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CASE STUDY

Bringing Utopia to Australia

A local clothing chain seeks expert advice to successfully expand overseas

When a distributor from Perth, Australia contacted Utopia, a Singapore-based clothing company, about the possibility of distributing their products down under, Utopia was unsure of the viability and what approach they should adopt. The company initially wanted to open franchises in Sydney and Melbourne but had yet to find potential franchisees.



Since it is their first time distributing or franchising overseas, there were a number of questions on their mind. Utopia thus engaged O&L Consultancy Services to answer those questions and map out a strategy the company's Australian expansion.

Before O&L came into the picture, Utopia was only in talks with the distributor on wholesaling, and they were not sure if the consumers in Australia would accept their products. With little knowledge of the Australian market, Utopia had no clear idea how much to charge the distributor and where Australian consumer preferences lay.

O&L assisted Utopia to determine which approach—distribution or franchising—was more suitable for their company. In the end O&L recommended main distribution as the most appropriate approach, though negotiations could be made with the distributor to do a concept store theme.

A feasibility study was conducted with the primary objective of understanding the Australian market before proceeding with the distributor in Perth. The study sought to determine among others regional developments within Australia for the clothing industry, potential market size, personal disposable income of potential target groups by sex and age, consumer behaviour towards clothing in Sydney, consumer lifestyles in Sydney and Perth and competition.

Utopia's products were also showed to Australian consumers in a focus group study to help the company choose the right pieces for the Australian market. Clothing sizes were also selected for the market as Australians were generally bigger than the average Singaporean.

Study results allowed the company to adjust their target group and positioning for the Australian market. Utopia used all these inputs, especially retail price, style distribution price and industry information, in negotiations with the Perth distributor. The additional understanding and selection of clothing pieces for the market later enabled the distributor to increase their initial quantity order by 3 times in only five months.

Another objective of the feasibility study was to help the clothing chain develop a business proposal that could be shown to potential Australian distributors, as many of them were unfamiliar with the Utopia brand.

After O&L presented Utopia's concept to potential distributors over a series of meetings, shortlisted distributors were invited to come to Singapore to view Utopia's shops and concepts and to meet with the owners. Because the preliminary talks were held via teleconferencing, Utopia enjoyed substantial savings on flight costs.

After Utopia successfully entered the Australian market through main distribution, they went on to develop their franchise kit, and was introduced to potential franchisees in Sydney and Tasmania to further their expansion plan.

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Market: Germany, Australia, China

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