteristics of X immediately</td>
</tr>
<tr>
<td></td>
<td>Image2: It is easy to associate brand X with fashion products</td>
</tr>
<tr>
<td></td>
<td>Image3: I have a very good image of brand X</td>
</tr>
<tr>
<td>Loyalty (Yoo et al., 2000)</td>
<td>Loy1: I am loyal to brand X</td>
</tr>
<tr>
<td></td>
<td>Loy2: Brand X is my favorite</td>
</tr>
<tr>
<td></td>
<td>Loy3: I only purchase brand X</td>
</tr>
<tr>
<td>Brand equity (Yoo et al., 2000)</td>
<td>BrEq1: It makes sense to buy brand X instead of others available in the market</td>
</tr>
<tr>
<td></td>
<td>BrEq2: Even if other brands had features that were similar to brand X, I would buy brand X</td>
</tr>
<tr>
<td></td>
<td>BrEq3: Even if other brands had other characteristics, I would still prefer brand X</td>
</tr>
</tbody>
</table>

Source: Own elaboration
Perceived quality. This incorporates how the consumer views and values the product or service’s ‘technical superiority’ over alternatives.

Brand associations are items within the consumer memory which help create a positive representation of the brand. Since brand image is a key association, this component is an especially significant one for the fashion industry. This variable plays a central role in the creation of brand personality and therefore helps to develop its originality and uniqueness.

Loyalty, found by some analysts to have the greatest impact on brand equity. It relates to the connection that customers make with the brand.

The two part study conducted by the authors involves both qualitative and quantitative phases. In the first part, the aim was to acquire information regarding the fashion industry and competitors and differentiation variables. For this purpose, in-depth interviews were carried out with department heads and executives from various firms in the textile-clothing sector operating in Galicia, Spain. Questions were additionally asked about each company’s growth strategy, level of internationalization and the firm’s size.

Data from this stage was used to develop a questionnaire, which was subsequently used to survey 399 consumers outside clothing and fashion stores in different Galician cities. Consumers were asked about their knowledge of fashion brands and whether or not they patronized certain fashion retailers or fast fashion brands. Random evaluation of certain brands was next, followed by questions concerning the brand equity dimensions.

Demographic information collected showed that 76 percent of the sample was female and 24 percent male. Respondents were aged between 20 and over 70, while the household structure and income levels were similarly diverse.

Data analysis indicated that:

• Firms operating in the fine fashion market consider segment-based differentiation as their best strategic option.

• International operators should subcontract labor-intensive production activities to low-cost nations in Asia and Eastern Europe to free up resources to use for activities like design which generate greater value to the organization.

• Design functions as an important differentiator that relates to brand image associations and can therefore influence brand equity.

• Marketing variables including brand image, brand design, point-of-sale design together with control of manufacturing processes are viewed as variables with the potential to differentiate. The intangible assets design and brand image are considered the most potent.

• Brand awareness does not impact on brand equity. The assumption here is that it becomes ineffective beyond a certain threshold. Marketing activities focusing on awareness are therefore impotent when targeted at consumers who already know the brand. Word-of-mouth (WOM) thus provides the most effective advertising for fashion brands.

Customers associate a certain image or style with a fashion brand. Since these associations affect perceived product quality, firm control of all steps in the production processes is advised.

Brand equity is considerably influenced by brand associations. Regarding the fashion industry, this further illustrates that design is critical. Superior design can help create positive associations relating to image and quality in the minds of consumers.

Where design is concerned, Dopico and Porral suggest a focus on creativity and authenticity can best differentiate product offerings. Growing competition across international markets add to the urgency of such measures. Similarly attractive designs at point-of-sale are recommended, along with quality control to ensure desired standards are met and sustained.

Another proposal is the formation of physical and virtual networks to enable closer collaboration between designers and stylists. Acting on global or local levels, these networks should be able to identify emerging trends and opportunities they present. The potential for creating "new global market niches" is likewise noted. A focus on image and design is advocated by the authors as a basis for "promoting a long-term brand image" while accounting for constantly evolving styles.

Firms are advised to allocate resources to design factors and loyalty as a means of boosting brand equity. Extending the brand into designer products like jewelry could have a similar effect. Achieving clear differentiation is a proven way of enhancing customer loyalty and, in the case of high added value fashion products, securing a competitive edge over rivals.

Larger sample sizes and inclusion of firms from other clusters within Spain or other nations could form the basis of subsequent studies. A comparison between industrialized and emerging nations is also proposed, along with an exploration of the significance of cultural variations.

(A précis of the article “Sources of equity in fashion markets”. Supplied by Marketing Consultants for Emerald.)

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