

# Case 17: Orange Retailer Co.

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## Case Question

- Orange Retailer Co. (ORC) manufactures, import/exports and distributes **high-end** world known brands and conservative/traditional apparel brands in several countries in Latin America. ORC is considering entering a new country in Latin America, and you have been hired to determine whether they should enter this new market or not.
- Don't mention this until they have determined to enter the market:* What would be the best entry strategy?

## Case tracker

- Industry:**  
Retail
- Level of Difficulty:**  
**Medium**
- Case Format:**  
Market Entry
- Concepts Tested:**
  - Market Sizing
  - Marketing Strategy
  - Creativity

## Fit Questions

### Spend first 15 min on fit

- Ask interviewee the name of a firm with which they have an interview, then ask Why this firm?
- Tell me about a time when you led a team through a challenge

## Guide to interviewer

- This case tests the ability to understand business concepts and quantify the potential benefits and risks of entering a new market.
- The interviewee should be able to size the potential market, distinguish different type of customer segments, and identify entry strategy for Orange Retailer Co.
- Additionally, the interviewee should identify some associated risks and potential ways to mitigate them
- Hand out exhibit #1 – Size of potential market and customer segments
- Hand out exhibit #2– Current players' share and margins
- After quantifying the size of the opportunity and the ideal strategy to enter this market, the interviewee should identify qualitative aspects of entering this new market

5  
Quants.

5  
Structure



Mkt Size.  
Mkt. Stgy  
Creativity

# Clarifying answers and case guide

## Clarifying answers to provide

### Industry Characteristics/Market Economics

- Macroeconomic outlook is positive in the new market
- Distribution channels are primarily department stores, free standing points of sale, and online sales

### Client Characteristics

- Client is currently the third biggest apparel retailer and has focused on F/H and T/C brands for over 30 years
- ORC has traditionally targeted High-End clients, men and women of ages 15-40

## Guide to case / Guide to handouts

### Part 1 – Hand out after introducing case

- Is there a market opportunity for ORC? What is the size of the relevant market? Interviewee should quantify the size of the market for fashion/high end and conservative/traditional apparel
- Additionally, there should be insight about the most attractive customer segments to target

### Part 2 – Hand out Exhibit 2 after solving Exhibit 1

- The data should lead the interviewer to recognize that the high-end fashion market is probably driven by brand and/or other factors besides price. The margins are more attractive. ORC should be able to leverage the “world known” brands to attract customers in this segment. Additionally, by targeting “young adults” and “teen & children” it can serve +80% of the market
- In the conservative/traditional market, there seems to be stronger competition, which is probably driven primarily by price. Achieving low costs in this market by importing would be unlikely due to tariffs, and local manufacturing would probably require significant fixed (plants, ...) and variable (labor, ...) costs

**Part3** – What other elements should ORC consider in its decision to enter this market?

# Key elements to analyze

## Topic 1 being tested

- What is the potential of the market for this apparel brand?
- *When asked, answer the following: ORC has traditionally targeted **High-End** clients, men and women of ages 15-40*

## Topic 2 being tested

- What could the client drivers be for each segment?
- Should ORC compete in both segments, one or neither?

## Topic 3 being tested

- What channels would you use to enter the market
- What other elements need to be considered?

## Notes to interviewer

- With Exhibit 1, you can estimate the size of each market: Value Driven (245M), Conservative (155M), Fashion & High-end (105M)
- Although the high-end market is smaller (105M) than the conservative market (155M), its concentrated in two customer segments that account for ~70%-80% of the market, which would make entry efforts simpler and more focused.
- Value Driven apparel is not something in which ORC focuses, so they should not enter this segment

## Notes to interviewer

- The Fashion/High-end market seems to be driven by factors such as brand, *trendiness* items, aspiration aspects, or similar. Assuming manufacturing costs are similar, players seem to be able to charge more for products that have a brand recognition
- The Traditional market appears to be a price sensitive market, driven by cost. Assuming that ORC has no cost advantages over local players, this seems like a less attractive market (tariffs, or investment cost would drive ORC prices up)
- ORC should only enter the F/H market

## Notes to interviewer

- ORC should probably enter the market by distributing to department stores coupled with online options, limiting costs of testing the market. Once this has proven successful, ORC should think about rolling out a series of free standing stores, beginning by flagships stores for the brand which will help them position in the new market
- Some of the other elements that could be considered are: new organizational structure, investments in advertising, transportation times and costs, and exchange rates risk

# Solution and recommendations

## Solution & Recommendations

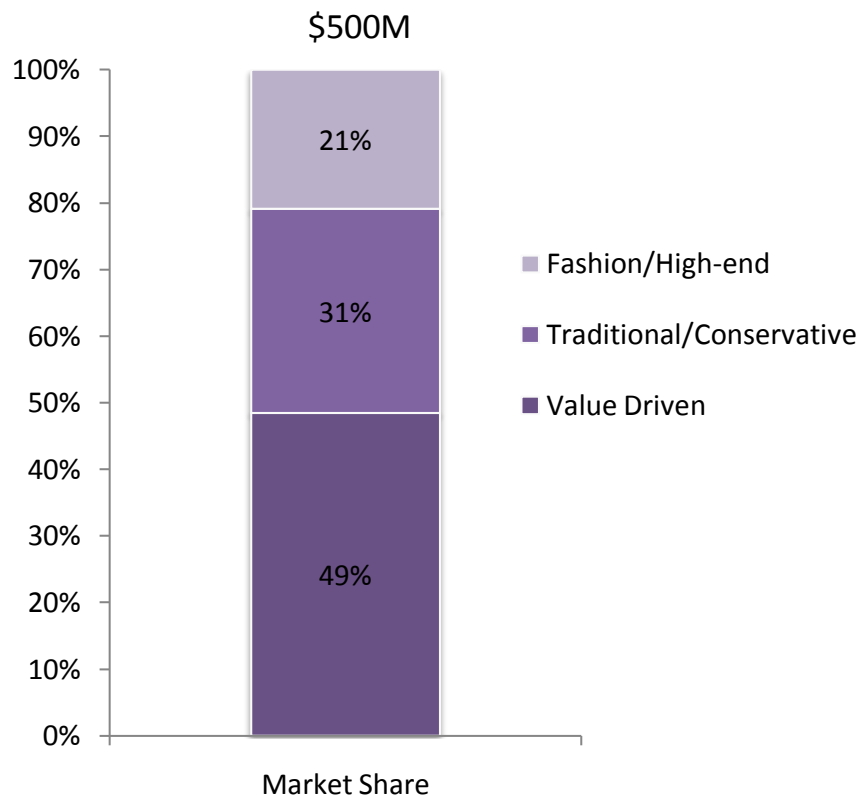
- ORC should enter the Fashion/High-end market. It should be able to leverage the “world known” brands to position itself in this market as an attractive option for the “young adults” and “teens & children” segments.
- To enter this market, ORC should focus on department stores first to test the market with low risk. It could enter the department stores and online channels without the need of a local partner. Once the market has been tested, it could be convenient to acquire/form a JV to build an independent store network

## Bonus/Guide to an Excellent Case

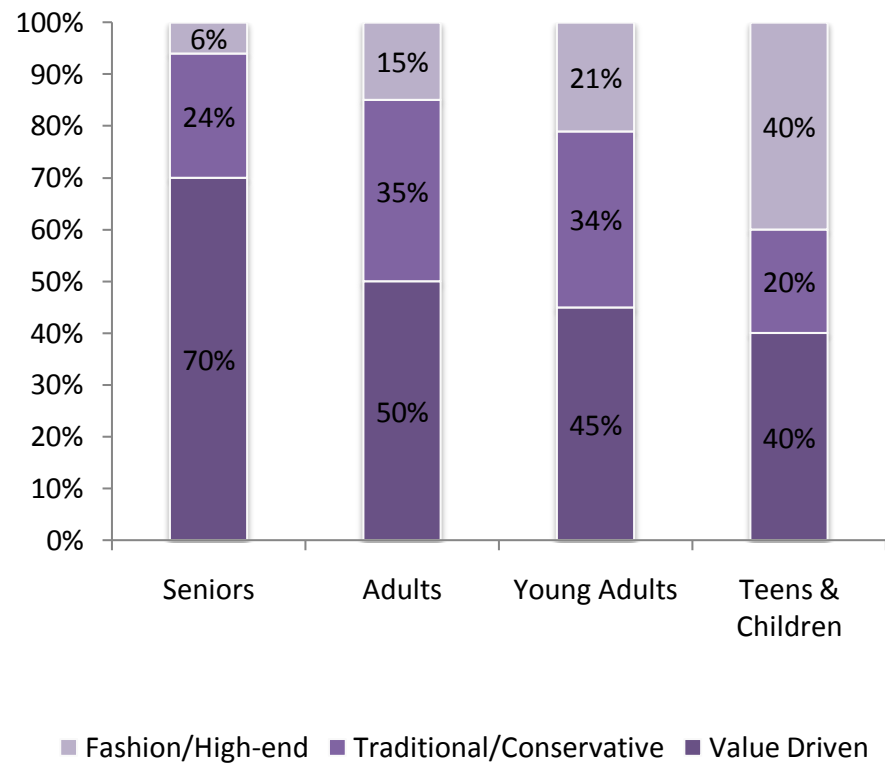
- An excellent answer should mention investments costs, manufacturing costs, transportation costs, and exchange rate risks. If costs are expensed outside of the new market, there are options to mitigate exchange rate risks by buying currency financial options

# Exhibit #1: Apparel market

Market Share (revenue)



Market share by customer segment (revenue)



## Exhibit #2: Current players

Current players in the Fashion/High-end market

<b>Fashion/High-end</b>	<b>Player 1</b>	<b>Player 2</b>	<b>Player 3</b>
Market share	40%	26%	34%
Gross Margin	70%	43%	55%
Operating Margin	45%	18%	30%

Current players in the Conservative/Traditional market

<b>Conservative/ Traditional</b>	<b>Player 1</b>	<b>Player 2</b>	<b>Player 3</b>	<b>Player 4</b>	<b>Player 5</b>
Market share	21%	18%	19%	21%	21%
Gross Margin	21%	22%	20%	23%	20%
Operating Margin	11%	12%	10%	13%	10%