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Introducing the Steve Madden brand in Spain Project 2

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Summary

Our analysis of its cultural and economic aspects suggested that Spain offers a fashion-forward market with strong growth potential in the footwear retail segment. Consequently, we chose to explore the idea of introducing Steve Madden, Ltd. Footwear to the Spain market. As an American brand with international experience, Steve Madden has a clear opportunity to enter the market, which is currently very fragmented, and quickly become a dominant player. Steve Madden has grown rapidly over the past decade and is currently outperforming both Deckers Outdoor and Finish Line, with special attention paid to its strong results in international markets.

The target market selected for this venture will consist of fashion-forward men and women aged 18-40 years old. This group represents a typical target market for Steve Madden products, and is expected to contain the most fashion-forward consumers in the Spanish market, as well as those least affected by the recession. In current markets, the Steve Madden brand has seen Caucasian women as its most frequent buyers and research shows that those with children are even more likely to purchase.

We plan to enter the market slowly to test the market and focus on building a strong brand image before investing too much into this venture. This will begin with only the main line, Steve Madden (several other lines exist in the United States and various other markets), being sold in retail stores located in four major cities: Madrid, Barcelona, Valencia and Seville. We have set the realistic goal of achieving a 10 percent market share within the first year and plan on making the decision on proceeding with further expansion at that time.

Steve Madden's two major competitors are identified as Quirky Camper and ALDO. Though there are a large number of footwear retailers present in Spain, these will be the most direct competition based on style, location and price range. Much of Steve Madden's relative advantage comes from the uniqueness of its designs. Being a U.S. brand will also help it enter the market with a positive image as Spaniards tend to perceive U.S. products to be high quality. Steve Madden will offer a hassle-free return policy and generous warranty on its products to enhance competitiveness in this market.

Steve Madden's products also offer low complexity, high trialability, high observability and high compatibility as we will be entering a market with many fashion-conscious consumers. The transition will be very simple. Not much adaptation is necessary of the product; it will mostly be dependent on selecting the right products which are already available to best serve this market. The sizing for footwear will also need to be converted to European sizing. The price range will remain consistent with pricing in the U.S. as this is also consistent with our identified competition in the Spanish market.

The product will be marketed through advertising, social networking, sponsorship and local promotions. In order to identify with local consumers, these efforts will be adapted for each region in which we will be located, as Spaniards feel a strong attachment to their regional identities. This will include translating into two dialects, Catalan and Valencian, as well as traditional Spanish. Members of Steve Madden's corporate team will be assigned to continuously research Spain and keep up with changing trends in the market so that Steve Madden never falls behind its local competitors. We feel that this venture provides a strong opportunity for success.

I. Introduction

Despite the recent economic downturn that displayed effects around the world, Spain is continuing to improve and show sizable growth from these recessionary effects. Spain now has a large middle class, leaving a significant gap from the upper class. The majority of the country's ability to retain a high standard of living has proven the promising recovery throughout the country. The large population totaling 47,042,984 (July 2012 est.) accounts for every 1 out of every 151 people in the world. This population, with 46.5% of their residents between the ages of 25-54 years, provides a large market for nearly every product offered. Spain relies heavily on the service industry accounting for 72.6% of GDP, which provides opportunity for entrance of new brands and companies across the globe. Spain shows signs of opportunity, and we feel that Steve Madden, Ltd., would benefit and thrive in this country. We can utilize these facts in order to pinpoint our target market and meet the needs of our consumers. The Spanish culture has proven it to be a fashion-forward country. Adapting to this culture, utilizing our resources and research will be keys in a successful business venture to Spain.

II. The Market

Due to the recent economic recession, Spain saw a 6% decline in retail sales. The economy is slowly showing signs of growth, but is not predicted to return to the same levels of pre-recession until approximately 2015. The recession has also influenced consumer spending; with higher unemployment and a decline in disposable incomes, the outlook has not been favorable.

Although these signs are somewhat unappealing, the footwear sector has been more resilient than the retail sector as a whole. The market for footwear in Spain has not shown much growth in the past few years, yet is a promising sector in the retail industry. Analyzing the consumer buying habits, product use patterns and shopping habits will allow us to make reasonable assumptions of the current market. According to Mintel Reports, consumer spending on footwear was estimated at €7.9 Billion, or \$10.7 billion. Spending on footwear has been contracting in the last few years, although showing signs of growth compared to spending on clothing. The shopping habits of the market show that nearly half of all consumers make purchases at specialty shoe stores. These specialty shoe stores offer a very narrow selection, which also translates into being on the higher end in terms of price.

The shopping habits in Spain have shown that younger consumers are more interested in fashionable footwear. These consumers often prefer shopping for footwear at specialty stores compared to larger department stores. They do not always expect such footwear to last for a long time, but are relatively price conscious. With Spain being recognized for its strong short-term orientation, consumers will be constantly looking for the newest trends. We do expect that the more fashionable end of the sector will suffer from a weaker economy as consumers have cut back on non-essential purchases.

The competitive landscape of the footwear industry has grown over the years, yet the sector remains very fragmented. The expansion from branded outlets from manufacturers such as Geox, Bata and Farrutx is slowly altering the threat of new entrants. With the economy of Spain in rebuilding stages, many companies have been weary of entering the market. Deichmann, a German footwear retailer, has proved the

contrary, adding that Spain still offers plenty of opportunity. The quirky Camper is one of Spain's most well-known footwear brands internationally and operates 26 stores across the country, but the French retailer Vivarte has the largest number of outlets in Spain.

In regards to pricing, consumers in Spain are sensitive to price, but are still willing to spend the extra dollar for a perceived value of fashion and quality. The economy plays a large part in the spending of consumers and the prices they are willing to pay for non-essential purchases.

Placement and distribution are major factors in the sale of these goods. Consumers visit retail department stores regularly, yet are often more attracted to stand-alone stores. The culture plays a role in the distribution of these goods, as many of their consumers search for products that are locally available and easily accessible.

With the Spanish footwear sector remaining fragmented, the promotion of our brand, Steve Madden, will allow for an easier transition into the market. Steve Madden is a well-known brand internationally, which the Spanish have likely experienced in nearby countries. With the number of existing footwear retailers continuing to expand, we understand that there will be a need to emphasize promotion of our brand. We feel that this could simply be done through an intense marketing campaign. Billboards, social networking, and introducing to key locations will be necessary to establish a strong foundation.

III. Target Market

Our target market will include young professionals in the more populated areas of Spain. This will include fashion-forward men and women between the ages of 18-40

years old. Steve Madden offers a children's line as well, which is targeted towards both the children who wear the product and the parents that make the purchases. They target department stores, specialty stores and other markets in larger populations. In the United States, Steve Madden has successfully reached their target market of 13-30 year old women. These women are typically Caucasian, and tend to make more purchases if they have kids. Steve Madden focuses on stores in heavily populated geographic areas because consumers typically have higher incomes in larger cities and have more disposable income to purchase the goods that they want, rather than need.

We have chosen this group as our target market because they have proven to be the least affected by the recession. Steve Madden has successfully reached similar groups in the United States, as well as other markets across the world. The company is familiar with entering new markets, and has successfully done so in 38 other countries. This group will be the most fashion-conscious and likely to purchase our products.

IV. Marketing Objectives

To determine marketing objectives, we are implementing a SMART Approach, which will allow us to set specific, measurable, achievable, realistic and time-specific objectives. We will work to understand the latest preferences and fashion savvy products, as they are always changing. By doing so we hope to reach and satisfy our target market. We feel we should enter the market at a slow pace to limit risk and promote the awareness of our brand in the footwear sector. To measure our market share, we hope to reach at least 10% of our target market within the first year in order build a foundation of our brand. With this we can test our prominence in the market to predict future growth

and expansion. We feel this is an achievable and realistic goal within the first year, especially in a sector that remains fragmented. We will measure this at the end of each quarter in hopes to better predict the final numbers at the end of the year. This will also allow for us to quickly react to the market and make necessary changes.

With a slow start we feel that we will be able to better adapt to market conditions. This provides a better view of the road ahead in the future in our hopes of expanding widely across Spain. In future expansion we will be able to offer other product lines such as the Steve Madden kids' line, and potentially the Steve Madden fashion lines. The entrance into Spain would broaden our product offerings and increase revenues. We feel that the standing experience of Steve Madden in international expansion will offer an easy transition into the fashion-forward Spanish market.

V. Marketing Plan

The Steve Madden brand boasts its unique creative designs which offer consumers a unique way to express their individuality through style. The products are innovative, sometimes wild and always spot-on-chic inspired by sense of rock and roll, fused with a jolt of sex appeal and urban edge. Based on these, the brand's existing characteristics, we would keep the fashion-forward brand image and position the Steve Madden as a creative, innovative, and urban edgy brand that our target market will respond positively to.

There are sub-brands of Steve Madden; one is called STEVEN by Steve Madden which is an edgy, sexy, cosmopolitan collection targeted at women between 25 and 40 years old. The other sub-brand is L.E.I for young women and children ages 6 to 20. We

will begin by introducing only the main brand Steve Madden, but hope to eventually introduce these two product lines to the market additionally, in order to more effectively reach our targeted customer.

Despite general difficult times in the retail industry in recent years, Steve Madden has continued to thrive, even outperforming major players Deckers Outdoor and Finish Line last year in the footwear market, as shown in the chart titled “Superior Revenue Growth” published 2 December 2013 (Appendix A). Much of this success is attributed to the 25% revenue growth it saw in its international segments, in comparison to the previous year (Baghel).

We have identified Steve Madden’s two major competitors in Spain as the major domestic shoe brand the Quirky Camper and another major foreign shoe brand, ALDO. In comparison to these competitors, Steve Madden have several relative advantages. Steve Madden’s major strength is its uniqueness and creativeness. It has fashionable design not only on the shoes line, but also on the accessories and bags line. Although Quirky Camper also offers a varied product line including shoes, accessories and bags, they are more focused on the casual, natural style while Steve Madden is focused on edgy, urban chic style. On the other hand, ALDO and Steve Madden are both very similar companies in the sense that they appeal to the same class of consumer. They also each operate locations out of individual specialty stores as well as in shopping malls. With all these features in common, it is difficult to compete. However, there is slight difference between the two. As a U.S. brand (ALDO is headquartered in Montreal, CA), Steve Madden can be perceived as a fresh, new, and innovative brand in Spain. ALDO targets a slightly younger demographic and offers slightly lower quality products at the same

average price point as Steve Madden. To compete in Spain, Steve Madden will also offer a warranty on its products to prove its faith in the products and to reassure buyers.

Steve Madden can also achieve some level of compatibility in the Spanish market due to the changes of young generations' consuming habits and growing interests in the fashion fields. Along with the wave of growing interest in the fashion industry, there are several fashion activities like fashion weeks being held in large cities like Madrid and Barcelona annually. With sensitivity toward the latest trendy taste that emerged among young generations, Steve Madden can provide the consumer of a way to express their unique, creative, and urban chic lifestyle through their fashion.

The product line provided by Steve Madden is a simple category: footwear. There will be a low complexity in entering or being introduced to the new market. Also, Steve Madden will offer the trial for the shoes in the stores before purchasing. For achieving awareness of the brand name and value of the first year, Steve Madden is going to support the fashion weeks and sponsor our product to the famous actors, actress, and fashionistas in Spain so that the brand can also earn some level of observability through that.

Despite the current economy situation, the footwear industry still has a potential to grow in Spain considering our target market's consumption patterns and the increased interests in the fashion industry among young generations. As the perception of the fashion industry and growing interests on fashion, including the footwear industry, gets better, the young generation is seeking new ways to express their lifestyle and characteristics through their fashion. Steve Madden is going to maintain the basic pricing strategy already in place in United States to keep our brand value and quality. The price

of Steve Madden is in line with those of our major competitors, the domestic casual brands in Spain (i.e. Quirky Camper average €80 to €150) and ALDO in Spain (average €75 to €200). These price ranges may seem pricey to the some, however, we believe that when it comes to our target market, it will be affordable for the consumers with their disposable incomes to support their fashion-forward style, and they will see the value in purchasing our products. To maintain the imported brand value and the product quality, Steve Madden's price range for women's shoes will enter the market as follows:

- Average price €50 to €75 for shoes, and €80 to €140 for women's boots
- Average price €60 to €85 for men's shoes including dress, dress casual, and sport styles

As a new, unique and stylish American brand, the Steve Madden will be able to adapt to the local market. First of all, Steven Madden already has a reputation as a unique and innovative brand seen as fashion-forward line. In addition, Steven Madden in Spain will be easy to reach by operating its specialty stores in several major shopping malls. We will keep the basic format of the operating system and the stores used in the U.S. However, we will make some changes that are needed to adapt to the local, regional culture. Steven Madden in Spain also will have a very open return policy. Package designs including shoes boxes, paper bags, and giftwraps will be the same as the one in United States to keep the consistency, besides the sizes displayed on shoeboxes, which will be converted to European sizing. However, the store interiors will be unique and adapted to the local, regional, and geographical differences.

As far as the distribution, products will continue to be produced in the United States to take advantage of existing economies of scale and will be exported to Spain.

They will be sold through retail stores in major shopping malls in four major cities: Madrid, Barcelona, Valencia, and Seville. These cities are the most developed and considered the main tourist destinations in Spain, attracting high foot traffic and allowing ease of distribution.

Since the Steve Madden brand is being introduced in Spain for the first time, Steve Madden is going to actively use the marketing communication mix. Using media, we will run an advertising campaign emphasizing the modern and chic lifestyle with Steve Madden. In the advertising, there will be a feature of a woman; she is single and likes to transform her work look into her going out look after she has left the office. She is adventurous, friendly, and outgoing. She has a close group of girl friends that all like to keep busy during the week and go out on the weekends. The whole campaign will highlight the modern lifestyle which has developed recently in Spain as women have become much more prominent in the workplace. We will allocate 40% of the marketing budget to this effort, and the advertising will broadcast to the cities in which we are present.

In addition, we are going to use social networking websites to communicate to the targeted consumers. It will include the Facebook, Twitter, Tuenti (popular Spanish social networking site), and blogs. We will allocate the 15% of the budget for this, including web advertising. To become more known among the population, Steve Madden will sponsor various fashion activities and partner with famous Spanish actors, actresses, and fashionistas so that we can earn more interests from there. The marketing budget will allocate 20% to the sponsorship.

To effectively reach the targeted consumers, Steve Madden will also run some promotions during the first year. The purpose of the promotion is to reach potential customers. Specifically, we are planning a guerrilla street fashion show in the main streets of the downtown areas in the major cities in which we are going to launch the brand. This promotional event will be a temporary event introducing Steve Madden as a unique, innovative, and creative brand. After the show, brochures will be handed out for the better understanding of the brand. We will allocate 25% of the marketing budget to these promotions.

VI. Anticipated Challenges

Marketing during a recession is always a challenge, particularly when dealing with inelastic/luxury products such as designer footwear. In Spain, we are faced with the challenge of convincing our target market that they should spend their hard-earned money on Steve Madden shoes and accessories when they could surely find an array of cheaper products that serve the same purpose.

We found in our initial research that the market in Spain is much more accepting now of multinational retailers than it had been in the past. However, the country maintains the importance of supporting local businesses and thus U.S. firms typically face a number of challenges. For one, as a member of the E.U., Spain offers lower tariffs on exports from member states than other countries. Many U.S. companies also struggle to compete on some of the key factors of local purchase decisions like offering flexibility on financing, adaptation of product design to local market needs, and assistance with marketing and after-sales service. Price also remains a key purchase decision factor in

Spain. While it is important to also address these factors, U.S. products in the Spanish market are generally regarded as high quality and are respected for their high level of technology.

It is also a potential obstacle to keep up with cultural expectations when marketing our brand in Spain in comparison to other countries where Steve Madden holds a presence. For example, in Spain the month of July is known for being a time for big sales in the retail world. Essentially all retail stores have to not only offer reduced prices but provide marketing at least by way of putting up signs advertising sales to attract customers into the store. In the United States, this is not a time of year where big discounts are expected, so this is a local tradition that is important to be informed of, as not offering sales at this time of year could be detrimental to business.

Another difficulty for our marketing efforts is the range of dialects used throughout the country, such as Catalan and Valencian, and especially the number of regions claiming official languages other than Spanish. Even though most all native Spaniards speak Spanish, media sources such as newspapers, magazines and television shows tend to be delivered in the official language of the region. For instance, most television shows broadcast from Barcelona are filmed in Catalan, and are often times even dubbed in Spanish for broadcasting throughout other regions of Spain. This means any advertisements we put out will have to be translated into several different forms of Spanish in order to cater to each region in which we will be operating. And language is not the only thing separating the different regions of Spain. It is common for Spaniards to identify with a specific region over the nation as a whole and different regions tend to

hold different values, which may require specific attention when implementing a new marketing strategy.

In order to support sales of our product during the recession, our marketing program focuses on building a strong brand image. This is vital in attracting consumers who have a disposable income to spend on luxury, high-fashion products. It's important to command the desire to be seen wearing this brand, which is partly achieved by being an American brand. Since we cannot really compete on price when discount retailers will offer shoes of a lower quality at a much lower price, we will be sure to communicate the high quality and value of our product. Again, being an American brand this will generally be the perception of the Spanish consumers.

We will also have to address the aforementioned key factors of local purchase decisions in order to compete better with local entities. The concern of credit terms is not really relevant to our brand since our product is not a very big purchase. We will, however, be very flexible in payment options.

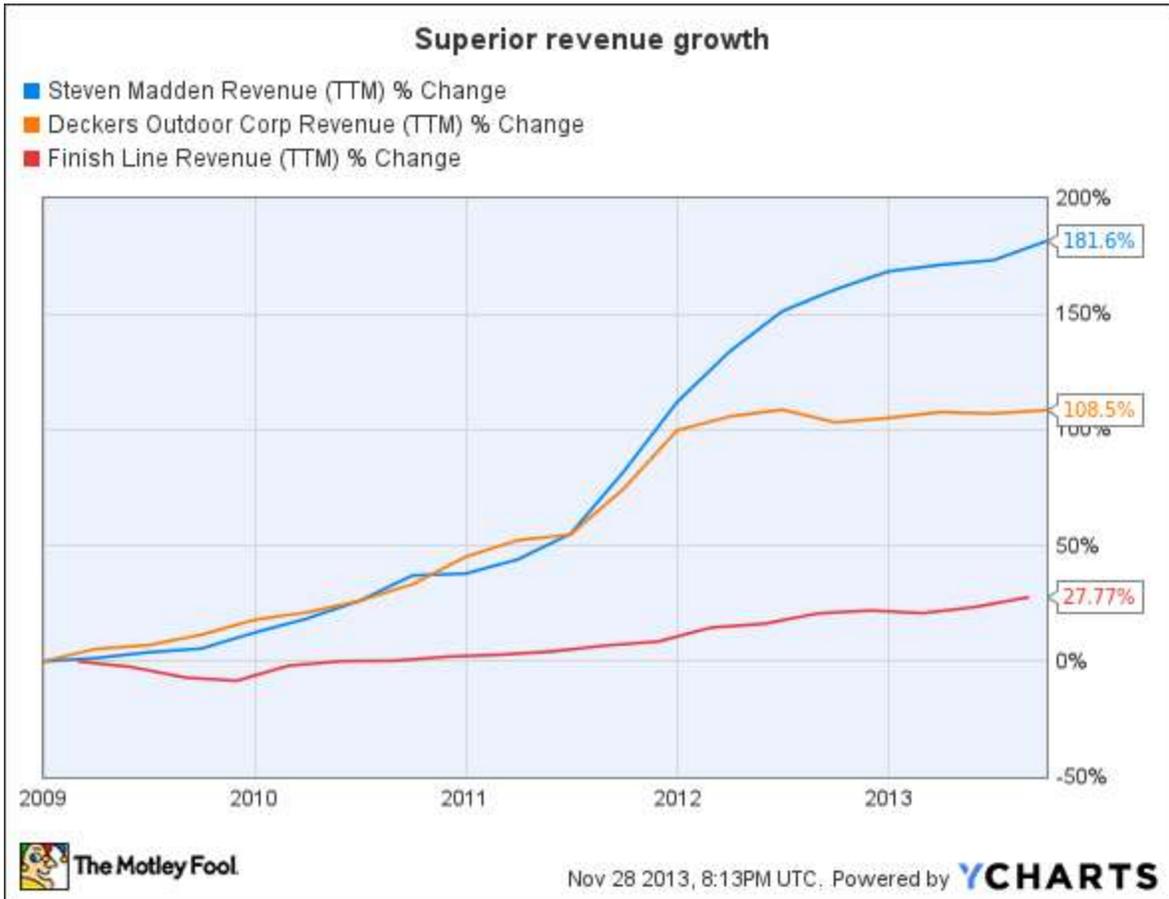
We will have members of the corporate team who focus on researching and keeping up with cultural trends in Spain and ensuring that our marketing strategy is adapted accordingly. This means that our Spanish division will offer sales in the month of July that will not necessarily be available in other markets where Steve Madden operates. In order to cater to the regional differences across the country, for each region we compete in we will adapt advertisements to cultural differences as well as translate to the official regional language. This will be a bit costly, but will give more of a local feel to the brand and help us compete with local businesses that operate only within a single region.

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Appendix A



[SHOO Revenue \(TTM\)](#) data by [YCharts](#)

Source: Baghel