

# *Positioning of innovative goods in the example of the transforming clothes market*

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**Abstract**—Positioning of an innovative product presents is not an easy matter on any market. The world clothes market is seldomly presented with such innovations, let alone the Russian clothes market which falls behind the markets in the West in many positions, which makes the problem of introducing a new product to this market a complicated issue. To identify a way to approach positioning of innovative goods, the authors of this article have researched the Russian clothes market and various approaches to innovative products promotion, so that an effective approach to positioning can be developed for such innovation as “transforming clothes”. In this article the target group and its needs are identified to present the main requirements to the positioning this innovative product.

**Keywords** — *innovative product, transforming clothes, clothes market, fashion retail industry, positioning, principles of branding.*

## I. INTRODUCTION

An introduction of a new product is an important stage in the development of a business that invests in its development and promotion. New products can cause interest and increase the number of customers or, in case of a failed start, spoil the reputation, which then will be difficult to recover. Since there is no single proper way for business development, the business strategy for creating and developing a new product is usually based on several financial and marketing theories. An introduction of an innovative product is always associated with new developments in both production and promotion [1].

It is assumed that the new product becomes a successful innovation if it meets the following four criteria [2]:

**Importance.** A new product or service should provide benefits that the consumers perceive as meaningful. However, the most important thing is the evaluation of this innovation by consumers in terms of how important the proposed benefit is to them.

**Uniqueness.** The benefits of a new product should be perceived by consumers as unique and different from the benefits associated with existing products. Only in this case the novelty will be highly appreciated.

**Stability.** A new product can provide unique or important benefits, but its prospects of conquering the market are largely related to how easy it is for competitors to reproduce it.

Patents are a certain obstacle to copying competitors, however in most industries the most effective means of ensuring the sustainability of an innovation are the company's acting speed on the market and establishment of "strong" brands.

**Marketability.** To deliver the product to the market and to support it, the company must develop an efficient distribution system. The possibility to successfully sell the created goods is related to the degree of their reliability and efficiency, and the adequacy of the price to consumer value.

The concept of the product is developed in accordance to these four features - a well-developed idea of a product that combines the properties and qualities of the goods from the customer point of view and is further expressed in the marketing program for the relevant group of target consumers. Typically, through marketing tools, they are asked questions related to communication and trust in the product, the level of need and satisfaction, the level of the gap in relation to other substitute products.

## II. THE CONCEPT OF A NEW PRODUCT

Marketing strategies in the fashion retail industry change daily. Fashion segments in retail (clothing, accessories, shoes, bags, etc.) are extremely competitive, and the profit margins in them aren't high. Retailers use technologies to achieve global leadership and to reduce their costs. Technologies facilitate interaction with customers, which makes it more convenient to pick the goods, and allow for product and advertising content customization. They give advantages in the processes of creating loyalty among customers and in managing customer relations. In the market of fashionable clothes, retailers must ensure fast delivery of products from suppliers to warehouses and stores [3]. Retailers of fashionable clothes also use technologies to enter the world markets, as technological innovations helped retail fashionable clothing to achieve global competitiveness and sustainable economic growth. By improving technology, fashion retailers can maintain effective relationships with customers [4]. These technologies allow to achieve a better understanding of customers and their behavior, to meet the needs of relevant groups and to build a global identity for a fashion brand. With the help of the latest technology Fashion retailers can know the exact amount of stocks so that they can track which goods are on the shelf and how much should be re-ordered [5]. We can say that the desire to introduce technological innovations has revolutionized the

retail trade in the fashion industry in every segment. At the same time, it is difficult today to invent an innovative product that would not have existed before on the market, therefore, in general, companies compete among themselves in innovative ideas of how and where these products are manufactured, sold and advertised.

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Nevertheless, some interesting and very successful discoveries of fashionable and technological "gold veins" in the fashion industry have been under our eyes for the past few years. For example, many designers have already released fashionable couture clothes printed on a 3D printer on the runway, for example, a great attention was drawn to the presentation of Iris Van Herpen. This innovative technology opens up new opportunities for designers looking for new materials and approaches to designing and manufacturing clothes [6]. Another such project is the project of the unique transforming clothes — a business outfit that transforms into an evening dress if needed.

To create transforming clothes that match the needs of the target audience, the authors conducted a study of its detailed characteristics. According to the results of the survey, the key consumer is a woman over 30, who is a highly paid professional in a big city with a population over a million. She is focused on her career, status, success, achievements, efficiency, plans, involvement. For her, money represents success. She prefers famous brands and imitates the external attributes of people belonging to the business elite, has active socialization. Her life style involves active attendance of evening activities, evening leisure in the city, including during the work days. It is important for her to look properly both in the active "career part of the day" and in the active "personal part of the day." On the scale of innovation of Everett Rogers, she belongs to the late majority [7]. This means that she is inherent to traditional femininity, sexuality, romanticism, she is ready to pay for the quality of cuts, fabrics and a modern status image.

To date, there are the following variants of the test product:

1. conceptual transforming clothes "for special occasions"
2. simple transforming clothes for everyday use, which allows to embody your own ideas through unique wearing options,
3. designer transforming clothes, which are "creative"
4. feminine transforming clothes for business women.

The conceptual transforming clothes do not suit the chosen target audience, because women over 30 do not want to stand out of the crowd with the help of their clothes. Their mental age allows them to focus on more important things in life, for example, on their career and family. As a rule, they are already not bothered by global problems like global warming.

Simple transforming clothes for everyday use also do not fit the target audience, because these women are usually not too creative and don't want to think about how to differently tie a skirt to change its shape, they want to put a minimal effort into the search and selection of clothes, they just want to be "ready to go" faster, because for these women time is money.

Thus, the most suitable option for the women of this target group is the feminine business transforming clothes, and, to a lesser extent, the designer version of the product "for special cases."

### III. CHARACTERISTICS OF THE RUSSIAN CLOTHING MARKET

The authors analyzed the Russian fashion market with the aim of finding the potential niche for the innovative product. The Russian fashion market is young compared to similar markets in the West, but it has already overcome several turning points. The market experienced complex stages of development during the crises of 1998, 2008 and 2014, as a result of which the market structure changed, the consumer demand was altered, and new business models were introduced. After the 1998 crisis there was a rapid growth of the fashion market thanks to the recovery of the economy and an increase in the population's purchasing power. From 2000 to 2007 the turnover of the retail market of fashionable clothes was constantly increasing. At that time the segment of women's fashion clothing dominated the market, which in many ways determined the structure of the entire market. At that time the Russian market has adjusted to the European standards, because its rapid growth attracted foreign players. The market growth and low competition allowed both foreign and Russian producers to gain a foothold. However, as a result of the financial crisis of 2008, the incomes of the population fell, and the purchasing power declined. After the recession in 2009 the demand on the Russian retail fashion market fell, but it recovered quickly due to positive tendencies [8]. During the crisis of 2014 there was a sharp decline in incomes, which caused a large part of the population to save money and reduce spending on wardrobe items. The turnover of retail trade in 2015 was 8.4%, which is the worst result in the last 20 years. The first half of 2016 showed a decrease of 5.9%, while maintaining a negative trend. The previous fall record was in 1995: - 6.2% [9]. So, since 2015, there has been a stagnation on the market amid a decline in player turnover, a decrease in margins with a slowdown in prices, a reduction in the number of stores in networks, a reduction in the volume of purchases in accordance with reduced demand. In 2016, a recovery in demand was seen for variable, unique and exclusive models.

The volume of the clothing market in 2016 amounted to 1381 billion rubles. (see Figure 1) [10]. This means that the market returned to the volume of 2011 in the ruble equivalent and to the volume of 2004 in the dollar equivalent (\$ 20 billion in F2016 against \$ 23 billion in 2004). The market dynamics amounted to -1% by 2015 in rubles and -10% in \$ equivalent. There is a stagnation of the market caused by the decrease in the sales turnover of market players due to the decrease in purchasing power and a slowdown in the growth of prices on the market (which is used to attract a small number of customers), which leads to lower margins for

companies, which, in turn, causes an even greater decline on the market.

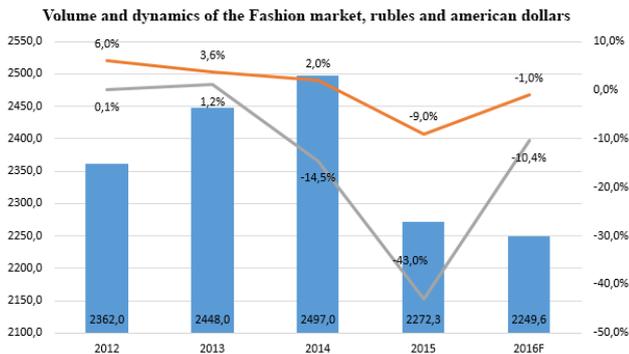


Fig. 1. Volume and dynamics of the Fashion market, rub. and USD

In 2016, the structure of the clothing market has changed: the lower price segment grew to 65 percent of the market at the expense of the mass segment (see Figure 2). There was a noticeable drop in sales of mid-range priced clothing. Simultaneously, purchases of the low-price segment brands were growing. The clothing market has returned to the volume of 2011 in the ruble equivalent and to the volume of 2004 in dollar terms. The most tangible blow fell in the middle and middle-plus price segments, buyers with an average income and above are trying to keep the old set of brands in their wardrobe, but at the same time to reduce the cost of purchases by up to 25-40%. For the retail market this means a reduction in the number of purchases, a decrease in the share of purchases at regular prices and an increase in the share of purchases during periods of discounts and sales, an increase in popularity of outlet shops, stock shops and commission trade

Structure of the Russian clothing market by price segments, %

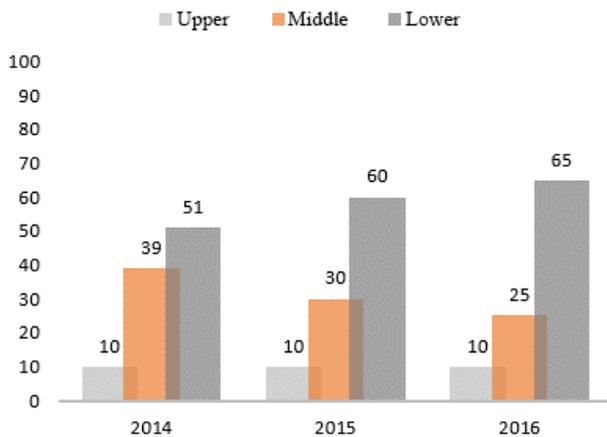


Fig. 2. Structure of the Russian clothing market by price segments, %

The most tangible blow occurred in the medium and medium-plus price segments, consumers with an average income and above try to keep the same set of brands in their wardrobe, but at the same time cut their spending by 25-40%. For the retail market, this means a reduction in the number of purchases, a decrease in the share of purchases at regular

prices and an increase in the share of purchases during periods of discounts and sales, and the growing popularity of outlets, stock shops, commission trade [13].

It is worth mentioning that the ratio of turnover in general corresponds to the structure of developed markets in Europe and the US, and this distribution of shares will continue in the long run.

More than 85% of the Russian population in 2016 belong to the low-income class (struggle to purchase an automobile) vs. 70% in 2014. The lower-income class (the poor) has grown from 25% to 45% of the population in 2016. Less than 3% of the population don't experience difficulties in purchasing goods and services.

Dynamics of an indicator assessing the degree of financial difficulties in the purchase of goods and services (subjective poverty assessment)

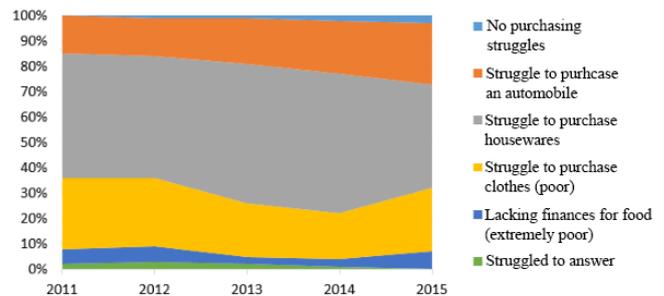


Fig. 3. Dynamics of an indicator assessing the degree of financial difficulties when buying goods and services (subjective poverty assessment)

The National Agency for Financial Research conducted a similar survey in November 2015, which showed that the second article of substantial reduction in expenses is the spending on clothing (after spending on recreation). Almost 40% of Russians have restricted their purchase of adult and children's clothes.

From the "functional and stylish" groups' point of view, Russian women do not stop traditionally preferring more "dressy" clothes, which are distinguished by brightness, decorativeness and sexuality — all that contributes to the creation of a feminine and attractive look. On the Russian market of women's clothing, there is an increase in the share of sales of dresses. According to the "Women's Clothing Market in the Russian Federation" research, prepared by INFOLine specialists, this trend is connected with the orientation towards femininity, and with the desire to create the most effective image in the most economical way. The share of dresses today accounts for an average of 20% of sales (15% in the middle price segment and around 23% in the upper segment).

Business clothes are also in demand among women in big cities. This is mainly due to the fact that women's emancipation is gradually increasing (in comparison with the US and Europe) and most Russian women are trying to emphasize their career development abilities. Another reason is the convenience of choosing a set and the compatibility of business clothes, as a result of which women prefer more formal attire at work, despite a non-strict dress code.

Thus, by formulating the marketing offer of the researched innovation product in the current market conditions, some suggestions can be made. In order to formulate the correct positioning in the niche of the transforming clothing, the key is the correct definition of the POPs segment (Points of Parity), identification of the requirements of the segment which are formed by other players and accepted by the consumer, and forming PODs (Points of Difference) — the competitive advantages that the brand demonstrates to attract the target audience.

Thus, the POPs of the transforming clothes brand include being a European brand, the collection variety and assortment, collaborations with designers, proper fashion presentation and visual merchandising, representation in the online store, management of discounts in retail, the presence of sales / outlet sections in the online store, look-books, advertising campaigns on a European level, promotion in glossy media, representation on the internet and Instagram.

1. As the authors concluded, PODs of the transforming clothes brand are this:

2. An effective solution is to bet on the — "2 in 1" function at a bargain price (a quality business suit with an alluring evening event look when transformed).

3. Speed and ease of transformation — so there is no need to change clothes for an evening event.

4. An interesting solution is to bet on the emotional perception of the daily routine: variations of transformation such as playing with new personal images and the discovery of a "new you".

5. Working with a stylist to select a look: getting a full-fledged look and not thinking about how to match makeup and accessories (to negotiate with an accessory brand such as Magia di Gamma).

6. A service for transformation — you can get advice on what kind of look is best for a specific event / advice on dress codes (service for selecting a business look depending on the degree of conservatism at work).

#### IV. CONCLUSIONS AND RECOMMENDATIONS

Thus, the authors came to the conclusion that the transforming clothes in the Russian market should be positioned as a solution to the problem of "nothing to wear" for business women over 30 who want to look attractive both at work and at a party later in the evening.

Since the target audience of the brand is a woman over 30, a highly paid professional, a resident of a big city with an active social life who wants to succeed in everything, then a rational brand message will be formulated as a universal "chameleon uniform" for the City.

At the same time, the basic principles of branding new transformer clothes will be:

- Demonstration of relevance of the clothing
- Demonstration of what the pleasure of using the product is

- Presence of role model to follow
- Support from opinion leaders
- Permanent presence on air
- Communication is more important than the product

The format of the message should be interactive and assist in creating a "display" image and a lifestyle in the virtual space. The interactive message format will allow to broadcast oneself: to "share", "be interested", "like", etc. Messages will transmit personal sensations, the emphasis will be made on new personal experiences / feelings, the focus being the sensations / experience of interaction with the brand which brings pleasure. In addition, the format should be entertaining: an entertaining message format, stories which convey the sensations built on the benefits of the product.

Development of important customer touchpoints such as the product itself, employees' guidance, various fashion guides and others can also help develop the brand [14]. The approach to developing customer touchpoints should emphasize not only the stylishness of the new product, but also its convenience on all stages of the customer journey: the convenience to select a suitable model, the convenience of purchase and delivery processes and the convenience of the product's transformation. A great example of this would be visual merchandising that offers end-to-end solution for clothing retail [15].

This approach to positioning will allow the introduction of a new format in the clothing market in the stage of significant saturation and will create a new promising niche for a significant number of consumers.

### **Acknowledgment**

The publication was prepared with the support of the Peoples Friendship University of Russia program "5-100" within the framework of the project "Improvement of marketing tools for supporting and expanding import substitution of everyday goods in the real sector of the Russian economy."

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