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Navigating the German Sustainable Fashion Market: A Case Study of IVALO.COM's Market Entry Strategy

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Title
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This thesis investigates the market entry strategy of IVALO.COM, an online sustainable fashion retailer, into the German market. The research explores three key research questions, examining the favorability of the German market, the level of competition IVALO.COM faces, and the most suitable market entry strategy. To answer these questions, the study employs a robust theoretical framework, including PESTEL and SWOT analyses, Porter's Four Corners Model, risk management strategies, the marketing mix, the STP model, and Porter's Five Forces analysis.

The findings reveal that the German market offers substantial opportunities due to its strong economy, increasing online shopping trends, and a growing demand for ethical clothing and practices. While competition in the sustainable fashion market is fierce, IVALO.COM distinguishes itself by transparently showcasing its sustainability criteria, giving it a competitive edge. In terms of market entry strategy, the research recommends creating a German-language website, employing search engine optimization with relevant German keywords, and harnessing social media advertising.

However, the study acknowledges limitations due to the dynamic and extensive nature of the German market and the reliance on secondary data. To address these limitations and enhance the research's relevance, future research directions are proposed.

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1 Introduction

Companies, regardless of their industry, are often faced with the need to expand and diversify their activities to reduce risks (Blaschke, Demel & Kotorov 2021, 7-12). One of the areas they explore is entering foreign markets, a move that poses new challenges such as participating in international trade and formulating new strategies for global outreach and domestic growth (Kotorov, Krasylnykova, Zhdanov & Mazzara 2020a, 341–353). This strategic pivot often entails managing complex global dynamics, regulatory environments, and the complexities of scaling operations globally (Kotorov et al. 2020b, 327–340).

1.1 Background

Sustainability has taken center stage as an increasingly relevant topic in the fashion industry. Despite considerable progress regarding a more sustainable future by some fashion companies, the global fashion sector maintains a high position in terms of industry-specific carbon emissions. About 10% of the world's yearly carbon footprint is generated by the fashion industry, which is more than the entire maritime and international aviation sector put together. (Climate Trade 2023.)

Consumers are starting to prioritize sustainability more in their purchasing decisions, as 66% of customers globally say they would be ready to pay more for apparel companies whose practises are less harmful to the environment. The number is an essential indicator of the fashion industry's requirement to give sustainability top priority in order to satisfy consumer demand. (Gitnux 2023.)

IVALO.COM aims to meet this need. It is a Finnish global online marketplace for sustainable fashion that brings together over 100 European suppliers. IVALO.COM is aware of how challenging it may be for customers to tell the differences between greenwashing and genuinely ethical businesses and

products, and strives to provide them a solution to this issue. (IVALO.COM 2023.)

This is why they launched IVALO.COM 360, a new validation program that uses a qualified evaluation method to give fashion brands and customers a reliable view of brand sustainability. This means, for example, that before introducing a new brand to the site, IVALO.COM thoroughly evaluates and rates it. The 360 validation assists buyers in identifying clothing that reflects their values while also giving brands with a thorough perspective of their own accountability. (IVALO.COM 2023.)

IVALO.COM currently operates primarily in Finland and the Netherlands, as these are so far the only countries with localized advertising and marketing. Even though the company has an international site for all European countries, it only advertises in these two countries, and no paid advertising budget is currently spent in the other regions.

The Dutch website went live in the first half of 2023, and now IVALO.COM is interested in expanding further.

This thesis explores the German business environment and sustainable fashion market to see if there is a place for IVALO.COM on the market. The aim of this research is to determine whether it would be profitable for IVALO.COM to expand into Germany, start marketing and promotion there, and develop its own German-language website. The thesis aims to answer these three research questions (RQ):

- **RQ1:** How favorable is the German market for IVALO.COM?
- **RQ2:** What amount of competition awaits IVALO.COM in the German sustainable fashion market?
- **RQ3:** What market entry strategy would be most appropriate for IVALO.COM?

1.2 Research Method

In the research for this thesis, secondary data is used to gather information about the German market. This means data that has already been examined and studied by others, categorized, and published (The Hartford 2023). Using secondary data to perform research saves time and resources (Sørensen, Sabroe & Olsen 1996, 435). With a great volume of available materials, it can provide a credible source of information (Flowerdew & Martin 2005, 58).

The majority of the data in this thesis is gathered from online resources, such as government websites, professional research and studies, company websites and articles, as well as survey and data information. Secondary data can also be collected on the internet by using specific keywords and industry publications. (The Hartford 2023.)

1.3 Outline of the Thesis

The thesis is divided into seven chapters. The first chapter introduces the company, the aim of the thesis, and the research methods used in the thesis. The second chapter presents the theoretical framework, which includes a PESTEL analysis, a SWOT analysis, Porter's Four Corners model, risk management, marketing mix, STP model and Porter's Five Forces. The third chapter focuses on the sustainable fashion market, including sustainable fashion customer behavior and market entry strategies for online retailers. The fourth chapter studies the business environment of Germany, and the fifth chapter examines the German sustainable fashion market with the support of all prior chapters, analyzing the target market, competitive position, and potential opportunities. The sixth chapter focuses on the case company's market entry strategy, and the seventh and final chapter provides a conclusion that contains a summary of key findings and the study results.

2 Theoretical Framework

In the forthcoming chapter, we will delve into a comprehensive exploration of key theoretical frameworks that underpin our study (Kotorov et al. 2022, 1–8). We will commence with a PESTEL analysis, scrutinizing external factors influencing the subject matter. Subsequently, we will delve into the SWOT analysis, probing internal strengths and weaknesses as well as external opportunities and threats. Porter's Four Corners Model will be examined in detail to understand strategic choices and their implications. The chapter will also include an extensive discussion on risk management, elucidating its significance in the context of our research. The Marketing Mix and the STP (Segmentation, Targeting, Positioning) Model will be expounded upon, followed by a thorough examination of Porter's Five Forces model, providing a holistic understanding of the competitive landscape in which our study is situated. Employing these tools will support the author in achieving goals and enhancing the effectiveness of the proposed entry strategy and enabling the formulation of recommendations for the company (Aslam et al. 2023, 873–883).

2.1 PESTEL Analysis

A PESTEL analysis is a tool used in business and marketing to further understand and study the macro environment of a certain industry or country that can have an impact on the companies operating there. As illustrated in Figure 1, PESTEL is made up of six components: political, economic, social, technological, environmental, and legal factors. (Washington State University 2023.)

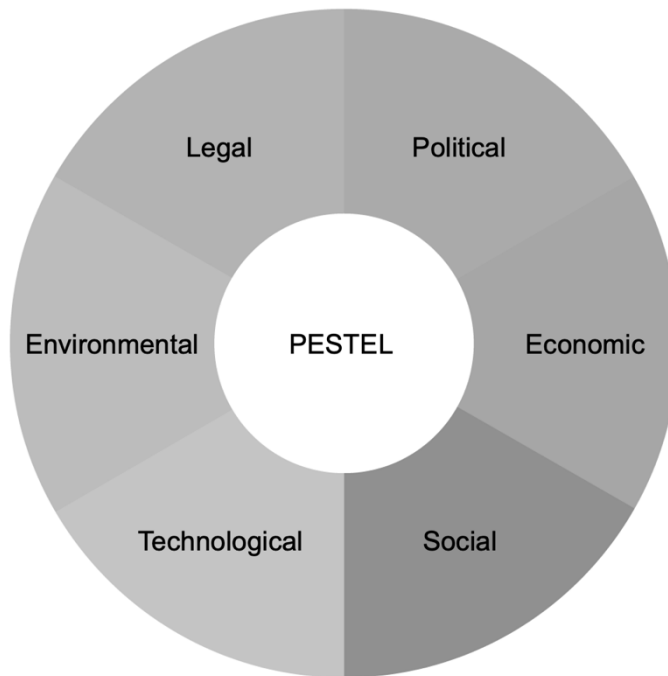


Figure 1. PESTEL analysis (Washington State University 2023).

Political

The political factors of PESTEL analysis include topics such as governmental authority and system, regulations, international trade, domestic political stability, possible political challenges and the current tax policy. (Washington State University 2023.)

Economic

Economic factors focus on the country's economic environment. This includes both present and future economic development and possible new changes, interest rates, inflation, employment rate, the impact that globalization has on the country, as well as consumers' and corporations' disposable income. (Washington State University 2023.)

Social

Social factors of PESTEL include people's lifestyles and habits, different population statistics such as growth rate, ethnicity, gender, and age, as well as consumer behavior and purchasing trends (Washington State University 2023).

Technological

Technological factors can impact company's marketing and new market innovations. These include brand new and modern approaches for product development and manufacturing, as well as advanced methods for distribution. Technical factors also include new ways and techniques to attract and interact with the company's target segmentation. (Washington State University 2023.)

Environmental

The environmental factors of PESTEL analysis are significant since natural resources are becoming more and more limited. These include for pollution, carbon footprint and waste limits and regulations, demanding more sustainable business practices, as well as new possible laws and regulations regarding the environment. (Washington State University 2023.)

Legal

Legal factors consist of different laws and regulations that impact for instance consumer safety and rights, advertising, product quality, product labels and safety as well as the product packaging (Washington State University 2023).

2.2 SWOT Analysis

A SWOT analysis is one of the earliest and most commonly used strategy tools globally (Puyt, Lie & Wilderom 2023, 1). The SWOT (Strengths, Weakness, Opportunities, and Threats) analysis is a framework utilized by companies to recognize opportunities for development and change. It can help define an organization's or team's strategic plan. (Thomas 2019, 55.)

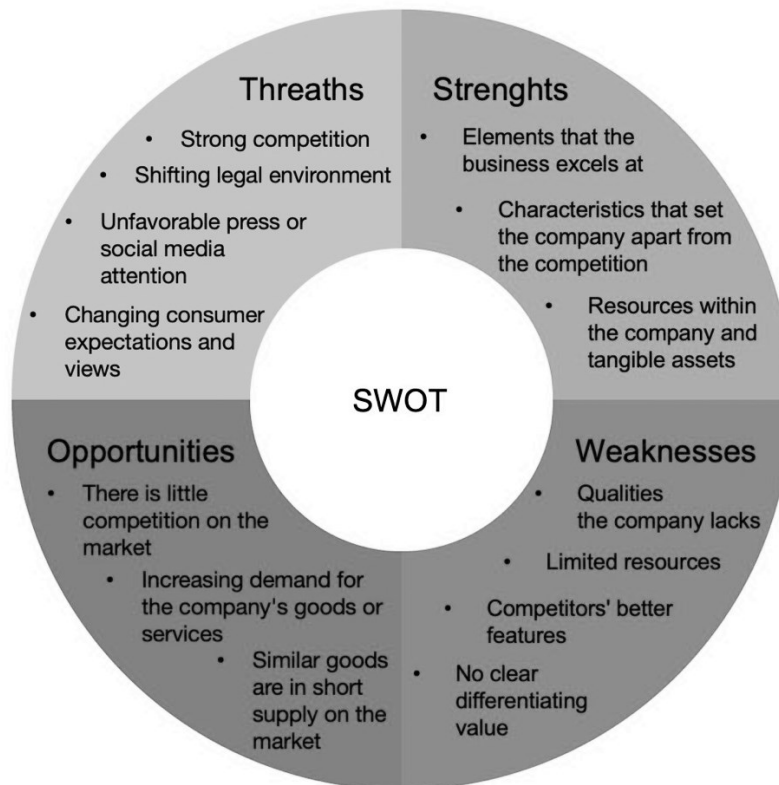


Figure 2. SWOT analysis (Shewan 2023).

The SWOT analysis, as illustrated in Figure 2, is made of four elements: strengths, weaknesses, opportunities, and threats. It can help to better understand the company and the areas that need improvement. The SWOT analysis can also assist with studying the market, identifying competitors, and anticipating potential future market developments, as well as give assistance when deciding on new business ventures. (Business Queensland 2022.)

When doing a SWOT analysis the company has to always consider its actions, both internally and externally. Operations that focus on internal matters include for instance internal processes, marketing and revenue, financial control, human resources as well as customer support and quality control, and fall under the general management of the company. (Business Queensland 2022.)

Operations that focus on external matters have an impact on the company but are usually out of its control. These include for example competition, politics, regulations, vendor operations, environmental environment, international trade and the economy. (Business Queensland 2022.)

2.3 Porter's Four Corners Model

A challenging but valuable aspect of competitor analysis is predicting future behaviors of competition (Adom, Nyarko & Kumi-Som 2016, 120). Porter's four corners framework offers companies a method to conduct an organized competitor analysis. It allows companies to make observations on the competition's operational decisions and future ventures by gaining a comprehensive understanding of their business. The model examines two main factors that influence the competitor's future plan, their motivations and actions. (Milner, Davenport & Sharpington 2017, 8.)

The framework is made up of four elements: drivers and management assumptions, which represent competitors' motivations, as well as current strategy and capabilities, which represent competitors' actions. (Milner, Davenport & Sharpington 2017, 8.)



Figure 3. Porter's Four Corners Model (Milner, Davenport & Sharpington 2017, 8).

Competitor's drivers include their executive team's traits, external influence, as well as their future and long term objectives. Recognizing the competitor's motives might help in determining if it is pleased with its status, including market share, and makes it possible to predict the competitor's behavior and how likely it is that it will alter its business approach in response to external influences. (Milner, Davenport & Sharpington 2017, 8.)

Management assumptions are the competitor's beliefs about the market and the company itself. The competitor's perceptions of the positive and negative features of each market participant and the market, the competition, the competition's and market's characteristics and guiding principles, as well as industry qualities all fall under it. Views and assumptions held by competition are significant as they impact the tactical decisions it makes. (Milner, Davenport & Sharpington 2017, 8.)

The value generating processes of the company, investment decisions, and connections that a business has decided to develop are all examples of its current strategy. It influences how the company operates in a competitive market, and if the existing strategy has produced pleasant outcomes, the competitor will most likely keep competing in a similar way as it does currently. (Milner, Davenport & Sharpington 2017, 8.)

A competitor's capabilities include for example its offerings, promotional and marketing expertise, the capacity to supply multiple markets, patents and trademarks, financial status, and a stable executive team. (Milner, Davenport & Sharpington 2017, 8.)

Recognizing competitors' intentions and motives, as well as prior behavior allows the forecasting of likely future behavior and strategy. Porter's Four Corners model is an especially valuable tool for companies that wish to foresee how their competition will react to external events, such as a shift in the market structure or in the macroenvironment. (Milner, Davenport & Sharpington 2017, 8.)

2.4 Risk Management

Risk management refers to the methods of identifying, avoiding, evaluating, and reducing current and prospective threats to a company's success. These risks include, for example, monetary, strategic, reputational, technical, legal, environmental as well as safety and privacy risks. The risk management process consists of three important components: risk evaluation, risk management, and risk review. (Surendran 2022.)

The two elements of risk evaluation are identifying and categorizing risks as well as risk analysis. Identifying and monitoring means the assessment of any potential risks that may occur within or impact the company. When most potential risks are identified, it is easier and less expensive to prepare for them. Determining risk probability is one of the main elements of risk management. Risk analysis is the strategy for predicting risk probability. It is used to cope with unexpected risks before they develop. Typically, companies divide risk analysis into two categories: qualitative risk analysis and quantitative risk analysis. (Surendran 2022.)

Qualitative risk analysis aims to investigate the potential severity of threats, and quantitative risk analysis aims to evaluate and calculate risks using data information. The value of risks is calculated by multiplying the estimated financial loss caused by an incident by the likelihood percent of the incident occurring. (Surendran 2022.)

Following the assessment and analysis of the risks, the next step is to rank them according to their severity and probability before taking appropriate action to deal with them. The prioritization of risk is the process of choosing which risks to address initially, based on their likelihood and impact, as identified in the risk analysis phase. Risks are prioritized by their value in the risk assessment matrix. (Surendran 2022.)

Risk Evaluation Matrix		Impact of Risk				
		Trivial	Minor	Moderate	Major	Extreme
Probability of Risk	Rare	Low	Low	Low	Medium	Medium
	Unlikely	Low	Low	Medium	Medium	Medium
	Moderate	Low	Medium	Medium	Medium	High
	Likely	Medium	Medium	Medium	High	High
	Very Likely	Medium	Medium	High	High	High

Figure 4. Risk assessment matrix (Surendran 2022).

Once the risks have been prioritized, they must be controlled. There are four main approaches for risk control: avoidance, mitigation, transfer, and acceptance. The main goal of risk avoidance is to totally eliminate potential financial risks. Risk mitigation means planning procedures and regulations to lessen the negative effects of a risk. Risk transfer means transferring the risk to other districts or external organizations that are better qualified and experienced with dealing with them. Risk acceptance is performed when the risk has a small chance of happening or causing major damage. (Surendran 2022.)

The last but most essential stage of risk management process is the analysis and ongoing evaluation of the current situation for any correctional measures (Surendran 2022).

2.5 Marketing Mix

Marketing mix refers to the process of incorporating the four Ps (product, price, place, and promotion) into a company's marketing plan (Dimova 2019). It outlines the strategies and promotion that the company does to meet consumer demand and provide its offerings to them in the target market (Allen 2020).

Product

Product is the good or service that a company puts on the market in an effort to meet customer demand. When it comes to marketing, it is critical to consider the product's design, presentation, promotion, and life cycle along with after-purchase operations. (Dimova 2019.) Companies have to constantly keep up with the market demand and improve their offerings in order to respond to changing consumer expectations, competition development, and new market opportunities (Allen 2020).

Price

Pricing products or services is a complex process that considers the customers' perceived value of the offered goods, as well as the competition on the market (Dimova 2019). Price is the sole part of the marketing mix that generates income, and therefore it is critical to set the cost precisely to make a profit as well as cover expenses (Allen 2020).

Place

Place refers to the specific location where the company's customers make purchases. This can be a physical store, an online platform, or an application. (Allen 2020.) The company has to accurately select the most accessible and convenient location for customers to purchase its offerings. Distribution, logistics, and market must all be considered in the company's marketing strategy. (Dimova 2019.)

Promotion

Promotion is about reaching out to target customers with messaging that will draw their attention and motivate them to make a purchase, regardless of where they are in the buyer journey. It helps customers to learn that a company offers a great product at a competitive price in the appropriate place. (Allen 2020.) Promotion explores the best strategies and channels for the company to reach its target audience. In order to attract the intended market segment the company can use direct marketing, public relations as well as advertising and sales promotion. (Dimova 2019.)

2.6 STP Model

Since companies have to attract customers, they customize their promotional campaigns to meet their target audience's specific needs. However, on a larger market, there is a scale of different needs and demands, and companies must decide which of those needs they should concentrate on. By using the segmentation, targeting, and positioning (STP) model, it is more accessible for companies to explore a broad and complex market, analyze it, choose the most suitable customer base, and differentiate themselves from the competition by clearly standing out from the crowd. (Allen 2020.)

Segmentation is the initial stage for understanding market's needs. It means dividing the market into separate, recognizable consumer groups with similarities. (Allen 2020.) Segmentation helps companies to gain insight about specific customer groups. These are for example psychographic or behavioral factors, needs, shared hobbies and interests as well as various other variables. (Donahue 2022.)

Targeting is the second phase of the STP model. After segmenting the market into distinct customer groups, the company has to decide which groups to target, and adjust its offerings appropriately. This can be done through gaining more insight into the different segments and their needs, compared to the company's offering. There are four different methods for targeting: undifferentiated, differentiated, concentrated, and customized. (Allen 2020.)

Undifferentiated targeting means that the company selects the whole market as its target market and utilizes identical marketing mix for each customer group. Differentiated targeting strategy means that the company targets at least two different market segments and develops each their own marketing mix. Concentrated targeting means that the company aims their marketing to one segment using a single marketing mix, and customized targeting means that the company targets every customer personally. (Allen 2023.)

Positioning is the last phase of the STP model. Once the target market and its needs are identified, the company has to make sure that their target customers can find them. This can be done by clearly presenting the company's values and offerings to their target segment, and setting themselves apart from the competition, both in the market and in the customers' minds. The company should customize its marketing to fit the needs of its target market. (Allen 2020.)

2.7 Porter's Five Forces

Porter's five forces model is used as a framework to gain insight into the competitive environment of an industry and how revenue is shared amongst the competing companies. It can assist companies in analyzing the industry's profitability, trend cycles and their effect on the competition as well as how the company should position itself for the best profit. (Harvard Business School 2023.)

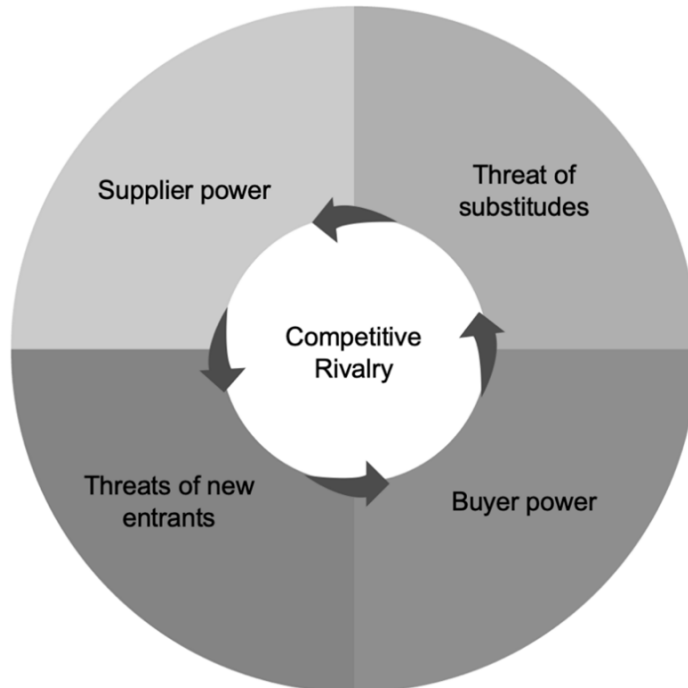


Figure 5. The Five Forces (Harvard Business School 2023).

The threat of substitute refers to the threat of variety that a product or service that meets the similar criteria and needs of another company's offering brings to

the market. If the substitute's pricing is more appealing than the industry's usual cost, the threat of substitute is significant. This is even more true if it is inexpensive for the customer to switch to the substitute. (Harvard Business School 2023.)

The bargaining power of buyers refers to the customers with a lot of influence to impact on product or service prices. They use this leverage to reduce pricing or demand more value for the current price. The power is significant when there are a lot of customers compared to the number of competing companies. The offerings are similar and their cost is premium, and it is inexpensive to switch to a substitute. (Harvard Business School 2023.)

The threat of new entrants refers to the potential risk that new competitors bring to the market, forcing the current industry competitors to improve their strategies. This can mean for example more deliberate price competition, more genuine customer connections as well as increases in development and productivity. The scale of the threat depends on many different industry variables, such as geographic, governmental, and regulative factors. (Harvard Business School 2023.)

The bargaining power of suppliers refers to force that vendors can hold over companies. Suppliers with the most power can debate more profitable terms regarding their pricing and regulations. The power is notable when there are only a few suppliers of a specific product, and switching vendors reduces a company's resources. (Harvard Business School 2023.)

3 Definition of the Sustainable Fashion Market

3.1 Consumer Behavior in Sustainable Fashion

Consumer behavior is an area of research that studies how people spend their money. It studies the routines and trends of buyers, and addresses questions such as:

- Who represents the target or present demographic, and what are their needs?
- What influences customers to make purchases, and is it a pattern or a one-time reward?
- Where are the customer making purchases? Do they purchase the goods from stores or online? (University of Lincoln 2022.)

When analysing sustainable fashion consumers, it has to be acknowledged that consumers' definition of sustainability may differ from what scientific research demonstrates to be most sustainable (Davies 2015).

According to research done by McKinsey in the UK, 56% of sustainable fashion consumers identify as female, and 58% of the consumers are under 35 years old. Forty-one percent of consumers have on average a higher income than the overall market. (Albella, Balchandani, Cornbleet & Lee 2022.) In Germany based on a survey by EHI in 2020, 60% of consumers who have a monthly income of over 3000 euro believe that a product's sustainability comes before its price, while 52% of all respondents stated the opposite. This shows that disposable income is a large factor in sustainable fashion's purchasing decisions. (KPMG 2021, 47.)

Sustainability can be divided into several subcategories, such as organic materials, fair trade and wages, transparent supply chain and sustainable business practices (Shen, Richards & Liu 2013, 134). These are few of the factors that can influence consumer's decision to buy sustainable fashion (KPMG 2021, 45). A variety of ethical values including self-expression, fairness and equality, responsibility, and protecting the environment, are also factors that impact sustainable fashion consumer behaviour and purchase choices. (Davies 2015, 5.)

Customers are more likely to purchase sustainable clothing from brands whose values align with their own. According to a Yotpo survey conducted in 2022, at least 84% of the participants stated that they were more inclined to purchase goods from a brand with similar ethics and principles to them. This indicates that emotional connection and brand loyalty are strongly related within the sustainable fashion consumer base. (McKeever 2022.)

Customers also have great expectations of the brands that they are loyal to. In addition to expecting that the company is concerned about the same environmental issues as them, customers also expect high quality experience and service. (McKeever 2022.) When searching for information about a brand's sustainability, almost 43% of customers went to the brand's website, 39% of the customers looked for the information from the product tags, and 30% observed certifications. (Albella, Balchandani, Cornbleet & Lee 2022.) This indicates that customers are actively looking for companies that share same values, and they want proof of actions.

According to a study by Davies (2015, 17) sustainable fashion consumers place high value on their purchases and consumption, and sometimes feel obligated to influence others' choices too. The study respondents emphasized their need to save resources and maintain its strength in order to protect the planet and its environment. This became increasingly clear when thoughts of future and possible future families were included.

Purchasing sustainably produced, recycled, and natural products are some of the characteristics that make consumers feel like they are making a difference. Customers feel like buying clothing made of organic materials is one of the easiest actions they can do to protect the environment. (Davies 2015, 18.)

3.2 Market Entry Strategies for Online Retailers

Every day, hundreds of thousands of websites compete for the same customers. To gain a piece of the market, companies must devise strategies for

attracting visitors to their websites, encourage them to browse it, spend time there, and eventually make a purchase. Constantly increasing, strong competition impacts all online businesses. A successful market entry strategy can assist companies to attract customers and attention to their websites.

(Belew & Elad 2017, 389.)

There are multiple methods for online businesses to drive customers to their website. To create a successful market entry strategy, they merely need to determine which of their tactics works best and combine those that do.

All aspects of a company's online presence, including its main website, microsites, landing pages as well as blog posts, should be considered while developing a market entry strategy. Every page of the company's website should serve an identified purpose, and the company should be able to understand the objectives of each page, as well as develop strategies to attract customers to these pages organically. (Belew & Elad 2017, 390.)

A website's ranking on a search engine's result page can be raised through a method called search engine optimization. It includes every action a company must take to increase organic internet traffic. A company can increase its position in the rankings by taking specified actions or completing specific optimization tasks. If a company's website gets an accessible spot on the result page it can drive more customers to their website. The businesses that master SEO techniques are the ones with the most accessible placements on the search engine page. (Belew & Elad 2017, 390-488.)

Search engine marketing on the other hand covers every paid advertisement and action a business engages in. PPC, display, and retargeting advertisements are all a part of SEM, as well as any sponsored advertisements a business places to social media. (Belew & Elad 2017, 391.)

Social media can have a major role in a company's market entry strategy. Companies can utilize various social media platforms to publish information and content, interact with targeted customers as well as connect with them.

Businesses can also use social media to reach out to key industry influencers and plan promotional social media campaigns in collaboration with them. (Belew & Elad 2017, 391.)

Email marketing is an element of marketing automation. It is a tool that enables businesses to generate and share email messages with their website's guests and customers. Newsletters are an increasingly popular tool of business promotion. According to research, bringing back a past customer can be up to six times more profitable than acquiring a new one. (Belew & Elad 2017, 391-426.)

4 Business Environment of Germany

4.1 German Legislation

Germany is a Federal Republic with a parliament and federal democratic government. Political elections give democratic authority to the German people. (Facts about Germany 2023.) Founded in 1949, the Federal Republic of Germany has a long history of stability and a population of 84.3 million people. The Basic Law, democratic government, federalism and social welfare are all unchangeable pillars of the nation. (The Federal Government 2023.)

The primary sources of German legislation come from EU regulations, the German Constitution and codified laws ratified by the Federal Parliament and the individual state parliaments. (Deloitte 2022, 2.)

Germany maintains close ties with several nations through different agreements and associations to improve and support basic human rights, equality, peace, freedom, and democracy. The country is part of the European Union, which offers its residents many benefits including freedom of movement for people, capital, as well as goods and services. Furthermore, Germany is one of the

members of the United Nations, G7, G20 and NATO. (The Federal Government 2023.)

Germany is amongst the 25 safest countries in the world. It is currently placed 16th out of 163 nations in the Global Peace Index, which ranks countries based on issues such as government stability and corruption rate. The German government is separated into three branches of power: legislative, executive, and judicial, all independent from each other to avoid exploitation of authority. (The Federal Government 2023.)

The German Government is actively working on to decrease the economy's bureaucratic obligations. Bureaucracy wastes both time and resources, while gradually slowing the economy down. The Federal Ministry for Economic Affairs and Climate Action is making substantial change when it comes to the removal of unnecessary red tape. Its acts have been estimated to have impacted approximately 3.6 million small and medium sized companies, and will continue to save a minimum of 2 billion euro every year. (Federal Ministry for Economic Affairs and Climate Action 2023.)

The Bureaucracy Cost Index (BKI) as illustrated in Figure 6, has been in use since 2012 to clearly demonstrate the progress made in reducing economic bureaucracy costs in Germany. The chart starts on January 1st 2012, with the economic expenses of bureaucracy marked as BKI of 100. (Federal Ministry for Economic Affairs and Climate Action 2023.)

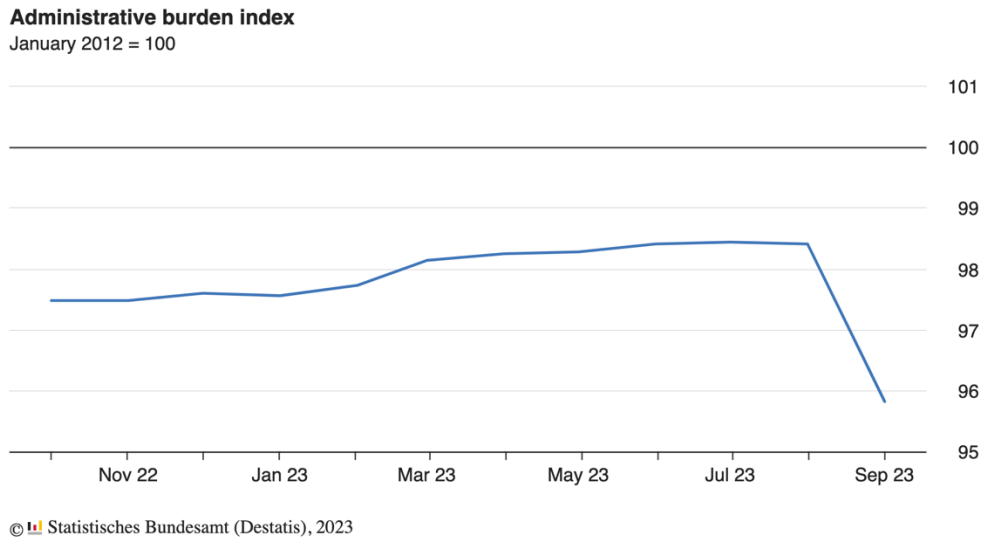


Figure 6. Administrative burden index (Destatis 2023).

Any non-German corporation can, in broad terms, conduct business in Germany. However, depending on the specifics of the business and the extent of its physical presence there, it may also have to establish a German branch and obey various reporting or registration requirements. (Deloitte 2022, 2.)

There are several legal requirements and regulations in place regarding ecommerce in Germany. While some of the obligations are exclusive to Germany, others are connected and consistent across the European Union. (Edwards 2023.) For example, in addition to Europe's data protection regulation, Germany has passed its own privacy law (Didomi 2023).

Apart from privacy policies, it is mandatory for online stores in Germany to provide the company's registered name, legal form, contact information, authorized representative, license and registration on its website (Edwards 2023).

When it comes to creating a contract with a customer, retailers have to specify the basic characteristics of the offered goods, the total price of the goods, as well as the terms of payment and delivery with an estimated shipping time. Customers have to be able to pay with common and free payment options. In addition, companies have to also provide customers with information about their warranty procedures and a copy of the contract. (Edwards 2023.)

4.2 Economic environment of the German market

Germany has the biggest economy in Europe and one of the strongest economies in the world, right behind China, the US, and Japan (KPMG 2023). According to The World Bank (2023), Germany's Gross Domestic Product in 2022 was 4.07 trillion US dollars.

Furthermore, Germany is one of the top three global exporting countries, alongside China and the United States. In 2022 Germany exported products worth 1.576 billion euro. The country's strongest industries include car manufacturing, engineering, electronics and chemical production. (Orth 2023.)

Germany's unemployment rate is among the lowest in Europe, and the country has the lowest youth unemployment rate in the European Union. In August 2023, 3% of the working age population (aged 15 to 74) was unemployed. (Destatis 2023.) In 2022, the average annual salary in Germany was 45,457 euro (McEvoy 2023), which is above the EU average (Eurostat 2022).

Germany has a highly skilled and innovative business environment (Folkerts-Landau & Schneider 2016). The German economy is centered around small- and medium-sized businesses. These are companies with a maximum of 500 employees and an annual income of under 50 million euro. Almost all (99.6%) German companies fit these requirements and this industry. (Orth 2023.)

Despite having one of the world's most secure economies, Germany's economic growth was first stalled by the COVID-19 pandemic and later by the energy crisis. Rising energy costs and the subsequent inflation are consuming German consumers' purchasing power, significantly slowing down Germany's economic growth. (OECD 2023, 3.)

Following a 0.1% fall in real GDP in the first quarter of 2023, the German economy got stuck, and for the first half of the year growth was considerably lower than anticipated. Real wage decreases negatively impacted private

consumer consumption in the first half of 2023, and reduced foreign demand decreased exports. In addition, public spending declined as a result of gradual reduction of COVID-19 related expenses. (European Commission 2023.)

Indicators	2022	2023	2024
GDP growth (% , yoy)	1,8	-0,4	1,1
Inflation (% , yoy)	8,7	6,4	2,8

Figure 7. Germany's economic indicators for 2022–2024 (European Commission 2023).

As seen in Figure 7, the German GDP is predicted to decrease by 0.4% in 2023. Despite the pick up in equipment investments, low consumption and a fall in construction investments are predicted to have a negative effect on the GDP. Even though poor foreign demand decreases exports, net exports are predicted to have a positive boost on growth because of declining imports. In 2024, the real GDP is predicted to grow by 1.1%. The rise is predicted to result from gradual recovery in spending, following the slow decline in headline inflation. The total inflation rate is predicted to decrease to 6.4% in 2023, and to 2.8% in 2024. (European Commission 2023.)

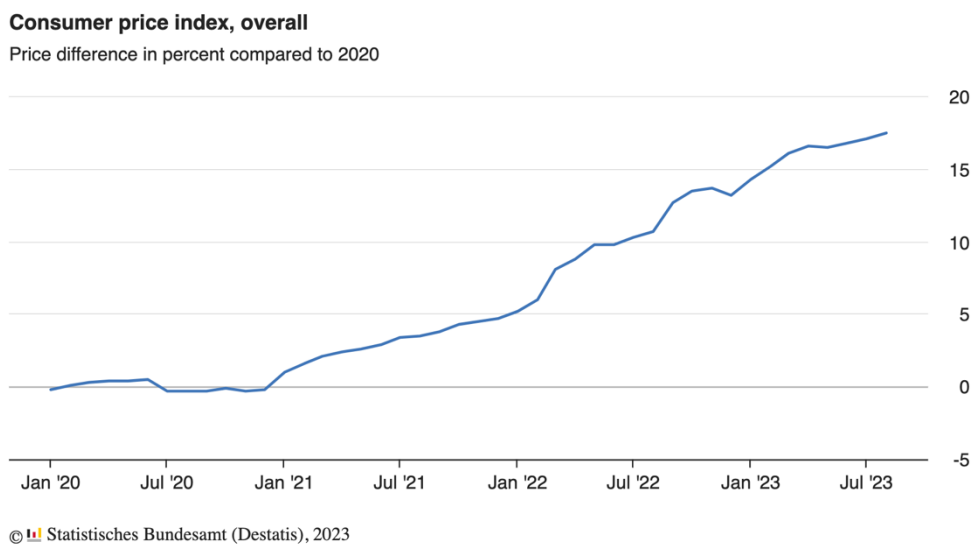


Figure 8. Consumer price index (Destatis 2023).

To illustrate changes in consumer prices, Figure 8 shows the percentage changes in prices of specified and regularly purchased products and services from the 2020 yearly average to the reference month (Destatis 2023). It demonstrates how prices have been gradually increasing nearly periodically since January 2020.

4.3 Business Environment in Sustainable Fashion Industry in Germany

Every year each German purchases on average 12 kilograms of clothing, with 90% of them originating from countries outside of Europe. The fashion industry is one of Germany's largest and most prominent consumer goods sectors. Many consumers are however beginning to reconsider their attitudes towards fast fashion and are starting to prioritize sustainability over disposable apparel. (Berg 2019.) As shown in Figure 9, attitudes toward sustainability have gradually shifted from 2014 to 2021, with an increasing number of Germans stating that purchasing products from socially and environmentally responsible companies is important to them.

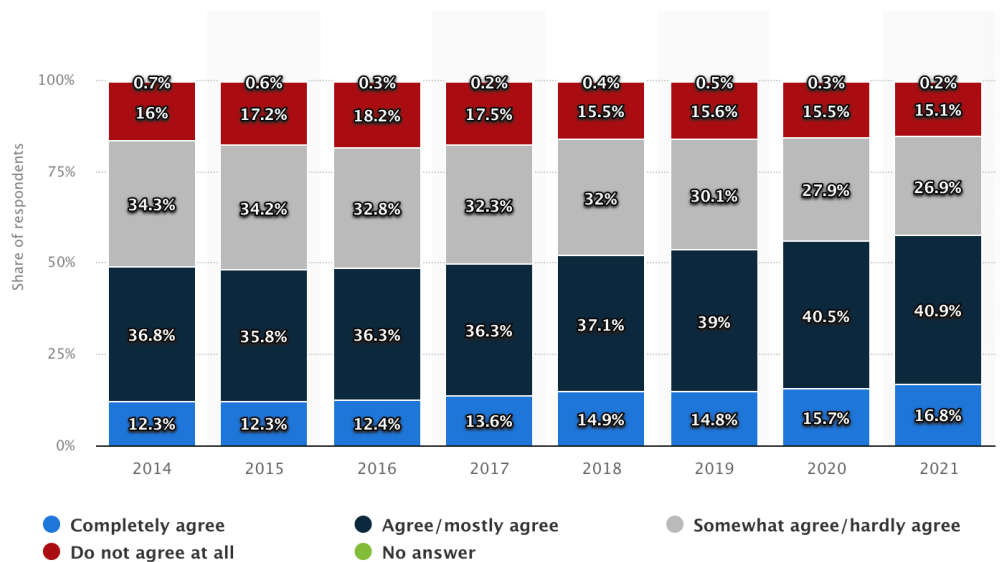


Figure 9. Germans' degree of agreement with the claim that supporting ethical businesses is important to them from 2014 to 2021 (Statista 2023).

Not long ago, sustainable clothing was only visible in Germany's metropolitan regions and fashion centers such as Berlin, but now the trend has extended

throughout the country. Germans spent close to 129 million euro on sustainable textiles in 2017, which was a 66% increase from the previous year. (Berg 2019.)

According to Statista (2021), the sustainable apparel share of the German garment market was 3.9% in 2013 and is expected to reach 8.1% by 2026. From 2023 to 2026, the market share is predicted to increase by at least 0.5% per year. As seen in Figure 10, over 50% of surveyed Germans were buying sustainable clothing in 2020, and over 70% on Germans could imagine themselves purchasing it in the future.

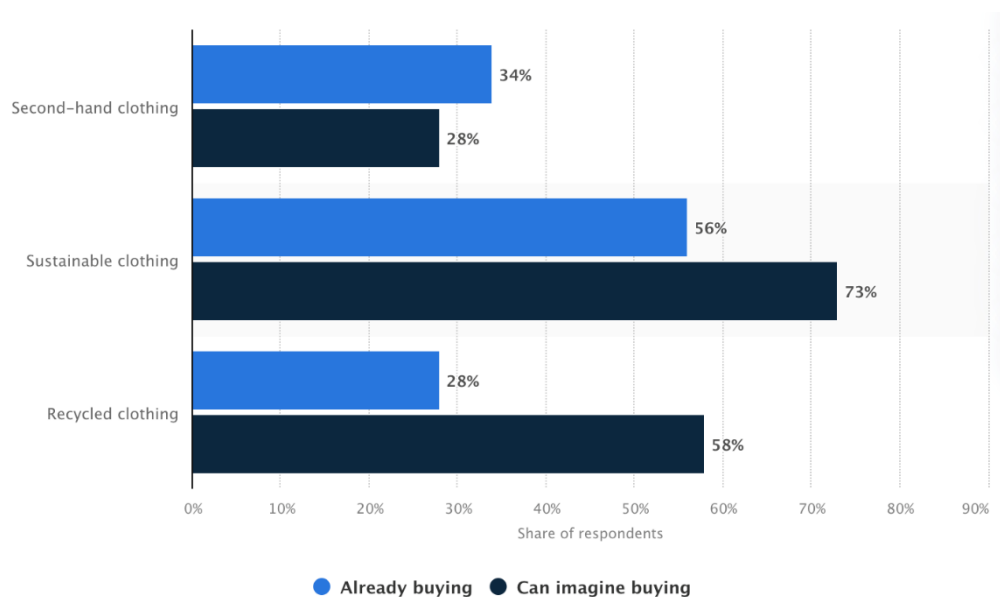


Figure 10. Thoughts on sustainable fashion consumption in Germany in 2020 (Statista 2022).

Based on a survey conducted by McKinsey of over 2000 British and German consumers in 2020, there has been a significant change in attitudes towards sustainability following the COVID-19 crisis. Over 60% of those surveyed stated that limiting the effects of climate change is becoming increasingly important to them. In addition, almost 90% of the respondents expressed that there should be more focus put on decreasing pollution, and over half of the surveyed consumers said that they had made major lifestyle adjustments to reduce their ecological footprint. Sixty-seven percent of the respondents said that sustainable materials were crucial in their purchasing decisions, and 63% of

consumers considered it important that the brand supports sustainable development. (Granskog, Lee, Magnus & Sawers 2020.)

Among German online consumers the major sustainability concerns in ecommerce, according to ECDB (2021), were sustainable packaging, as well as transparent supply chains and product sources. These factors were highly valued by more than 40% of polled Germans. Other main concerns were sustainable and fair production as well as social commitments.

The German sustainable fashion market is responding to this attitude change, as the number of German sustainable fashion companies is expanding, and various sustainability certifications and labels gain significant market value. Three hundred thirty-two German brands have been provided with the Global Organic Textile Standard (GOTS) certification label, which conforms an environmentally friendly production chain. (Berg 2019.)

Germany's Federal Ministry for Economic Cooperation and Development encourages sustainable textile value chains through a three step process: consumer education, a partnership between several collaborators known as the Partnership for Sustainable Textiles, and a certification label called the Green Button. The Green Button label was created to increase consumer awareness and is recognized by over 40% of German customers. In 2020, around 90 million products carrying the label were purchased. Business members of the Partnership for Sustainable Textiles currently account for half of the German retail sector. (OECD 2022.)

The German sustainable fashion market offers a diverse range of products, including jewelry, apparel, footwear, and various accessories such as purses. Sustainable designers and producers are becoming more and more innovative, and are not only using more traditional sustainable materials such as organic cotton in their goods. Products consisting of recycled fish skin and plastic waste, as well as clothing made of milk fiber are taking over the market. (Berg 2019.) Upcycling, which refers to the process of creating new items out of waste

or recycled materials, is a trend that is steadily gaining attraction in Germany (Orth 2018).

In January 2023 the new German supply chain law went into action. The act forces German companies to recognize and accept their responsibility regarding human rights, including forced and child labor, oil contamination and forceful evictions from acquired lands, on behalf of their direct and indirect suppliers. It currently applies to companies that employ at least 3000 people, but starting in 2024, it will also apply to companies with a minimum of 1000 employees and have an established branch or presence in Germany. (European Coalition for Corporate Justice 2023.)

4.4 Business Environment in Ecommerce in Germany

Germany has one of Europe's biggest ecommerce markets. The country has on average more online consumers, internet usage and higher average annual online spending than other European countries. The total sales in 2021 reached around 120 billion euro, which was a 24% increase from the previous year. In 2021, ecommerce accounted for 77% of the German market. (International Trade Administration 2022.)

The German business-to-customer ecommerce market sector earned over 84 billion euro in revenue in 2022, and this number is predicted to increase by almost 5 billion in 2023. The top German online retailers in 2022 and 2023 were Amazon.de, Otto.de, Zalando.de, Mediamarkt.de, and Apple.com. (Edwards 2023.)

Based on a survey of over 2000 customers in the UK and Germany, as a result of COVID-19, more individuals are using online resources: 43% of consumers who did not use internet platforms to buy clothing prior to the crisis are now doing so. This trend is not predicted to change, as around 28% of consumers anticipate making less purchases in physical stores. (Granskog, Lee, Magnus &

Sawers 2020.) Germany's internet presence is predicted to grow from 62.4 million in 2020 to 68.4 million in 2025 (International Trade Administration 2022).

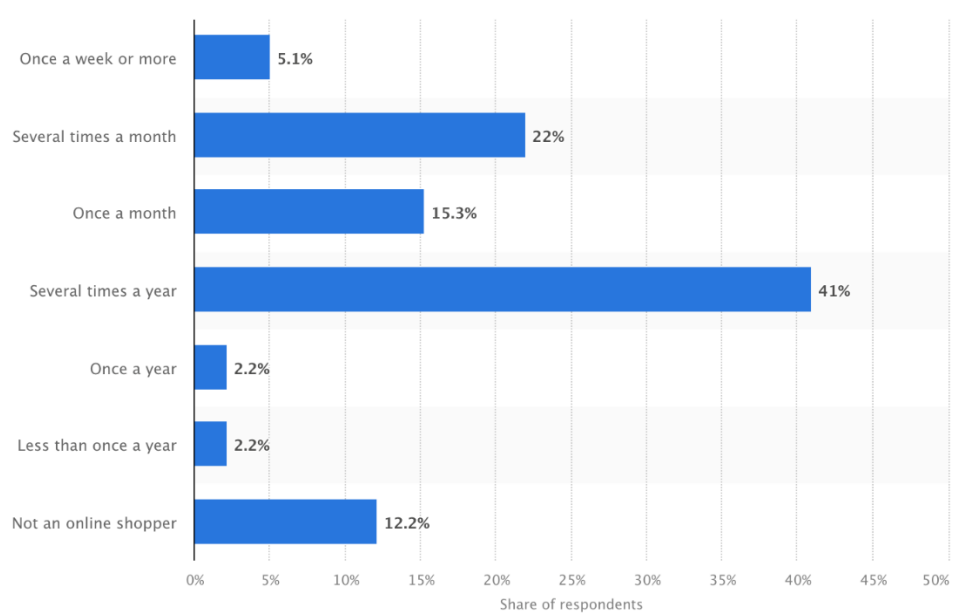


Figure 11. Germany's internet users' frequency of online purchases in 2022 (Statista 2022).

As seen in Figure 11, a survey by Statista (2022) reveals that 22% of German consumers make purchases online several times a month and 41% numerous times a year. Also, 5.1% of respondents stated that they make online purchases at least once a week and over 15% once a month. 2.2% of surveyed consumers make purchases once a year or less, and 12.2% do not make online purchases at all.

The leading product groups for online shopping in Germany include apparel, shoes, movies, music, books, electronics and games (Davies 2023). For more than 70% of online customers, clothing and shoes are the two most popular product categories. When it comes to pricing, German online consumers are especially price sensitive regarding clothing and groceries, with shoes and smartphones being the most expensive purchases. (International Trade Administration 2022.)

German online customers are often cautious and avoid risks. They demand premium quality goods and expect that websites and online stores are available in German. (International Trade Administration 2022.)

Eighty percent of Germans own smartphones, and 59% of online sales in 2021 were made on mobile devices. As companies enhance and develop their mobile platforms and offer easier options to shop on smartphones or tablets, this growth is probably going to continue. (International Trade Administration 2022.)

As seen in Figure 12, the German companies' most commonly offered payment methods in 2020 were Paypal, credit card payments, cash in advance and Sofort. Over 90% of companies offered Paypal and credit card payments, 66% cash in advance and almost 57% Sofort.

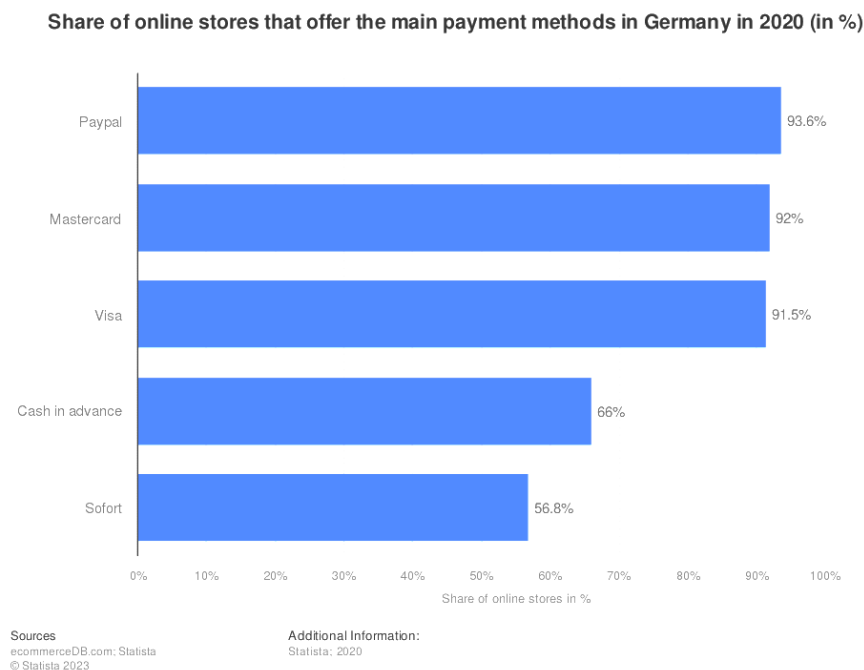


Figure 12. Main payment options in German online stores in 2020 (Statista 2022)

Online consumers have 14 days to change their minds and return their purchased goods for any reason. As a consequence, Germany has a reputation for having a high return rate. This is especially true in the fashion industry,

where 32% of purchases were returned in 2021. (International Trade Administration 2022.)

Most consumers do not think that returns are problematic, but return fees, on the other hand, are not accepted, with only 21% of German customers accepting them. If an online store does not offer free returns 45% of consumers switch stores, 37% do not buy the product they wanted, and 32% go shopping offline. (KPMG 2021, 55-56.)

5 Analysis of the Sustainable Fashion Market in Germany

5.1 Sustainable Fashion Market in the Target Market

The German sustainable fashion market is constantly expanding. Growing consumer and industry awareness, as well as different regulations and textile labels, are among the biggest advocates for change.

While the German fashion retail market share is shifting in favor of online retailers, many fashion labels are increasing their online visibility. More companies are focusing on ecommerce, as evidenced by the predictions that in 2030 the market share of online fashion retailers will be equal to that of physical clothing stores (KPMG 2021, 14).

Since over 40% of German consumers value brand transparency in business policies and actions, companies must make the information as accessible and clear as possible, as it may play a significant role in the purchase decisions. (ECDB 2021). Companies that gain trust from customers are showing actual proof of sustainability. In addition to displaying labels and certifications, some companies choose to further inform and educate potential customers about issues regarding sustainability, different ecological materials, fair trade, and their supply chain on the company website.

Although sustainable apparel is usually priced higher, and some consumers are willing to pay more for sustainability, German consumers are nevertheless price sensitive, with more than half preferring affordable prices. (KPMG 2021.) Even though consumers are demanding sustainable goods, they will not buy the products if they are not stylish and competitively priced (Oxford Economics 2021, 41). This suggests that companies that can provide competitive prices with sustainability standards could gain a competitive advantage on the market. Additionally, as a result of ecommerce, over half of consumers feel that special promotions, campaigns, price drops, and discount codes are now more significant to them than they were in the past. (KPMG 2021.)

5.2 Competitive Situation in the German Sustainable Fashion Market

The German sustainable fashion market is rapidly growing and adapting, and has both domestic and international brands offering a large product range to all, women, men and children. While multinational corporations lead the industry, German companies are increasingly participating and gaining market shares. Smaller labels as well as large fashion brands compete for market shares with various sustainability labels and certifications in order to acquire consumers' trust and gain advantage over the competition. (Berg 2019.) Sustainable brands usually have a distinct perspective on how they practice sustainability in their operations. Examples include but are not limited to only utilizing organic and certified textiles, supply chain being 100% traceable, offering only handcrafted items, being 100% vegan, and upcycling. (Barrera 2021.)

One big driving force in the German sustainable fashion market is the German domestic sustainable fashion brands, such as Lanius, Anekdot, Vatter and Armedangels (Wolfe 2023). These types of brands have an established place in the market and a loyal customer base with both German and international websites. In addition to bigger domestic brands, the German market is also contested by a sizable number of independent, smaller, and startup businesses. While some brands provide a variety of apparel, others, for instance, focus on accessories like bags or shoes. (Barrera 2021.)

Significant global sustainable fashion labels such as Patagonia and Reformation are also prominent market players (Morgan 2020). These companies have a global presence and credibility, as well as a well-established position in the international sustainable fashion sector, and are thus also well-known and trusted in the German market.

Marketplaces and multi-brand retailers are two more significant market participants. These are the stores that sell both sustainable and non-sustainable clothes, like Zalando, or shops that are completely committed to sustainability, like Avocadostore. Zalando is one of Germany's biggest ecommerce market leaders (Edwards 2023). While it offers different fast fashion, and designer brands, it also provides its customers with sustainable options. Avocadostore is, at the moment, the biggest environmentally conscious e-commerce platform in Germany (Mergado 2021). Both stores provide customers with the option to shop for a variety of sustainable clothing brands all in one location.

5.3 Analysis of Direct Competitors

IVALO.COM has a number of competitors on the German sustainable fashion market. Online stores that offer sustainable fashion brands and function as a sustainable clothing marketplace are its direct competitors. Table 1 compares IVALO.COM to the top German sustainable fashion online retailers based on how frequently each website is searched for on Google on a monthly average using Google Keyword Planner. (Tallniemi 2023.)

As shown in Table 1, the competing companies share a few similarities. Every store carries at least 50 different sustainable brands and evaluates each one before listing it on their websites to ensure that it is genuinely sustainable. They all offer both women's and men's clothing, as well as premium pricing. However, there are some variances in the number of brands available, the price and product range, shipment time and method, website languages, as well as return policy and costs.

BRAND	IVALO.COM	STAIY	LOVECO	GRUENE WIESE	AVOCADOSTORE
AVG. GOOGLE SEARCHES PER MONTH IN GERMANY	10	9900	5400	6600	90500
BRAND NUMBER +/-	130	150	80	59	6000
PRICE RANGE WOMEN'S CLOTHING	12 – 800 €	4 – 635 €	20 – 499 €	8 – 470 €	3 – 2250 €
PRICE RANGE MEN'S CLOTHING	12 – 380 €	4 – 495 €	8 – 400 €	8 – 380 €	3 – 1380 €
PRICE RANGE KIDS' CLOTHING	10 – 200 €	8 – 135 €	No kids' clothing available	No kids' clothing available	4 – 270 €
PRICE RANGE WOMEN'S ACCESSORIES	15 – 997 €	15 – 9888 €	8 – 289 €	8 – 280 €	3 – 4893 €
PRICE RANGE WOMEN'S SHOES	56 – 490 €	125 – 269 €	40 – 199 €	40 – 250 €	13 – 399 €
BRAND VALIDATION	Yes	Yes	Yes	Yes	Yes
STANDARD SHIPPING TIME	Up to 30 days	Up to 5 days	Up to 7 days	Up to 12 days	Up to 42 days
DROPSHIPPING	Yes	Yes	No	No	Yes
WEBSITE LANGUAGE	Finnish, English, Deutch	English, Spanish, French, Italian, Portugese, Swedish, German	German	German	German
RETURN POLICY	14 days	14 – 30 days Depends on the brand	30 days	14 days	14 days and
FREE RETURN	No	Yes	Only in Germany	Only in Germany	Yes / no Brand decides

Table 1. Competitor analysis (IVALO.COM; Staiy; Loveco; Gruene Wiese; & Avocadostore 2023).

Table 2 importantly allows the author to illustrate the significance of highlighting variations in product offerings across various stores at this juncture.

BRAND	IVALO.COM	STAIY	LOVECO	GRUENE WIESE	AVOCADOSTORE
WOMEN'S CLOTHING & ACCESSORIES	X	X	X	X	X
MEN'S CLOTHING & ACCESSORIES	X	X	X	X	X
KIDS' CLOTHING & ACCESSORIES	X	X			X
HOME DECOR	X	X	X		X
COSMETICS		X	X		X

Table 2. Competitor analysis product selection (IVALO.COM; Staiy; Loveco; Gruene Wiese; & Avocadostore 2023).

When analysing both Tables 1 and 2, it is evident that Avocadostore is the largest company in the analysis with the most Google searches per month in Germany, approaching 100,000, the most available brands, and the widest price range in clothing. It also offers the largest product selection. Avocadostore has ten sustainability guidelines that all brands must meet at least one of in order to be accepted on the website. These criteria include raw materials from organic farming, social and fair principles, made in Germany, durability, recycled and recyclable materials, reduced carbon dioxide emissions, resource-saving, pollutant-reduced production, from cradle to cradle, as well as veganism. (Avocadostore 2023.)

Staiy is the second largest brand in the comparison when it comes to average Google searches and the number of brands and product selection offered. It provides the quickest standard shipping time, the most website languages, and free returns. Staiy validates companies using a 124-question sustainability survey. The questionnaire covers the brand's five pillars of sustainability: water, air, materials, supply chain, and working conditions. (Staiy 2023.)

Gruene Wiese ranks third in terms of average Google searches per month, but it also has the lowest number of brands and the smallest product selection,

offering solely women's and men's apparel and accessories. Gruene Wiese has basic standards for sustainable fashion when validating brands, and products must meet at least the following criteria: fair manufacturing and sustainable materials, as well as favorably sustainable methods and dyes. These requirements can be achieved by various certificates, sustainability standards, membership groups, and material research. (Gruene Wiese 2023.)

Loveco gets the fewest Google searches among the German companies in the analysis, but it offers one of the lowest average shipping times and the longest return policy. Loveco only sells products that are made from sustainable, ecological and easy to care for materials; they ensure that the goods are produced in fair conditions and 100% vegan. (Loveco 2023.)

When comparing IVALO.COM to these competitors it is clear that all of the companies have many similarities to it. Because the company has not yet entered the German market or begun marketing promotion there, it cannot be compared to the German competition's average monthly Google searches or website language. IVALO.COM has the third largest number of brands available, competitive prices and product range as well as similar basic policies as the competition. It does not however offer free returns. Brands are validated by IVALO.COM through a comprehensive validation process known as IVALO.COM 360. Each brand is pre-assessed, interviewed, surveyed, and scored. The sustainability score determines whether or not the brands are accepted on the platform. To obtain a satisfactory sustainability score, a brand needs to fulfill the minimum requirements for eight sustainability commitments. Based on sustainability, each brand receives a score that is available for assessment by both consumers and brands. (IVALO.COM 2023.)

Table 3 displays the various payment options accepted by the competing companies. Some of them, such as certain forms of mobile payments, are only available in select countries, but most of the payment options are global. Every store in the analysis accepts credit cards, and most of the stores accept Paypal. Both of these payment methods are among the most preferred in Germany (White 2023).

BRAND	IVALO.COM	STAIY	LOVECO	GRUENE WIESE	AVOCADOSTORE
CREDIT CARD	X	X	X	X	X
MOBILE PAY, PIVO, SIIRTO	X				
APPLE PAY	X	X	X		
DIRECT DEBIT				X	
ONLINE BACK SERVICE	X		X		X
INVOICE	X				
SOFORT					X
INSTALLMENT	X				
PAYPAL		X	X	X	
KLARNA			X		
ADVANCE PAYMENT				X	X

Table 3. Competitor analysis, payment options (IVALO.COM, Staiy, Loveco, Gruene Wiese & Avocadostore 2023).

As seen in Figure 13, according to a Statista (2022) survey, Paypal was the most popular online payment option in Germany in 2022, with almost half (46%) of the respondents selecting it. Thirty-six percent of the respondents preferred other payment methods such as paying by invoice; 9% chose credit card and 4% selected debit card. (Davies 2023.)

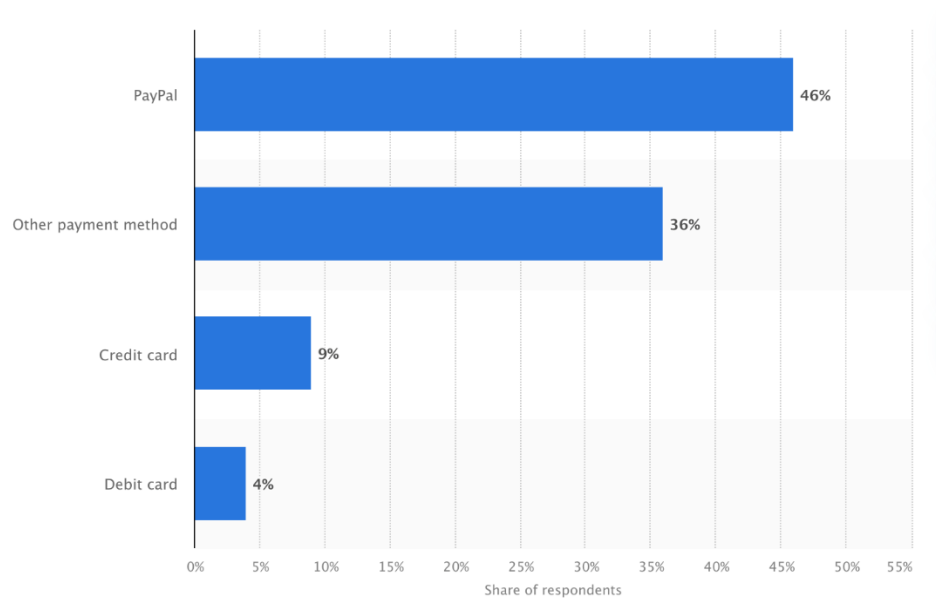


Figure 13. Most preferred online payment methods in Germany (Statista 2022).

These statistics shed light on the prevailing payment landscape, guiding our understanding of consumer behavior and market dynamics in the digital payment sector in Germany.

5.4 Opportunities in the German Sustainable Fashion Market

A SWOT (strengths, weaknesses, opportunities and threats) analysis can be used to identify the opportunities and risks of the German sustainable fashion market and to estimate IVALO.COM's position within it.

Strengths

One big advantage for IVALO.COM on the German sustainable fashion market is its brand validation process and authenticity. Even though the other competition has validation processes in place as well, IVALO.COM has the most advanced one. Whereas the competition certifies companies based on one or two factors, IVALO.COM has a broad validation process that incorporates many different aspects of sustainability. The company has sustainability experts making sure that the process stays authentic and up to date. In addition to a thorough validation process, the results are openly

published on the website for customers and the brands themselves to observe and review.

Weaknesses

Since IVALO.COM is unknown in the German market, establishing an initial customer base may be difficult. Consumers are attracted to familiar German brands as well as larger multinational companies. Attracting customers from other websites can be challenging, especially if the IVALO.COM website is not fully prepared, such as having a German language version and offering the most common German payment options.

Opportunities

Sustainability is on the rise in Germany. Demand for sustainable fashion is growing each year, and customers are searching for authentic sustainable clothing retailers. In addition, the ecommerce market is expanding, and more consumers are purchasing their clothing online. This provides IVALO.COM with a consumer base that requires product sustainability verification, which IVALO.COM can provide in straightforward terms, and a website that is easy for the customers to navigate and use.

Threats

The German sustainable fashion market is very competitive, with the largest brands and companies having a strong hold of the sector. When there is a lot of competition, it is more difficult to stand out or differentiate from the competitors. Online marketing can be very expensive on such a broad market, and return on marketing investment takes time.

6 Market Entry Strategy

6.1 Opportunities in the German Market for the Case Company

The German sustainable fashion industry is constantly expanding as the country's demand for environmentally friendly clothing grows. The market has some major direct competitors, but none of them have a significant competitive edge in terms of business features or distinctiveness. IVALO.COM provides extensive and detailed sustainability validation for German consumers that need assurance in their purchasing decisions.

Aside from sustainable apparel, Germany's ecommerce market continues to develop, and more and more individuals are making purchases online. Clothing and shoes are the most popular product groups in online shopping. Germans appreciate marketplace websites where they can browse through various brands and products.

To begin developing entry methods, IVALO.COM has to identify its initial target customers. There are several approaches that can be taken when determining IVALO.COM's initial target group in Germany, such as demographic, geographic and behavioral factors. In order to find the most suitable segment, several factors have to be taken into consideration, such as:

- Current place of residence
- Age
- Gender
- Occupation
- Lifestyle
- Purchasing behaviour.

Some major characteristics emerge from the research conducted on the German market.

IVALO.COM's initial target demographic on the German market could be consumers aged 25 to 50 who are interested in environmental protection, sustainable fashion, and are shopping for women's clothing. They live in Germany's major cities, make online purchases several times a year, and have disposable incomes.

These are typically the consumers who are willing to spend more money on sustainability while still enjoying sales. They require confirmation of product sustainability, prefer German language websites, expect high quality products, and are most likely prepared to pay by Paypal or credit card. They may be difficult to contact at first, but once drawn in, they are highly brand loyal.

With the right positioning strategy IVALO.COM can attract the German focus customers to their website. Positioning as a sustainable brand in the eyes of customers means that IVALO.COM has to actively communicate its sustainable qualities to the target demographic. When positioning by functional features, IVALO.COM has to clearly express its competitive advantages in terms of sustainable products and business practices, as well as the benefits they bring to customers. (Hartmann, Ibáñez & Sainz 2005, 10-11.)

6.2 Marketing Mix for Entry Strategy

The subsection section holds significant importance within the overall strategy. In this section, the focus is on outlining the specific marketing mix elements and strategies that will be employed to enter a new market or expand an existing presence (Kotorov, Krasnyukova, Demel & Blaschke 2023, 76).

Product

In order to establish an efficient marketing strategy, IVALO.COM has to first define its product clearly. This can be done by utilizing Kotler's three levels of product: core product, actual product and augmented product (Ha 2020).

When evaluating a company's core product it is important to consider the needs of its target customers (Ha 2020). IVALO.COM answers to customers' needs for easily accessible, truly sustainable clothing, with offering consumers a reliable platform where they can purchase goods without questioning their sustainability. IVALO.COM's core product is an ecommerce service.

The actual product that the customers get is an online store with access to a wide range of sustainable fashion brands. This is the IVALO.COM website, with all its features and branding. It includes the website's design, quality and reliability. (Dudić, Dudić & Mirković 2016, 22.) IVALO.COM has an unique website design with improved user comfort for both desktop and mobile devices. It features over 130 brands, each with their own brand page and introduction. The site is user friendly and provides all needed information for customers, from company information and policies to shipping, payments and returns. (IVALO.COM 2023.)

The augmented benefits are the features that can separate IVALO.COM from its competition (Ha 2020). These are for example customer support, a loyalty program, after sale services, delivery and warranties (Dudić, Dudić & Mirković 2016, 22). For IVALO.COM one of its leading advantages is its thorough and transparent brand evaluations and validation result reporting. This is beneficial since German customers are cautious when it comes to new companies and sustainable products. Additional augmented products from IVALO.COM include for example, free deliveries for orders over 200 euro in the EU, and 14 day returns. For after sale services IVALO.COM contacts customers via email to request product reviews, and offers customer service support through email and phone.

Price

The pricing plan of IVALO.COM has to consider customers' opinion of the products' value as well as the competition's pricing (Dimova 2019). The pricing strategy of IVALO.COM consists of different offers and promotions. Since IVALO.COM does not set the prices of the products it sells, it has to use campaigns to increase website traffic and sales, and consequently profit.

IVALO.COM's campaigns consist mostly of weekend campaigns with selected brands or products as well as product of the month campaigns, both of which offer customers a percentual discount off the products. The company also utilizes different discount codes, season sales and product discounts in their

marketing. Since IVALO.COM's price range is similar to those of its competitors it is efficient to use consistent campaigns to draw customers and sales.

Germans enjoy a good deal, so offering discounts to attract them is an effective strategy. According to 77% of German online consumers, the main factor when selecting an online store is its pricing. In addition, 35% of customers stated that special discounts and promotions play a significant role in purchasing decisions. (Chow 2023.)

However, when utilizing discount codes in Germany they have to be clearly displayed. According to Ecommerce News (2019) only 30% of Germans use discount codes when making online purchases. This is mostly due to an absence of codes for popular products, but also a lack of understanding about where to find them and how to get them. Discount codes are most commonly found by Germans on company websites and newsletters, as well as through search engines.

IVALO.COM offers customers 17 different payment methods. These include for example credit card payments, online bank services, invoices and mobile payments. (IVALO.COM 2023.) Accepting credit card payments is crucial on the German market. Another, even more important payment method for German consumers in Paypal.

Place

As an online marketplace, IVALO.COM only operates through its official website, which is available on most smart devices or computers with an internet connection and some form of web browser.

Germany's most used devices for online shopping in 2019 were laptops, desktops, smartphones, and tablets. In that same year, 57% of German online consumers used laptops to make purchases and 52% used smartphones. In addition, 41% of customers used desktops and 26% used tablets when making online purchases. In 2019, 81% of consumers aged 16 to 29, and 62% of consumers aged 30 to 49, solely used their smartphones when shopping online.

This emphasizes the importance of developing mobile-friendly websites. (Chow 2023.)

Promotion

Promotion means improving the company's chances to convert website visitors or target audience into buyers. The more visitors a company drives to its website, the more likely it is that some of those visitors will become customers. (Belew & Elad 2017, 399-400.) Given the high level of competition in the German sustainable fashion sector, IVALO.COM must direct some of those customers to its website to gain enough revenue to stay on the market. First the company has to make those potential customers aware of the website. This can be done with multiple marketing approaches.

Search engine optimization is an important element in website promotion. By suitable utilization of German words and phrases in SEO strategies, the company can gain more visibility in German search engines. (Word Publishing 2023). Keyword searches can be an efficient method when trying to guide the targeted customers to the company's website. Even though the cost of cost-per-click is high in the highly competitive market, there are still reasonably priced keyword search terms available, in particular long-tail keywords. These types of keywords are usually more affordable and can help potential customers find the company's website more easily. (Belew & Elad 2017, 399.)

The most popular sustainable fashion related keywords in Germany were found using the Google keyword tool (Tallniemi 2023), which allows IVALO.COM to get a sense of the market's volume and size. By using the provided list of the 16 most searched German sustainable fashion related keywords in Table 4, IVALO.COM could also find and plan more long-tail search terms.

KEYWORD	AVERAGE MONTHLY SEARCHES
NACHHALTIGE MODE	9900
MODE NACHHALTIG	9900
NACHHALTIGE KLEIDUNG	4400
FAIR FASHION	3600
FAIR TRADE KLEIDUNG	2400
FAIRE KLEIDUNG	1600
BIO KLEIDUNG	1600
NACHHALTIGE KLEIDER	1600
KLEIDUNG NACHHALTIG	1600
KLEIDER NACHHALTIG	1600
FAIRE MODE	1300
ÖKÖ KLEIDUNG	880
NATURMODE DAMEN	880
NACHHALTIGE KINDERMODE	880
KINDERMODE NACHHALTIG	880
BIO KLEIDUNG DAMEN	720

Table 4. Germany's most used sustainable fashion keywords (Google Keywords 2023).

Content marketing, particularly educational content, is also an effective way of promoting and growing website traffic. It builds consumer loyalty, increases brand exposure, and attracts new customers. (Baltes 2015, 114.) Because sustainability is gaining popularity in Germany and German sustainable fashion consumers are precise and selective, it is beneficial to provide educational content on the IVALO.COM website in German. This can include content about environmental protection and why sustainable apparel is preferable, content about sustainable materials, and information about the reliable IVALO.COM validation system and brands. This not only increases customer confidence in the website, but it also can bring in new customers and visibility with the help of long-tail search engine keywords.

Social media is an effective tool for promotion. As illustrated in Figure 14, 64 million Germans currently have social media accounts, and the number is expected to reach around 75 million by 2028. 32.57 million Germans actively spend time on Instagram (Dixon 2023), and around 43.93 million Germans used Facebook in 2022 (Dixon 2022), which means that utilizing at least those two social media platforms in promotion and advertising in Germany would be valuable. Social media advertising can be done through banners and display ads, as well as retargeting for users that have already visited the website (Belew & Elad 2017, 400).

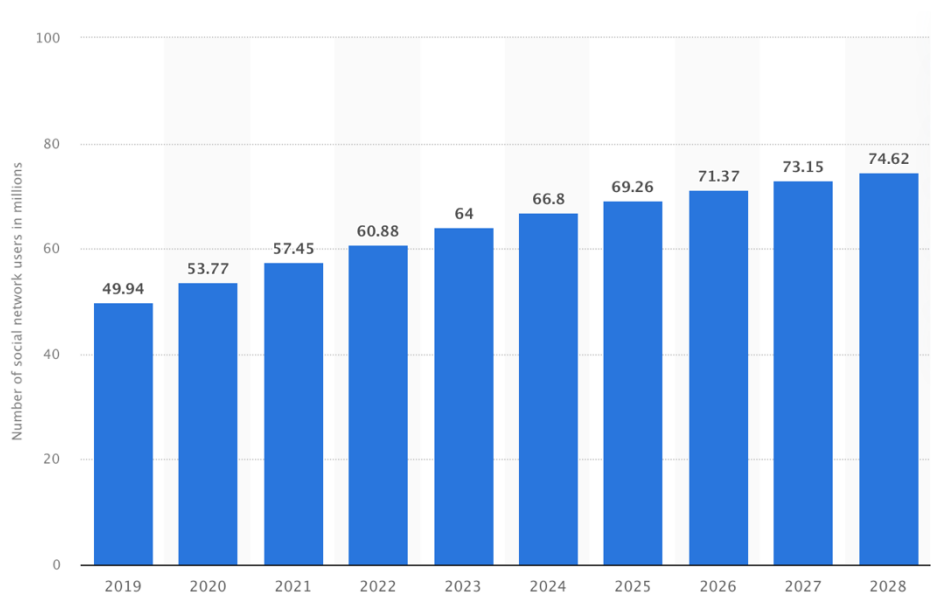


Figure 14. Germany's social media population from 2019 to 2028 (Statista 2023).

In addition to social media advertisements, working with German sustainable fashion influencers can provide further exposure by increasing awareness of IVALO.COM among the company's target demographic. Influencer marketing is predicted to reach 67 million Germans in 2024, rising to 71 million in 2026. The German influencer scene can be described as fast growing, high quality and diverse. However, as the quality of content has improved, so have the prices of influencers. (Kolsquare 2023.)

Various types of loyalty programs are one method for developing brand loyalty among website visitors. According to a Yotpo survey, loyalty programs make more than 60% of consumer worldwide more brand loyal. They make customers feel important by providing personalized messaging and discounts. (McKeever 2022.)

6.3 Risk Analysis and Financial Factors

Market entry is never simple or easy, since there are various risks to consider and reduce. It is expected for companies to encounter some obstacles, since all potential risks can never be completely eliminated. (Shaw 2023.)

Financial risks

Market entry requires substantial financial resources, and if for some reason the money flow is disrupted or slowed down, the entry method can suffer significantly (Shaw 2023). Both internal and external factors can have an impact on company's finances.

Economic environment risks

Since IVALO.COM is entering the German sustainable fashion market with premium pricing, the company has to be aware of changes in the economic environment. Even though the German economy is on the rise following the COVID-19 pandemic and the electricity crisis, there can be fluctuations, for instance, in inflation and consumer purchasing power.

Company risks

IVALO.COM is a small company with limited workforce, and entering a new market consumes a significant amount of internal resources. For instance, in the context of the German ecommerce industry, it is important to note that 90% of the online consumers prefer German-language websites (Word Publishing 2023). This means that IVALO.COM has to launch a German language website to keep consumers attracted. Developing new sites consumes a lot of workforce, and putting a lot of effort and staff into making the website ready for

Germany can impair the performance of other markets, especially if there is shortage of workers, or not enough training regarding the job.

Promotional risks

IVALO.COM's advertising activities in the German market can create promotional risks. Potential risks include, for example, selecting the incorrect initial target segment, using the wrong promotional channels, adopting the incorrect promotional strategies, as well as failing to differentiate the company from its competition. In addition, the company has to specify ads' terms and conditions clearly enough (Edwards 2023), or this can lead to issues.

Risks associated with sales promotions are one form of incorrect promotional strategies. This means that if IVALO.COM relies too heavily on sales campaigns to attract customers, those customers can begin to hold off on making purchases in anticipation of exclusive discounts. This can force the company to continuously provide discounts to bring in income. Additionally, too frequent sales campaigns can also start to lose their influence on customers, and taint IVALO.COM's reputation. (Business Queensland 2023.)

Technological risks

The major technical risks in ecommerce are, for instance, software failures, different viruses and phishing (Business Queensland 2023). However, on the subject of German ecommerce market, there are strict regulations that IVALO.COM has to follow. For example, German law is very strict regarding customers' personal data. Ecommerce providers have to obey the regulations regarding data protection and privacy laws or they might have to pay severe fines. (Didomi 2023.)

Logistical risks

Despite operating solely as a marketplace, IVALO.COM and its success are directly impacted by the logistical issues of the products sold there. The main logistical risks that can impact IVALO.COM include interruptions in the supply chain, supplier risks, transportation issues, and inventory risks (Limak Logistic 2023).

Interruptions in the supply chain might cause problems and delays in receiving products. This can have a direct negative impact on inventory, and leave customers disappointed, negatively impacting sales. If there are inventory issues with popular products, IVALO.COM can suffer significant financial losses, limiting their market expansion resources. Supplier risks, such as quality issues and reduced production, can have the same effect. (Limak Logistic 2023.)

Transportation risks can negatively impact a company's reputation at a time when first impressions are crucial. These risks include, for example, damaged items, delivery delays and missing shipments (Limak Logistic 2023).

Reputation risks

A positive reputation is one of the key elements when entering a new market since it can provide a competitive edge, attract customers, and grow customer loyalty. While it can take years to build trust, it can be broken much faster. A crack in reputation can significantly damage a company's success, especially in a new market where customers are highly cautious. (Szwajca 2018, 165-167.)

When the customers are not familiar with the company or its website, first impressions are significant. Factors damaging company's reputation can be, for example, poor customer feedback on product or service quality. Even if these variables are beyond the company's control, they can be harmful. Additionally, in order to secure good reputation the website has to be secure with clear return policies, and supportive customer service

Besides the risks mentioned before, IVALO.COM has to keep in mind additional risks regarding market entry, including business environment risks and changes in regulations. Furthermore, the company should be ready to invest a significant amount of money towards the market entry, since there are various financial obligations, and it is important to consider that return of finances is not going to be immediate.

7 Conclusion

In the beginning of the thesis three research questions were provided, to support the research and help analyze the data.

RQ1: How favorable is the German market for IVALO.COM?

When researching the German market favorability, the German economic environment, legal environment, as well as business environment for both German sustainable fashion market and ecommerce market were analyzed. Germany has the strongest economy in Europe, with a lot of opportunities and purchasing power. The legal environment of Germany is stable, and the country is constantly working to improve the business environment for small and medium-sized companies. Online shopping has increased significantly in the market, with a growing percentage of Germans purchasing clothing online. Regarding the legal environment of ecommerce, there are several ties to EU regulations, but also some exclusive to Germany. The market for sustainable fashion is diverse and constantly developing. The demand for ethical clothing and business practices is increasing each year, and even though German customers are usually highly price sensitive, more and more consumers are willing to pay more on sustainability.

RQ2: What amount of competition awaits IVALO.COM in the German sustainable fashion market?

As the demand for sustainable fashion is increasing, so is the market competition. There is a lot competition on the market, from smaller domestic brands to large global corporations. Based on the competition analysis, IVALO.COM has several direct competitors on the market, four of which were studied. The main competitive advantages of the German competition are their market visibility and exposure, customer loyalty, as well as adaptability to German regulations and consumer behavior. German customers are more

inclined to purchase clothing from reputable German online stores. However, most of the companies only utilize one or two sustainability criteria, and do not disclose their validation methods as transparently as IVALO.COM does. This is the competitive edge of IVALO.COM, in a market where customers are sharp and do not want to be greenwashed, IVALO.COM delivers clear sustainability criteria.

RQ3: What market entry strategy would be most appropriate for IVALO.COM?

In order to create website traffic and drive up sales IVALO.COM has to promote the company appropriately. The most successful types of promotion on the German market would be developing a German language website and landing pages, search engine optimization by using most frequently used German keywords regarding sustainable fashion, and social media advertising.

In addition to these research questions IVALO.COM should also pay more attention to the risks of the German sustainable fashion industry, as well as the ecommerce market. Furthermore, when entering a new market, there is always a major risk regarding company finances, and the company should pay attention to additional expenses.

Also, the impact of risks like COVID-19 on retail and supply chains is etched in everyone's memory. The pandemic exposed vulnerabilities in global supply networks, leading to disruptions and prompting businesses to reevaluate their resilience strategies. It serves as a stark reminder of the need for agile and adaptable supply chain management in an increasingly interconnected world. (Shrestha, Megha, Chakraborty, Mazzara, & Kotorov 2023, 576-585.)

The study's limitations are notable in several key areas. First, the German sustainable fashion market's breadth and dynamic nature present challenges in capturing its full spectrum of nuances and evolving dynamics. Additionally, the heavy reliance on secondary data may restrict the depth of the analysis and hinder a comprehensive understanding of the market. Furthermore, the study provides a static snapshot of market conditions at a specific point in time,

without considering potential post-research changes and developments. To address these limitations and further enrich the research, three valuable future research directions are proposed.

First, conducting a longitudinal market analysis over an extended period can provide a more comprehensive understanding of the German sustainable fashion market's evolution, shedding light on changes in consumer preferences, regulations, and competitive dynamics over time. Second, a shift towards primary data collection, involving surveys, interviews, and market observations, can bridge the gap created by the reliance on secondary sources, offering up-to-date and specific insights not attainable through existing data. Finally, delving deeper into risk assessment and mitigation strategies related to the German sustainable fashion market and e-commerce can be highly beneficial, especially for companies planning market entry. By developing effective strategies to manage financial and operational risks, such research can contribute to more successful market penetration and sustainable growth.

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